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8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12
13 SECURITIES AND EXCHANGE
COMMISSION,

14 Plaintiff,

15 vs.

16
17 ANTHONY TODD JOHNSON (aka
TODD JOHNSON), JEREMY
18 JOHNSON, RICHARD PORTILLO,
CHARLES LLOYD, MARK
19 HECKELE, MICHAEL GREGORY,
SMART INITIATIVES, LLC,
20 VALLEY VIEW ENTERPRISES
LLC, TARGET EQUITY LLC,
21 ZABALA FARMS GROUP, LLC, C-
QUADRANT LLC, GPA
22 ENTERPRISES LLC, RJ HOLDINGS
GROUP, LLC, EXTRACTION
23 CAPITAL TIER 1, LLC, GREEN
GROWTH VENTURES, LLC,
24 GREEN BUD INITIATIVES LLC,
CIS MARKETING, LLC, AND
25 LLOYD MARKETING, LLC,

26 Defendants.

Case No.

COMPLAINT

1 Plaintiff Securities and Exchange Commission (“SEC” or “Commission”)
2 alleges:

3 **JURISDICTION AND VENUE**

4 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
6 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e) & 78aa(a).

9 2. Defendants have, directly or indirectly, made use of the means or
10 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
11 securities exchange in connection with the transactions, acts, practices and courses of
12 business alleged in this complaint.

13 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
14 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),
15 because certain of the transactions, acts, practices and courses of conduct constituting
16 violations of the federal securities laws occurred within this district.

17 **SUMMARY**

18 4. This action involves securities offering fraud by nine issuer entities (the
19 “issuers”) and their respective principals and control persons that raised over \$25
20 million from more than 400 investors located in multiple states between September
21 2017 and February 2019 to ostensibly finance two marijuana related businesses.

22 5. Five of the issuer defendants – Smart Initiatives, LLC, Valley View
23 Enterprises LLC, Target Equity LLC, Zabala Farms Group, LLC, and Green Growth
24 Ventures, LLC – raised approximately \$12.3 million from approximately 226
25 investors for the stated purpose of investing in a newly established and licensed
26 marijuana farm located in Salinas, California.

27 6. The other four issuer defendants – C Quadrant LLC, GPA Enterprises
28 LLC, RJ Holdings Group, LLC, and Extraction Capital Tier 1, LLC – raised

1 approximately \$13.2 million from approximately 211 investors for the stated purpose
2 of developing C-Quadrant, a startup cannabidiol (“CBD”) extraction facility, also
3 located Salinas, California.

4 7. In soliciting investor funds to invest in the marijuana farm and the CBD
5 extraction facility, defendants Todd and Jeremy Johnson, who were the principals and
6 control persons of six of the issuers, and defendants Richard Portillo, Charles Lloyd,
7 and Mark Heckeke, who were the principals and control persons of the other three
8 issuers, misled and deceived actual and prospective investors about the profits they
9 could expect to realize on their investments, claiming that the investments would
10 generate annual returns of 100% or more.

11 8. In addition, the Johnsons deceived investors as to how their monies
12 would be used, misrepresented their compensation, and misappropriated at least \$2.7
13 million of investor money.

14 9. The Johnsons and defendant Michael Gregory, an additional principal
15 and control person of C-Quadrant, also misled and deceived investors about a
16 purported “business loan,” secured by C-Quadrant’s real property, that would be used
17 to develop C-Quadrant’s CBD extraction facility.

18 10. Rather than using that business loan for the benefit of C-Quadrant,
19 Gregory used the loan proceeds to pay off different investors in an entirely unrelated
20 entity.

21 11. To further generate investor interest in their various offerings, the
22 Johnsons, Gregory, and Portillo also made material misrepresentations to investors
23 and prospective investors about their financial and business backgrounds.

24 12. Gregory and Portillo also misled and deceived investors by claiming
25 they had made large personal capital contributions to their respective issuers, when in
26 fact they had not.

27 13. The Johnsons and Gregory also misled and deceived investors by falsely
28 claiming that C-Quadrant had a business and research relationship with a prominent

1 California university.

2 14. The Johnsons, Portillo, Lloyd, Heckeke, and the defendant marketing
3 entities – Green Bud Initiatives LLC, CIS Marketing, LLC, and Lloyd Marketing,
4 LLC – acted as unregistered broker-dealers in connection with the offerings, none of
5 which were registered with the Commission, and used general solicitation to attract
6 prospective investors, including via cold calls, Craigslist, Facebook, and other
7 websites and social media.

8 15. None of the securities offerings were registered with the Commission as
9 required by the Securities Act.

10 16. Hence, investors were not provided with the information that a
11 registration statement is required to provide for the protection of investors.

12 17. In addition, many of the investors in each offering were unaccredited
13 and unsophisticated.

14 18. The defendants did not take reasonable steps to verify the investors’
15 accreditation status.

16 19. Through their conduct, and as further detailed herein, defendants
17 violated the registration provisions of Section 5 of the Securities Act, the antifraud
18 provisions of Section 17(a) of the Securities Act, Section 10b of the Exchange Act
19 and Rule 10b-5 thereunder, and/or the broker registration provisions of Section 15 of
20 Exchange Act.

21 20. The SEC seeks permanent injunctions, disgorgement with prejudgment
22 interest, and civil penalties against defendants, as detailed in its prayer for relief.

23 **THE DEFENDANTS**

24 **A. Todd and Jeremy Johnson, Michael Gregory, and Their Issuer-Entities**

25 21. **Anthony Todd Johnson** (aka Todd Johnson), age 52, resides in
26 Winchester, California. At all relevant times he was a managing member and the
27 chief executive officer of Smart Initiatives, Valley View, Target Equity, ZFG, GPA,
28

1 and GBI Marketing, and a managing member and the chief revenue officer of C-
2 Quadrant. He has never held any securities licenses and has never been registered
3 with the Commission in any capacity.

4 22. **Jeremy T. Johnson**, age 42, resides in Murrieta, California and is Todd
5 Johnson's brother. At all relevant times Jeremy Johnson was a managing member
6 and the chief operating officer of Smart Initiatives, Valley View, Target Equity, ZFG,
7 GPA, C-Quadrant, and GBI Marketing. At all relevant times Jeremy Johnson was not
8 registered with the Commission in any capacity and held no securities licenses.

9 23. **Michael R. Gregory**, age 38, resides in Santa Ana, California. At all
10 relevant times he was a managing member and the chief executive officer of C-
11 Quadrant. Gregory has never held any securities licenses and has never been
12 registered with the Commission in any capacity.

13 24. **Smart Initiatives, LLC** ("Smart Initiatives") is a California limited
14 liability company with its principal place of business in Temecula, California. Smart
15 Initiatives was created by the Johnsons in approximately August 2017. At all relevant
16 times, no registration statement was filed or in effect with respect to its securities
17 offerings.

18 25. **Valley View Enterprises LLC** ("Valley View") is a California limited
19 liability company with its principal place of business in Temecula, California. Valley
20 View was created by the Johnsons in approximately October 2017. At all relevant
21 times, no registration statement was filed or in effect with respect to its securities
22 offerings.

23 26. **Target Equity LLC** ("Target Equity") is a California limited liability
24 company with its principal place of business in Temecula, California. Target Equity
25 was created by the Johnsons in approximately February 2018. At all relevant times,
26 no registration statement was filed or in effect with respect to its securities offerings.

27 27. **Zabala Farms Group, LLC** ("ZFG") is a Delaware limited liability
28 company with its principal place of business in Temecula, California. ZFG was

1 created by the Johnsons in approximately June 2018. At all relevant times, no
2 registration statement was filed or in effect with respect to its securities offerings.

3 28. **GPA Enterprises LLC** (“GPA”) is a California limited liability
4 company with its principal place of business in Temecula, California. GPA was
5 created by the Johnsons in approximately January 2018. At all relevant times, no
6 registration statement was filed or in effect with respect to its securities offerings.

7 29. **C Quadrant LLC** (“C-Quadrant”) is a California limited liability
8 company with its principal place of business in Santa Ana, California. C-Quadrant
9 was created by the Johnsons and Gregory in approximately January 2018. At all
10 relevant times, no registration statement was filed in effect with respect to its
11 securities offerings

12 30. **Green Bud Initiatives LLC** (“GBI Marketing”) is a California limited
13 liability company with its principal place of business in Temecula, California. GBI
14 was created by the Johnsons in approximately January 2018. GBI Marketing has
15 never been registered with the Commission in any capacity.

16 **B. Richard Portillo and His Entities**

17 31. **Richard A. Portillo**, age 46, resides in Carmel Valley, California. At all
18 relevant times he was a managing member of RJ Holdings Group, LLC and CIS
19 Marketing, LLC. He has never held any securities licenses and has never been
20 registered with the Commission in any capacity.

21 32. **RJ Holdings Group, LLC** (“RJ Holdings”) is a California limited
22 liability company with its principal place of business in Temecula, California.
23 Portillo created RJ Holdings in approximately January 2018. At all relevant times, no
24 registration statement was filed or in effect with respect to its securities offerings.

25 33. **CIS Marketing, LLC** (“CIS Marketing”) is a California limited liability
26 company with its principal place of business in Carmel Valley, California. Portillo
27 created CIS Marketing in approximately February 2018. CIS Marketing has never
28 been registered with the Commission in any capacity.

1 **C. Charles Lloyd, Mark Heckeke, and Their Entities**

2 34. **Charles Lloyd**, age 48, resides in Tucson, Arizona. At all relevant
3 times he was a managing member of GGV, ECT1, and Lloyd Marketing. He has
4 never held any securities licenses and has never been registered with the Commission
5 in any capacity.

6 35. **Mark W. Heckeke**, age 40, resides in Tucson, Arizona. At all relevant
7 times he was a managing member of GGV and ECT1. Heckeke, a practicing attorney,
8 is a member of the Arizona State Bar. He has never held any securities licenses and
9 has never been registered with the Commission in any capacity.

10 36. **Green Growth Ventures, LLC** (“GGV”) is an Arizona limited liability
11 company with its principal place of business in Tucson, Arizona. Lloyd and Heckeke
12 created GGV in approximately March 2018. At all relevant times, no registration
13 statement was filed or in effect with respect to its securities offerings.

14 37. **Extraction Capital Tier 1, LLC** (“ECT1”) is an Arizona limited
15 liability company with its principal place of business in Tucson, Arizona. Lloyd and
16 Heckeke created ECT1 in approximately January 2018. At all relevant times, no
17 registration statement was filed or in effect with respect to its securities offerings.

18 38. **Lloyd Marketing, LLC** (“Lloyd Marketing”) is an Arizona limited
19 liability company, created by Lloyd in approximately January 2011, with its principal
20 place of business in Tucson, Arizona. Lloyd Marketing has never been registered
21 with the Commission in any capacity.

22 **THE ALLEGATIONS**

23 **A. Todd and Jeremy Johnson, Michael Gregory, and Their**
24 **Unregistered and Fraudulent Securities Offerings.**

25 39. Todd and Jeremy Johnson, directly and indirectly, exercised day-to-day
26 control over Smart Initiatives, Valley View, Target Equity, and ZFG, and, directly
27 and indirectly, controlled and conducted the unregistered securities offerings by each
28 of those entities, all for the stated purpose of raising investor funds to invest in a

1 newly established and licensed marijuana farm located in Salinas, California.

2 40. Todd and Jeremy Johnson, directly and indirectly, exercised day-to-day
3 control over GPA, and, directly and indirectly, controlled and conducted the
4 unregistered securities offering of GPA for the stated purpose of raising investor
5 funds to invest in C-Quadrant’s CBD extraction facility, also located in Salinas,
6 California.

7 41. Todd and Jeremy Johnson, together with Gregory, directly and indirectly
8 exercised day-to-day control over C-Quadrant, and, directly and indirectly, controlled
9 and conducted the unregistered securities offering of C-Quadrant for the stated
10 purpose of raising investor funds to invest in C-Quadrant’s CBD extraction facility.

11 42. Each of the unregistered offerings constituted an offer and sale of
12 securities, in the form of investment contracts, in that they each involved the offer to
13 purchase fractional interests or “membership units” in the issuer that involved: (a) an
14 investment of money; (b) in a common enterprise; and (3) with an expectation of
15 profits to be derived solely from the efforts of others.

16 43. The private placement memoranda for each of the offerings stated that
17 the issuer-company’s business would be substantially dependent on the management
18 teams of both the issuer company and the Salinas marijuana farm or C-Quadrant’s
19 extraction facility.

20 44. With respect to each of the unregistered securities offerings, investor
21 funds were pooled, and the investors’ expectation of profits were interwoven with
22 and dependent upon the success of the managers of both the issuer company and the
23 Salinas marijuana farm or C-Quadrant’s CBD extraction facility.

24 45. Each of the private placement memoranda for the Smart Initiatives,
25 Valley View, Target Equity, ZFG, GPA and C-Quadrant offerings referred to the
26 memberships units as “securities” and offered the same class of securities (*i.e.*,
27 “membership units”) in exchange for the same type of consideration (*i.e.*, cash).

1 **1. The Johnsons' Multiple Fraudulent Offerings for the Marijuana**
2 **Farm in Salinas**

3 46. From September 2017 through February 2019, the Johnsons, through
4 the four defendant issuers they created and controlled, namely Smart Initiatives,
5 Valley View, Target Equity and ZFG, raised approximately \$12.2 million from
6 approximately 210 investors located in multiple states, for the Salinas marijuana
7 farm.

8 47. Through the Smart Initiatives offering, using a private placement
9 memorandum dated September 14, 2017, with a maximum offering amount of \$2.25
10 million, the Johnsons raised approximately \$2.729 million from approximately 60
11 investors located in multiple states.

12 48. Through the Valley View offering, using a private placement
13 memorandum dated October 30, 2017, with a maximum offering amount of \$4.25
14 million, the Johnsons raised approximately \$4.745 million from approximately 101
15 investors located in multiple states.

16 49. Through the Target Equity offering, using private placement memoranda
17 dated February 8, 2018 and March 13, 2018, with a maximum offering amount of
18 \$4.7 million, the Johnsons raised approximately \$3.877 million from approximately
19 44 investors located in multiple states.

20 50. Through the ZFG offering, using a private placement memorandum
21 dated July 12, 2018, with a maximum offering amount of \$6 million, the Johnsons
22 raised approximately \$214,500 from approximately five investors, located in multiple
23 states.

24 51. The Johnsons commingled some of the investor funds from the offerings
25 including by transferring funds between the issuers and by maintaining a single bank
26 account for Target Equity and ZFG.

27 52. The Johnsons also deposited investor funds in the Target Equity and
28 ZFG offerings in a single bank account that they maintained and controlled.

1 53. Jeremy Johnson drafted the private placement memoranda for Smart
2 Initiatives and Valley View and the original Target Equity private placement
3 memorandum.

4 54. Todd Johnson assisted his brother, Jeremy Johnson, in drafting the
5 private placement memoranda for Smart Initiatives and Valley View and the original
6 Target Equity private placement memorandum.

7 55. Both Todd and Jeremy Johnson had ultimate authority over the
8 statements contained in the private placement memoranda for Smart Initiatives and
9 Valley View and the original Target Equity private placement memorandum.

10 56. After receiving a subpoena from the Commission in February 2018, the
11 Johnsons retained securities counsel, who drafted supplemental private placement
12 memoranda for Smart Initiatives, Valley View, and Target Equity and the private
13 placement memorandum for ZFG.

14 57. Jeremy Johnson had ultimate authority over the statements contained in
15 the supplemental private placement memoranda for Smart Initiatives, Valley View
16 and Target Equity, and the ZFG private placement memorandum.

17 58. Each of the private placement memoranda for Smart Initiatives, Valley
18 View, Target Equity and ZFG was created and used for the purpose of soliciting
19 investors.

20 **2. The Johnsons' and Gregory's Fraudulent and Unregistered**
21 **Offerings for C-Quadrant's Extraction Facility**

22 59. Between January 2018 and at least February 2019, the Johnsons and
23 Gregory, through two unregistered C-Quadrant offerings, with a maximum offering
24 amount of \$30 million and \$10 million respectively, raised approximately \$942,500
25 from approximately 15 investors located in multiple states, for the stated purpose of
26 developing C-Quadrant's extraction facility.

27 60. Between January and November 2018, the Johnsons, through their
28 unregistered GPA offering, which in turn fed into C-Quadrant, with a maximum

1 offering amount of \$15 million, raised approximately \$6,577,300 from approximately
2 83 investor located in multiple states.

3 61. C-Quadrant conducted its first offering in January 2018.

4 62. Jeremy Johnson was responsible for approving C-Quadrant's January
5 2018 private placement memorandum distributed to investors, and had ultimate
6 authority over its contents.

7 63. Both Todd Johnson and Gregory reviewed and approved C-Quadrant's
8 January 8, 2018 private placement memorandum.

9 64. The private placement memorandum for C-Quadrant's second offering,
10 dated January 15, 2019, was approved by Jeremy Johnson.

11 65. Jeremy Johnson prepared and had final approval over GPA's private
12 placement memorandum dated January 8, 2018.

13 66. Each of the private placement memoranda for C-Quadrant and GPA was
14 created and used for the purpose of soliciting investors.

15 **3. General Solicitation of Investors**

16 67. Each of the Smart Initiatives, Valley View, Target Equity, ZFG, GPA
17 and C-Quadrant offerings involved the general solicitation of investors and
18 prospective investors.

19 68. The Johnsons purchased lead lists and supervised an in-house sales team
20 that cold-called prospective investors for all of the above offerings.

21 69. The Johnsons also solicited investors online using GBI Marketing's
22 website, Facebook, Craigslist ads, and YouTube videos, among other things.

23 70. Todd and Jeremy Johnson personally communicated with prospective
24 investors about the offerings, including during phone calls and tours of the Salinas
25 marijuana farm and C-Quadrant's extraction facility.

26 71. Gregory led tours of C-Quadrant's extraction facility for prospective
27 investors.

28 72. The offering materials sent to prospective investors for the Smart

1 Initiatives, Valley View, Target Equity, ZFG and GPA offerings included a
2 questionnaire regarding accreditation status, but the Johnsons and Gregory did not
3 take any steps to verify investors' accreditation status or that all purchasers were, in
4 fact, accredited.

5 73. Based on the issuers' records, at least 150 non-accredited investors
6 invested in the Smart Initiatives, Valley View, Target Equity, and ZFG offerings, and
7 at least 26 non-accredited investors invested in the GPA offering.

8 74. In addition, the three defendant issuers that invested in C-Quadrant –
9 GPA, RJ Holdings, and ECT1 – were non-accredited as they were formed for the sole
10 purpose of investing in the first C-Quadrant offering and not all of the respective
11 members of GPA, RJ Holdings and ECT1 were accredited investors.

12 75. Furthermore, neither the Johnsons nor Gregory attempted to verify the
13 accreditation status of C-Quadrant's individual investors at the time of their
14 investments.

15 76. None of the investors or prospective investors in the Smart Initiatives,
16 Valley View, Target Equity, ZFG, GPA and C-Quadrant offerings, prior to the sale of
17 the securities, were furnished with audited balance sheets of the issuers.

18 **4. The Fraud**

19 **a) The Johnsons Misled and Deceived Investors Regarding** 20 **Their Compensation and Their Misappropriation of** 21 **Investor Funds**

22 77. Todd and Jeremy Johnson misled and deceived investors regarding their
23 compensation and misappropriated at least \$2.7 million of investor funds, contrary to
24 representations regarding the use of proceeds in the Smart Initiatives, Valley View,
25 Target Equity, ZFG, and GPA private placement memoranda.

26 78. Specifically, the Smart Initiatives, Valley View, original Target Equity,
27 and the GPA private placement memoranda represented that “[t]here is no accrued
28 compensation that is due any Member of management” and that the Johnsons would

1 receive a salary of “\$0.00.”

2 79. Todd Johnson stated in a recorded presentation for prospective investors
3 in at least the Smart Initiatives and Valley View offerings, which were conducted in
4 the fall of 2017, “even executives here at SI [Smart Initiatives] do not take a salary.
5 We all make our money just like you do, from the profits associated with this
6 project.”

7 80. The Smart Initiatives and Valley View private placement memoranda
8 disclosed that up to ten percent of investor funds could be used to pay broker-dealer
9 commissions, but they expressly stated that “[n]o compensatory sales fees or related
10 commissions will be paid to [the] Managing Members” and that commissions would
11 be paid only to *registered* broker-dealers, which Todd and Jeremy Johnson were not.

12 81. The original Target Equity and GPA private placement memoranda
13 disclosed that ten percent of investor funds could be used to pay brokerage
14 commissions, but stated that “MANAGING PARTNERS WILL RECEIVE
15 COMPENSATION BASED SOLELY ON OWNERSHIP OF BUSINESS.”

16 82. Contrary to these representations, the Johnsons misappropriated at least
17 \$2.7 million in investor funds, including by paying themselves unauthorized
18 transaction-based compensation in the form of undisclosed commissions and/or
19 management fees.

20 83. The Johnsons transferred the misappropriated funds to themselves and to
21 GBI Marketing for their personal use and for purported business expenses of GBI
22 Marketing, whose sole business purpose was to raise investor funds for the Johnsons’
23 various offerings.

24 84. With respect to the Smart Initiatives offering, the Johnsons
25 misappropriated for themselves and GBI at least \$600,000 of investor funds.

26 85. With respect to the Valley View offering, the Johnsons misappropriated
27 for themselves and GBI at least \$495,000 of investor funds to which they were not
28 entitled.

1 86. With respect to the Target Equity offerings, the Johnsons
2 misappropriated for themselves and GBI at least \$465,000 of investor funds.

3 87. With respect to the GPA offering, the Johnsons misappropriated for
4 themselves and GBI at least \$1.15 million of investor funds.

5 88. The Johnsons' misappropriation of millions of dollars of investor funds
6 also included the misuse of the funds raised when they oversubscribed the Smart
7 Initiatives and Valley View offerings.

8 89. The Johnsons raised more than the maximum offering amounts disclosed
9 in the Smart Initiatives and Valley View private placement memoranda.

10 90. Rather than return those oversubscribed amounts to investors, or sending
11 the oversubscribed amounts to the Salinas marijuana farm, they simply took the
12 additional investor funds for their personal use.

13 91. The Smart Initiatives offering was oversubscribed by approximately
14 \$480,000.

15 92. The Valley View offering was oversubscribed by approximately
16 \$495,000.

17 93. The Johnsons knew, or were reckless or negligent in not knowing that
18 the Smart Initiatives and Valley View offerings were oversubscribed.

19 94. Investors in both the Smart Initiatives and Valley View offering would
20 have considered it important to their investment decision whether the Johnsons were
21 keeping their oversubscribed amounts for themselves, rather than sending it to the
22 Salinas marijuana farm for improvements as represented in the private placement
23 memoranda.

24 95. Investors in each of the offerings – Smart Initiatives, Valley View,
25 Target Equity, ZFG, and GPA – would have considered it important to their
26 investment decisions that the Johnsons were receiving and using their funds for
27 personal use, or for purported business expenses, contrary to the representations made
28 in the issuers' private placement memoranda.

1 **b) The Johnsons Misled and Deceived Investors Regarding**
2 **Expected Returns on Investment**

3 96. In all their offerings – Smart Initiatives, Valley View, Target Equity,
4 ZFG, C-Quadrant and GPA – the Johnsons, both individually and through GBI
5 Marketing, deceived investors and made material misrepresentations and omissions to
6 investors regarding expected returns on investment.

7 97. Although the Smart Initiatives and Valley View private placement
8 memoranda stated that the expected returns on investment were projections, and the
9 Target Equity, ZFG, C-Quadrant, and GPA private placement memoranda were silent
10 regarding expected returns, the Johnsons and the sales team they supervised used
11 materially misleading language when soliciting investors, telling investors and
12 prospective investors they were guaranteed annual returns of 100, 150, or 200
13 percent, depending on the offering.

14 98. For example, on November 16, 2017, Jeremy Johnson wrote to an
15 investor, “Smart Initiatives offered 200% for each Unit” and “Valley View currently
16 offers 150% for 1st 40 Units, then drops to 125% for final 30 Units.”

17 99. Jeremy Johnson sent an email on October 25, 2017 to his sales staff
18 referring to “the 200% return enjoyed by” Smart Initiatives investors and stating that
19 Valley View investors “will experience 150%.”

20 100. Jeremy and Todd Johnson authorized the use of a sales script claiming
21 that Valley View was offering units “yielding 150% ROI” [return on investment] for
22 early investors and “yielding 100% ROI” for later investors.

23 101. The Johnsons’ sales team, whom the Johnsons supervised, routinely sent
24 emails to prospective Valley View investors with misleading statements such as “the
25 payout right now is 150%” and “we are offering investors a 100% annual return.”

26 102. The Johnsons’ sales team also sent emails to prospective Target Equity
27 investors that misleadingly claimed, “we are offering investors a 100% annual return
28 on their partner shares” and “the return on Target Equity is 100%.”

1 103. The Johnsons' sales team placed ads on Craigslist for ZFG that included
2 language such as "100% Return on Farm Share!!" and "Easy Way to Make \$100K
3 Annually!! Huge Return (100% ROI Projected)."

4 104. The Johnsons' sales team also sent emails to prospective GPA and C-
5 Quadrant investors that made misleading statements, such as, "This is a minimum
6 \$25,000 investment that earns \$25,000 per year (100% returns)."

7 105. Similarly, the website for defendant GBI Marketing, a marketing entity
8 that the Johnsons controlled, falsely claimed that "Average expected returns are
9 currently ranging from 100%-200% return on investment per year."

10 106. The Johnsons' projections about expected returns on investment in the
11 Salinas marijuana farm were ostensibly based on projections that required the Salinas
12 marijuana farm to achieve approximately \$30 million in net income in 2018, and each
13 year thereafter. To create these projections, the Johnsons used a pro forma profit and
14 loss ("P&L") statement provided to them around August 2017 by a cofounder of the
15 Salinas marijuana farm.

16 107. As the Johnsons knew, or were reckless or negligent in not knowing, the
17 Salinas marijuana farm had virtually no operating history, much less a history of
18 making anywhere close to \$30 million a year.

19 108. In the December 2017/January 2018 timeframe, the cofounder of the
20 Salinas marijuana farm learned that the Johnsons had misused the pro forma P&L
21 statement to provide return on investment projections to investors and prospective
22 investors, and told the Johnsons they could not use the information in the P&L
23 statement to solicit investors.

24 109. Notwithstanding that admonishment, the Johnsons and their sales teams
25 continued to use those pro forma numbers to solicit investors and prospective
26 investors with the promise of 100% to 200% annual returns.

27 110. In or around February 7, 2018, the cofounder of the Salinas marijuana
28 farm sent the Johnsons a confidential revised pro forma P&L statement that adjusted

1 the farm’s projected net income significantly downward, from a range of \$23 to 37
2 million per year to a range of just \$6 – \$23 million per year.

3 111. In an email dated February 7, 2018, the cofounder of the Salinas
4 marijuana farm told the Johnsons that the revised pro forma, which the cofounder
5 described as a “working P&L,” was incomplete, contained possible miscalculations
6 and incorrect assumptions, was based on speculation, and did not reflect “real or
7 actual numbers.”

8 112. After receiving the revised pro forma the Johnsons knew, or were
9 reckless or negligent in not knowing, that even under a best-case scenario, the Salinas
10 marijuana farm would not produce the returns they had been touting – and continued
11 to tout – to investors.

12 113. During the Target Equity offering – and in advance of the ZFG offering
13 – the Johnsons had concrete information demonstrating that their return on
14 investment projections were materially misleading: the Salinas marijuana farm made
15 only nominal distributions in 2018, not remotely close to the annual 100% or more
16 returns that the Johnsons and their sales team had told investors to expect.

17 114. Despite knowing all of this, the Johnsons and the sales team they
18 supervised continued to raise money in the Target Equity and ZFG offerings through
19 at least October 2018 using “projections” or “estimates” of 100 percent annual
20 returns.

21 115. Each of the private placement memoranda for Smart Initiatives, Valley
22 View and ZFG stated that distributions would be made on a quarterly basis, subject to
23 the discretion of the managing members, as did the supplemental Target Equity
24 private placement memorandum.

25 116. Although the original private placement memorandum for Target Equity
26 was silent on the issue, investors and prospective investors were told by email that
27 they would receive quarterly distributions.

28 117. Investors in each of the offerings – Smart Initiatives, Valley View,

1 Target Equity, ZFG, and GPA – would have considered it important to their
2 investment decisions whether they would receive quarterly distributions.

3 118. Contrary to the Johnsons’ representations to investors that they could
4 expect quarterly distributions, the cofounder of the Salinas marijuana farm had not
5 agreed with the Johnsons to make quarterly distributions, much less quarterly
6 distributions in the amounts being touted by the Johnsons and their sales team.

7 **c) Jeremy Johnson’s Undisclosed Bankruptcy**

8 119. The private placement memoranda for the Smart Initiatives, Valley
9 View, Target Equity, ZFG, GPA, and C-Quadrant offerings contained glowing
10 biographies of Todd and Jeremy Johnson but failed to disclose that Jeremy Johnson
11 had filed for bankruptcy in 2012 under Chapter 7 of the Bankruptcy Code.

12 120. For example, the private placement memoranda for these offerings
13 described Jeremy Johnson as a “highly skilled sales leader and entrepreneur” and a
14 “seasoned expert running profitable call centers and internet start-ups.”

15 121. These descriptions of Jeremy Johnson’s supposedly successful financial
16 and business background were materially misleading in light of the omission of his
17 then-recent personal bankruptcy.

18 122. The Johnsons knew, or were reckless or negligent in not knowing, that
19 they had failed to disclose Jeremy Johnson’s bankruptcy,

20 **d) The Johnsons and Gregory Misled and Deceived**
21 **Investors About C-Quadrant’s “Business Loan”**

22 123. The Johnsons and Gregory misled and deceived prospective and actual
23 investors in C-Quadrant and GPA regarding what Gregory falsely described as a
24 “business loan” to facilitate the company’s development.

25 124. Though in their communications with prospective and existing investors
26 the Johnsons and their sales team touted C-Quadrant’s ownership of the property, the
27 Johnsons and Gregory failed to disclose that they had collateralized C-Quadrant’s
28

1 property and that Gregory had used the loan proceeds to pay off investors in an
2 unrelated entity.

3 125. In early 2018, C-Quadrant purchased a former recycling plant, where it
4 planned to locate its extraction facility.

5 126. In October 2018, prior to the start of the second C-Quadrant offering, the
6 Johnsons and Gregory transferred ownership of the property to another entity they
7 controlled and used it as collateral for an almost \$2.9 million loan.

8 127. Gregory used the majority of the loan proceeds to make payments to
9 investors in an unrelated cannabis farm that he owned.

10 128. Gregory prepared investor updates dated December 2018 and February
11 2019 reporting that C-Quadrant had “taken a business loan . . . needed to get us
12 through our growth.”

13 129. As the Johnsons and Gregory knew, or were reckless or negligent in not
14 knowing, those representations in the investor updates were false and materially
15 misleading because, in or about November 2018, Gregory used the loan proceeds to
16 pay investors in another entity.

17 130. The investor updates were also materially misleading because they failed
18 to disclose that C-Quadrant’s property had been collateralized to secure the loan.

19 131. In addition, the Johnsons made statements in a video, which was posted
20 on Vimeo.com in January 2019 and sent to prospective investors in the second C-
21 Quadrant offering, that were materially misleading as they emphasized C-Quadrant’s
22 purchase of the property while failing to disclose the loan was collateralized by C-
23 Quadrant’s property and Gregory’s use of the loan proceeds to make payments to
24 investors in another entity.

25 132. Actual and prospective investors would have considered it important in
26 making their decision to invest in C-Quadrant whether its property was encumbered
27 by substantial debt, and that the loan proceeds had not been used to develop C-
28 Quadrant’s business, but rather used to pay off investors in an entirely unrelated

1 entity.

2 **e) The Johnsons' and Gregory's Additional**
3 **Misrepresentations and Deceitful Conduct**

4 133. **C-Quadrant's Purported Relationship with a Prominent California**
5 **University.** In connection with the C-Quadrant and GPA offerings, during one or
6 more investor tours of the Salinas marijuana farm and/or C-Quadrant's extraction
7 facility, Todd Johnson and Gregory falsely represented that a prominent California
8 university would be renting space at C-Quadrant's extraction facility to conduct
9 cannabis research, lending an air of credibility to the venture.

10 134. Similar misrepresentations regarding C-Quadrant's purported affiliation
11 with the California university were made in a recorded presentation by Todd Johnson,
12 on GBI Marketing's website and in emails to prospective investors.

13 135. Todd Johnson stated in a recorded audio PowerPoint presentation sent to
14 prospective C-Quadrant and GPA investors, "Good news. This is interesting, and this
15 – it's not actually going to make us money, but I believe it kind of tells about – it tells
16 the world kind of who we are. We have a group of [California university] medical
17 scientists and doctors that are going to be renting on their own dime a portion of the
18 space in our facility to develop a case study and ultimately medicines for healing
19 humans. They want to be near our technology. They need our technology to get the
20 job done at the level that they need to get it done at. And they would like to share
21 brain science with us and kind of collaborate on some of the findings."

22 136. In reality, and as the Johnsons and Gregory knew, or were reckless or
23 negligent in not knowing, that C-Quadrant had no business or research relationship
24 with the California university.

25 137. Investors and prospective investors would have considered it important
26 in making their decision to invest in C-Quadrant whether the statements made about
27 its affiliation with the California university were correct, both in assessing the
28 honesty and veracity of the Johnsons and Gregory, and the legitimacy of C-Quadrant

1 and its prospects for generating a return on their investments.

2 138. **Gregory's Background.** During one or more tours of the Salinas
3 marijuana farm and/or C-Quadrant's extraction facility, Todd Johnson told
4 prospective investors, in Gregory's presence, that Gregory had an MBA.

5 139. Gregory failed to correct Todd Johnson's statement.

6 140. In fact, Gregory did not have an MBA, as Todd Johnson and Gregory
7 knew, or were reckless or negligent in not knowing.

8 141. Actual and prospective investors would have considered it important in
9 making their decision to invest in C-Quadrant whether or not Gregory had a MBA,
10 both in assessing the honesty and veracity of the Johnsons and Gregory, and in
11 assessing Gregory's competency to perform as C-Quadrant's CEO.

12 142. **Alleged Capital Contribution.** C-Quadrant's original operating
13 agreement, which Gregory wrote, and was sent to investors and prospective investors,
14 represented that Gregory had made a \$500,000 capital contribution to the company.

15 143. As Gregory knew, or was reckless or negligent in not knowing, that
16 representation was false as he had not made a \$500,000 capital contribution to C-
17 Quadrant.

18 144. Actual and prospective investors would have considered it important in
19 making their decision to invest in C-Quadrant whether or not Gregory had made a
20 large capital contribution to C-Quadrant, both in assessing the honesty and veracity of
21 Gregory, and in assessing Gregory's confidence in C-Quadrant's future success and
22 its prospects for generating a return on their investment.

23 **B. Richard Portillo and His RJ Holdings Offering**

24 **1. Portillo's background as an unregistered broker for the**
25 **Johnsons' fraudulent offerings**

26 145. From at least September 2017 to June 2018, Portillo worked for the
27 Johnsons as a commissioned sales agent in connection with the Smart Initiatives,
28 Valley View, and Target Equity offerings related to the Salinas marijuana farm.

1 146. In or about February 2018, Portillo created defendant CIS Marketing,
2 also known as the “Cannabis Investment Spot,” or “Cannabis Investing Spot” to
3 solicit prospective investors to invest in the Johnsons’ Target Equity offering and to
4 promote his own unregistered securities offering in the name of RJ Holdings.

5 147. Portillo and CIS Marketing solicited prospective investors to invest in
6 the Johnsons’ offerings and his RJ Holdings offering using CIS Marketing’s website,
7 Facebook, Craigslist ads, and LinkedIn and by cold-calling telephone numbers from
8 purchased lead lists.

9 148. Portillo conducted presentations at the Salinas marijuana farm for
10 prospective investors.

11 149. At all relevant times, Portillo controlled CIS Marketing and supervised
12 its operations.

13 150. Portillo, both directly and through CIS Marketing, received transaction-
14 based compensation, in the form of a ten percent commission (five percent cash and
15 five percent equity) on the Smart Initiatives, Valley View and Target Equity
16 securities he and CIS Marketing sold for the Johnsons’ issuers.

17 151. Portillo also employed and supervised a sales team at CIS Marketing that
18 actively reached out to prospective investors to invest in the RJ Holdings offering.

19 **2. Portillo’s Unregistered and Fraudulent Offering: RJ Holdings**

20 152. When C-Quadrant began its first offering in approximately January
21 2018, Todd Johnson told Portillo that the Johnsons would no longer pay him
22 commissions and suggested that Portillo form his own entity to raise money from
23 investors.

24 153. Following Todd Johnson’s recommendation, in or about January 2018,
25 Portillo formed RJ Holdings to serve as a fundraising vehicle for C-Quadrant; it had
26 no business purpose other than to invest in and own a portion of C-Quadrant.

27 154. Between January 2018 and February 2019, Portillo, through his RJ
28

1 Holdings offering, with a maximum offering amount of \$15 million, raised
2 approximately \$2.8 million from approximately 52 investors located in multiple
3 states.

4 155. Portillo, exercised day-to-day control over RJ Holdings and, directly and
5 indirectly, controlled and conducted the unregistered securities offering of RJ
6 Holdings.

7 156. The RJ Holdings' unregistered offering constituted an offer and sale of
8 securities, in the form of investment contracts, in that it involved the offer to purchase
9 fractional interests or "membership units" in the issuer that involved: (a) an
10 investment of money; (b) in a common enterprise; (3) with an expectation of profits
11 to be derived solely from the efforts of others.

12 157. The private placement memorandum for RJ Holdings, dated January 8,
13 2018, stated that the company's business would be substantially dependent on C-
14 Quadrant's management team.

15 158. With respect to the RJ Holdings' unregistered securities offering,
16 investor funds were pooled, and the investors' expectation of profits were interwoven
17 with and dependent upon the success of the managers of C-Quadrant's extraction
18 facility.

19 159. The private placement memoranda for RJ Holdings referred to the
20 memberships units as "securities."

21 160. Portillo and CIS Marketing solicited prospective investors to invest in RJ
22 Holdings using CIS Marketing's website, Facebook, Craigslist ads, and by cold
23 calling telephone numbers from purchased lead lists.

24 161. Portillo personally communicated with prospective investors via phone
25 and email and conducted tours of C-Quadrant's extraction facility.

26 162. Portillo also employed and supervised a sales team at CIS Marketing that
27 actively reached out to prospective investors to invest in RJ Holdings.

28 163. At least 11 non-accredited investors purchased RJ Holdings' securities.

1 164. None of the investors RJ Holdings were furnished with audited balance
2 sheets of the issuer.

3 165. Portillo did not take any steps to verify investors' accreditation status.

4 166. Portillo reviewed and approved RJ Holdings' private placement
5 memorandum.

6 167. RJ Holdings' private placement memorandum stated that the managers
7 or RJ Holdings (*i.e.*, Portillo and his co-manager) would not receive a salary or
8 otherwise be compensated, other than solely through their ownership of RJ Holdings,
9 which, in turn, would own a portion of C-Quadrant.

10 168. In other words, RJ Holdings' private placement memorandum
11 represented to investors that its managers would profit only if C-Quadrant were
12 profitable.

13 169. Portillo and his co-manager transferred over \$200,000 in investor funds
14 to CIS Marketing, an entity that Portillo owned and controlled.

15 **3. Portillo Misled and Deceived Investors In Connection With**
16 **RJ Holdings' Offering**

17 170. In connection with the RJ Holdings' offering, Portillo deceived investors
18 and made material misrepresentations and omissions to investors about expected
19 returns, his reputation and criminal background, and his purported capital
20 contributions.

21 **a) Returns on Investment**

22 171. Portillo, RJ Holdings and CIS Marketing falsely stated that RJ Holdings'
23 investors were guaranteed a 100 percent annual return and that existing investors
24 were already receiving such returns.

25 172. For example, Portillo prepared and used a script for the RJ Holdings
26 offering that falsely claimed "Our investors are yielding a tremendous 100% return
27 on investment in the first 12 months."

28 173. Also, Portillo sent a February 2018 email to a prospective investor

1 stating “This is a solid investment with high returns at 100%” and “We are raising
2 \$15M and offering 100% ROI to our investors.”

3 174. As Portillo knew, or was reckless or negligent in not knowing, C-
4 Quadrant was a startup company, had no history of operations, and had not made any
5 distributions to investors.

6 175. To the extent his RJ Holdings’ script referred to the purported record of
7 past success of the prior investments in the Salinas marijuana farm as a basis to
8 recommend investments in C-Quadrant’s extraction facility, Portillo knew, or was
9 reckless or negligent in not knowing, as an equity holder in Smart Initiatives, Valley
10 View and Target Equity, that those investments were not yielding 100% returns on an
11 annual basis because the farm had made no distributions prior to April 2018, and
12 those it did make in or about May and July 2018 were negligible.

13 176. Portillo’s CIS Marketing website also included additional material
14 misrepresentations concerning RJ Holdings, such as: “We are regulated by the SEC
15 and have rewarded hundreds of California investors with reliable, high-profit returns
16 on their Cannabis investments.”

17 177. As Portillo knew, or was reckless or negligent in not knowing, neither C-
18 Quadrant, nor any of the aforementioned issuers invested in the Salinas marijuana
19 farm, had been rewarded with reliable, high-profit returns on their cannabis
20 investments.

21 178. Portillo also knew, or was reckless or negligent in not knowing, that the
22 RJ Holdings offering had not been registered with, or approved by the Commission.

23 179. Actual and prospective investors would have considered it important in
24 making their decision to invest in RJ Holdings whether investors were guaranteed
25 100 percent annual returns, whether existing investors were already receiving such
26 returns, and whether the offering was registered with or approved by the
27 Commission.

1 **b) Portillo’s Criminal Record**

2 180. RJ Holdings’ private placement memorandum touted Portillo’s
3 reputation and expertise in the cannabis industry and described “his company [CIS
4 Marketing]” as “the preferred supplier of accredited cannabis investments across the
5 nation and around the world.”

6 181. The wholly positive summary of Portillo’s background in the RJ
7 Holdings’ private placement memorandum was materially misleading in light of
8 Portillo’s extensive criminal record.

9 182. In June 2018, Portillo was convicted of felony domestic violence and
10 witness intimidation.

11 183. Portillo had at least two prior convictions for domestic violence, and was
12 on probation and subject to a restraining order at the time of the 2018 assault.

13 184. Portillo also has prior convictions for felony possession of marijuana for
14 sale, felony taking of a vehicle, and felony assault with a deadly weapon.

15 185. Portillo knowingly, recklessly and/or negligently failed to disclose his
16 criminal history to investors or prospective investors in RJ Holdings.

17 186. Actual and prospective investors would have considered it important in
18 making their decision to invest in RJ Holdings whether or not Portillo was a
19 convicted felon with a history of domestic violence and other crimes.

20 187. Furthermore, Portillo concealed the extent of his criminal history during
21 his investigative testimony before the Commission staff, where he omitted recent
22 domestic violence convictions from his background questionnaire and falsely testified
23 that his background questionnaire was complete and accurate.

24 188. On information and belief, Portillo failed to fully disclose his criminal
25 history to the SEC as he understood that it was material information that he had failed
26 to disclose to investors.

27 ///

28 ///

1 **c) Portillo’s Purported Capital Contribution to RJ**
2 **Holdings**

3 189. RJ Holdings’ operating agreement, which Portillo signed and which was
4 provided to investors and prospective investors, stated that he and his co-manager had
5 each contributed \$25,000 in capital to RJ Holdings.

6 190. As Portillo knew, or was reckless or negligent in not knowing, that
7 statement was false, as neither he nor his co-manager had made a \$25,000 capital
8 contribution to RJ Holdings.

9 191. Actual and prospective investors would have considered it important in
10 making their decision to invest in RJ Holdings whether or Portillo and/or RJ
11 Holdings’ co-manager had made a capital contribution to RJ Holdings, both in
12 assessing the honesty and veracity of Portillo, and in assessing the likelihood of RJ
13 Holdings’ financial success.

14 **C. Lloyd, Hecke, and Their ECT1 and GGV Offerings**

15 **1. Lloyd’s background as an unregistered broker for the**
16 **Johnsons’ fraudulent offerings**

17 192. From at least November 2017 to January 2018, Lloyd worked as a sales
18 agent for the Johnsons, soliciting investors for the Valley View, Target Equity, and
19 GPA offerings.

20 193. He and/or his marketing entity, Lloyd Marketing, received transaction-
21 based compensation, in the form of commissions, from the Johnsons’ entities on the
22 sale of Valley View, Target Equity, and GPA securities.

23 194. Near the end of the Valley View offering, Todd Johnson suggested that
24 Lloyd form his own entity to raise money from investors.

25 **2. The ECT1 and GGV Offerings**

26 195. Between January and September 2018, Lloyd and Mark Hecke
27 conducted at least two unregistered securities offerings: (1) ECT1, which had a
28

1 maximum offering amount of \$5 million, which raised approximately \$2.9 million
2 from approximately 61 investors located in multiple states, for the stated purpose of
3 investing in C-Quadrant; and (2) GGV, which had a maximum offering amount of
4 \$4.5 million, and raised approximately \$755,000 from approximately 16 investors
5 located in multiple states, for the stated purpose of investing in Target Equity, which,
6 in turn, was invested in the Salinas marijuana farm.

7 196. Lloyd and Heckeke, as the managing members of ECT1 and GGV,
8 exercised day-to-day control over those entities, and directly and indirectly,
9 controlled and conducted the unregistered securities offerings of ECT1 and GTV.

10 197. Each of those unregistered offerings constituted an offer and sale of
11 securities, in the form of investment contracts, in that they each involved the offer to
12 purchase fractional interests or “membership units” in the issuer that involved: (a) an
13 investment of money; (b) in a common enterprise; (3) with an expectation of profits
14 to be derived solely from the efforts of others.

15 198. The private placement memoranda for ECT1 and GGV, dated January
16 2018, and March 2018, respectively, stated that the company’s business would be
17 substantially dependent on C-Quadrant’s management team and the Salinas
18 marijuana farm’s management team, respectively.

19 199. In addition, with respect to each of the unregistered securities offerings,
20 investor funds were pooled, and the investors’ expectation of profits were interwoven
21 with and dependent upon the success of the managers of the Salinas marijuana farm
22 and C-Quadrant’s extraction facility.

23 200. Each of the private placement memoranda for the ECT1 and GGV
24 referred to the memberships units as “securities.”

25 201. Lloyd used his entity, Lloyd Marketing, to solicit investor interest in
26 ECT1 and GGV, and supervised and controlled its sales staff.

27 202. At least 34 non-accredited investors invested in the ECT1 offering.

28 203. At least one or more non-accredited investors invested in the GGV

1 offering.

2 204. Lloyd and Heckeke did not make any effort to verify investors'
3 accreditation status.

4 205. None of the investors ECT1 or GGV were furnished with audited
5 balance sheets of the issuer.

6 206. Heckeke prepared the ECT1 and GGV private placement memoranda,
7 and he and Lloyd shared final authority over the contents of each of them.

8 207. Lloyd solicited investors for both offerings via Craigslist, Facebook, and
9 Instagram, among other things, and he trained and oversaw other salespeople.

10 208. Both Lloyd and Heckeke communicated with prospective investors,
11 touted the merits of the investments, and they each received transaction-based
12 compensation in the form of a management fee of 15 percent that was tied directly to
13 the amount of investor funds raised through the ECT1 and GGV offerings.

14 **3. Heckeke and Lloyd Misled and Deceived Investors**

15 209. Heckeke, Lloyd, ECT1, and GGV, deceived investors and knowingly,
16 recklessly and/or negligently made material misrepresentations to investors regarding
17 expected returns on their investments.

18 210. Lloyd used language in Craigslist ads and emails with prospective
19 investors suggesting that ECT1 and GGV investors were guaranteed a return of 100
20 percent or more annually.

21 211. For example, Lloyd prepared a script to solicit investors in ECT1, which
22 he sent to Heckeke and various sales agents on January 19, 2018. The script said the
23 following regarding the Salinas marijuana farm: "Those investors are making great
24 returns – some at 200% annual returns, 150%, 100%, etc." The same script said,
25 "100% annual returns are a like a worst case scenario."

26 212. The script also touted Heckeke's role in the offering: "The other
27 managing partner is an attorney, Mark Heckle, and he drafted the PPM document you
28

1 have that says 100% annual returns. So, like I said, 100% returns is a joke – it’s a
2 major understatement of reality.”

3 213. In an email dated March 20, 2018, that Lloyd sent to a prospective GGV
4 investor, Lloyd stated: “Currently, we are offering investors a 132% annual return on
5 their partner shares based on the pro forma (projection) for an existing, cash flowing
6 farm.”

7 214. In another email, also dated March 20, 2018, that Lloyd sent to a
8 prospective GGV investor, Lloyd stated, “Currently, we are offering investors a
9 183% annual return on their partner shares based on the pro forma for an existing,
10 cash flowing farm.”

11 215. In reality, as Lloyd knew, or was reckless or negligent in not knowing,
12 particularly in light of his ownership of equity in Valley View and/or Target Equity,
13 existing investors had not received any distributions as of March 2018, and that
14 investors were not making 100% annual returns, or anywhere close to that amount.

15 216. Actual and prospective investors would have considered it important in
16 making their decision to invest in ECT1 and GGV whether investors were guaranteed
17 100 percent annual returns and whether existing investors were already receiving
18 such returns.

19 217. Heckeke knew, or was reckless or negligent in not knowing that he and
20 Lloyd, both individually and through ECT1 and GGV, were making materially
21 misleading statements to investors about returns on investment.

22 218. The GGV private placement memorandum, which Heckeke prepared,
23 contained a “5-year Projection on ROI” chart, including 2018 net income of \$37
24 million for the Salinas marijuana farm and a 132.98% annual return for GGV
25 investors.

26 219. The GGV private placement memorandum represented that “[t]hese
27 figures are based on [the Salinas marijuana farm’s] *pro forma*,” but it failed to
28 disclose that the pro forma’s 2018 net income projections actually ranged from \$23 to

1 \$37 million.

2 220. Heckeke also prepared the ECT1 private placement memorandum, which
3 included a projected five-year return of averaging 100% per year.

4 221. Heckeke had no experience in the cannabis industry, did not know who
5 prepared the Salinas marijuana farm's pro forma numbers, and did virtually nothing
6 to investigate the farm's past performance or whether its projections had any
7 reasonable basis in fact.

8 222. In addition, GGV's private placement memorandum was materially
9 misleading as it selectively presented a projected return on investment that was based
10 only the high end of the pro forma's projected range.

11 223. Lloyd and Heckeke touted this misleading pro forma figure in
12 communications with prospective investors.

13 224. For example, in an email to a prospective investor dated April 4, 2018,
14 Heckeke wrote that GGV's "prospective annual ROI" was "a (measly) 133%."

15 **FIRST CLAIM FOR RELIEF**

16 **Fraud in the Offer or Sale of Securities**

17 **Violations of Section 17(a) of the Securities Act**

18 **(against all Defendants except Lloyd Marketing)**

19 **(Section 17(a)(1) and (3) only against Gregory)**

20 225. The SEC re-alleges and incorporates by reference paragraphs 1 through
21 224 above.

22 226. In connection with the Smart Initiatives, Valley View, Target Equity,
23 and ZFG offerings, those four defendant entities and the Johnsons misled and
24 deceived investors and prospective investors about the use of investor funds, the
25 Johnson's compensation, expected returns on investment, and Jeremy Johnson's
26 bankruptcy. In addition, GBI Marketing misled and deceived investors in those four
27 offerings about returns on investment.

28 227. In connection with the GPA offering, the defendant entity and the

1 Johnsons misled and deceived investors and prospective investors about returns on
2 investment, the use of investor funds, the Johnsons' compensation, Jeremy Johnson's
3 bankruptcy, C-Quadrant's purported business loan and its purported relationship with
4 the prominent California university.

5 228. In connection with the C-Quadrant offering, the defendant entity and the
6 Johnsons misled and deceived investors about returns on investment, Jeremy
7 Johnson's bankruptcy, the nature and purpose of C-Quadrant's "business loan," and
8 C-Quadrant's "relationship" with a prominent California university.

9 229. In connection with the GPA and C-Quadrant offerings, GBI Marketing
10 misled and deceived investors about returns on investment and C-Quadrant's
11 relationship with the California university.

12 230. In connection with the C-Quadrant offering, the defendant entity and
13 Gregory misled and deceived investors about C-Quadrant's "business loan," its
14 "relationship" with a prominent California university and his purported capital
15 contribution.

16 231. Todd Johnson and Gregory also misled and deceived investors about
17 Gregory's purported MBA.

18 232. In connection with the RJ Holdings offering, the defendant entity and
19 Portillo, misled and deceived RJ Holdings' investors about returns on investment,
20 Portillo's criminal background, and Portillo and his co-manager's capital
21 contributions.

22 233. In connection with the RJ Holdings offering, CIS Marketing misled and
23 deceived investors about returns on investment.

24 234. In connection with the ECT1 and GGV offerings, the defendant entities
25 and Lloyd and Heckeles misled and deceived investors about returns on investment.

26 235. By engaging in the conduct described above, Defendants, and each of
27 them, directly or indirectly, in the offer or sale of securities, and by the use of means
28 or instruments of transportation or communication in interstate commerce or by use

1 of the mails directly or indirectly: (a) employed devices, schemes, or artifices to
2 defraud; (b) obtained money or property by means of untrue statements of a material
3 fact or by omitting to state a material fact necessary in order to make the statements
4 made, in light of the circumstances under which they were made, not misleading; and
5 (c) engaged in transactions, practices, or courses of business which operated or would
6 operate as a fraud or deceit upon the purchaser.

7 236. Defendants, with scienter, employed devices, schemes and artifices to
8 defraud; with scienter or negligence, obtained money or property by means of untrue
9 statements of a material fact or by omitting to state a material fact necessary in order
10 to make the statements made, in light of the circumstances under which they were
11 made, not misleading; and, with scienter or negligence, engaged in transactions,
12 practices, or courses of business which operated or would operate as a fraud or deceit
13 upon the purchaser.

14 237. The defendant entities acted entirely through their principals'
15 knowledge, recklessness and/or negligence which may be imputed to the defendant
16 entities.

17 238. By engaging in the conduct described above, Defendants (with the
18 exception of Lloyd Marketing and Gregory) violated, and unless restrained and
19 enjoined will continue to violate, Sections 17(a) of the Securities Act, 15 U.S.C. §§
20 77q(a).

21 239. By engaging in the conduct described above Gregory violated, and
22 unless restrained and enjoined will continue to violate, Sections 17(a)(1) and (3) of
23 the Securities Act, 15 U.S.C. §§ 77q(a)(1) & (3).

24 **SECOND CLAIM FOR RELIEF**

25 **Fraud in Connection with the Purchase or Sale of Securities**

26 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

27 **(against all Defendants except Lloyd Marketing)**

28 240. The SEC re-alleges and incorporates by reference paragraphs 1 through

1 224 above.

2 241. In connection with the Smart Initiatives, Valley View, Target Equity,
3 and ZFG offerings, those four defendant entities and the Johnsons misled and
4 deceived investors and prospective investors about the use of investor funds, the
5 Johnson's compensation, expected returns on investment, and Jeremy Johnson's
6 bankruptcy. In addition, GBI Marketing misled investors in those four offerings
7 about returns on investment.

8 242. In connection with the GPA offering, the defendant entity and the
9 Johnsons misled and deceived investors and prospective investors about returns on
10 investment, the use of investor funds, the Johnsons' compensation, Jeremy Johnson's
11 bankruptcy, C-Quadrant's purported business loan and its purported relationship with
12 a prominent California university.

13 243. In connection with the C-Quadrant offering, the defendant entity and the
14 Johnsons misled and deceived investors about returns on investment, Jeremy
15 Johnson's bankruptcy, the nature and purpose of C-Quadrant's "business loan," and
16 C-Quadrant's "relationship" with a prominent California university.

17 244. In connection with the GPA and C-Quadrant offerings, GBI Marketing
18 misled and deceived investors about returns on investment and C-Quadrant's
19 relationship with a California university.

20 245. In connection with the C-Quadrant offering, the defendant entity and
21 Gregory misled and deceived investors about C-Quadrant's "business loan," its
22 "relationship" with a prominent California university and his purported capital
23 contribution.

24 246. Todd Johnson and Gregory also misled and deceived investors about
25 Gregory's purported MBA.

26 247. In connection with the RJ Holdings offering, the defendant entity and
27 Portillo, misled and deceived RJ Holdings investors about returns on investment,
28 Portillo's criminal background, and Portillo and his co-manager's capital

1 contributions.

2 248. In connection with the RJ Holdings offering, CIS Marketing misled and
3 deceived investors about returns on investment.

4 249. In connection with the ECT1 and GGV offerings, the defendant entities
5 and Lloyd and Heckeke misled and deceived investors about returns on investment.

6 250. By engaging in the conduct described above, Defendants, and each of
7 them, directly or indirectly, in connection with the purchase or sale of a security, and
8 by the use of means or instrumentalities of interstate commerce, of the mails, or of
9 the facilities of a national securities exchange: (a) employed devices, schemes, or
10 artifices to defraud; (b) made untrue statements of a material fact or omitted to state a
11 material fact necessary in order to make the statements made, in the light of the
12 circumstances under which they were made, not misleading; and (c) engaged in acts,
13 practices, or courses of business which operated or would operate as a fraud or deceit
14 upon other persons.

15 251. In engaging in the conduct described above, Defendants acted
16 knowingly or recklessly.

17 252. The defendant entities acted knowingly or recklessly in engaging in this
18 conduct because they acted entirely through their principals, whose knowledge and
19 recklessness may be imputed to the defendant entities.

20 253. By engaging in the conduct described above, Defendants (with the
21 exception of Lloyd Marketing) violated, and unless restrained and enjoined will
22 continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules
23 10b-5(a)-(c) thereunder, 17 C.F.R. §§ 240.10b-5(a)-(c).

24 **THIRD CLAIM FOR RELIEF**

25 **Unregistered Offer and Sale of Securities**

26 **Violations of Sections 5(a) and 5(c) of the Securities Act**

27 **(against all Defendants)**

28 254. The SEC re-alleges and incorporates by reference paragraphs 1 through

1 224 above.

2 255. Each of the offerings by Smart Initiatives, Valley View, Target Equity,
3 ZFG, C-Quadrant, GPA, RJ Holdings, ECT1 and GGV involved the offering of
4 securities in the form of investment contracts.

5 256. None of those offerings were registered with the Commission,

6 257. The Johnsons, Gregory, Portillo, Lloyd and Heckeke directly and
7 indirectly participated in the offer and sale of the unregistered securities of their
8 respective entities, and were necessary participants and substantial factors in those
9 sales because among other things, they were the managing members of the issuer
10 entities, they prepared, reviewed, approved and authorized the issuers' private
11 placement memoranda, and oversaw and orchestrated their respective offerings.

12 258. In addition, the Johnsons, Portillo, Lloyd, Heckeke, and the defendant
13 marketing entities— GBI Marketing, CIS Marketing and Lloyd Marketing – directly
14 and indirectly offered and sold the issuers' securities by, among other things,
15 soliciting investors through phone calls, emails, online advertising, in person
16 presentations, and through GBI Marketing's, CIS Marketing's and Lloyd Marketing's
17 websites.

18 259. By engaging in the conduct described above, Defendants, and each of
19 them, directly or indirectly, made use of the means or instruments of transportation or
20 communication in interstate commerce, or of the mails, to offer to sell or to sell
21 securities, or carried or caused to be carried through the mails or in interstate
22 commerce, by means or instruments of transportation, securities for the purpose of
23 sale or for delivery after sale, when no registration statement had been filed or was in
24 effect as to such securities.

25 260. By engaging in the conduct described above, Defendants violated, and
26 unless restrained and enjoined, are reasonably likely to continue to violate, Section 5
27 of the Securities Act, 15 U.S.C § 77e.

FOURTH CLAIM FOR RELIEF

Unregistered Broker-Dealer

Violation of Section 15(a) of the Exchange Act

**(against Defendants Todd and Jeremy Johnson, Portillo, Lloyd, Heckele,
GBI Marketing, CIS Marketing, and Lloyd Marketing)**

261. The SEC re-alleges and incorporates by reference paragraphs 1 through 224 above.

262. As alleged above, the Johnsons, Portillo, Lloyd, Heckele, GBI Marketing, CIS Marketing, and Lloyd Marketing acted as unregistered broker-dealers because they each actively solicited investors both directly and indirectly, made recommendations and other representations, both orally and in writing, about the merits of investing in the defendant issuer entities, and received transaction-based compensation.

263. By engaging in the conduct described above, the Johnsons, Portillo, Lloyd, Heckele, GBI Marketing, CIS Marketing, and Lloyd Marketing, and each of them, made use of the mails and means or instrumentalities of interstate commerce to effect transactions in, and induced and attempted to induce the purchase or sale of, securities without being registered with the SEC in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

264. By engaging in the conduct described above, the Johnsons, Portillo, Lloyd, Heckele, GBI Marketing, CIS Marketing, and Lloyd Marketing have violated, and unless restrained and enjoined, are reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

FIFTH CLAIM FOR RELIEF

Control Person Liability

Section 20(a) of the Exchange Act

**(against Defendants Todd and Jeremy Johnson, Gregory,
Portillo, Lloyd and Heckele)**

1 265. The SEC re-alleges and incorporates by reference paragraphs 1 through
2 224 above.

3 266. Pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], any
4 person who, directly or indirectly controls an entity that is liable under any provision
5 of the Exchange Act or any rule or regulation thereunder, shall also be jointly and
6 severally liable with and to the same extent as that entity, unless the controlling
7 person can establish that he acted in good faith and did not directly or indirectly
8 induce the act or acts constituting the violation or cause of action.

9 267. As alleged above, Smart Initiatives, Valley View, Target Equity, ZFG,
10 GPA, and C-Quadrant violated Section 10(b) of the Exchange Act and Rule 10b-5
11 thereunder, GBI Marketing violated Section 10(b) and 15(a) of the Exchange Act and
12 Rule 10b-5 thereunder, and Lloyd Marketing violated Section 15(a) of the Exchange
13 Act.

14 268. Todd and Jeremy Johnson, as the managing members of Smart
15 Initiatives, Valley View, Target Equity, ZFG, GPA, and GBI Marketing, directly and
16 indirectly controlled those entities and exercised day-to-day control over each of
17 them, including by orchestrating and overseeing the offerings of the issuer entities,
18 preparing, authorizing and disseminating the issuers' private placement memoranda,
19 and directing and supervising their fund raising activities. By reason of the
20 foregoing, Todd and Jeremy Johnson are liable as control persons for the entities'
21 violations of the Exchange Act and the rules and regulations thereunder.

22 269. The Johnsons and Gregory, as the managing members of C-Quadrant,
23 directly and indirectly controlled that entity, and exercised day-to-day control over
24 that entity, including by orchestrating and overseeing C-Quadrant's offering,
25 preparing, authorizing and disseminating its private placement memoranda, and
26 directing and supervising its fund raising activities. By reason of the foregoing, the
27 Johnsons and Gregory are liable as control persons for C-Quadrant's violations of the
28 Exchange Act and the rules and regulations thereunder.

1 270. Portillo, as the managing member of RJ Holdings and CIS Marketing,
2 directly and indirectly controlled those entities, and exercised day-to-day control over
3 those entities, including by orchestrating and overseeing RJ Holdings' offering,
4 preparing, authorizing and disseminating its private placement memorandum, and
5 directing and supervising RJ Holdings' and CIS Marketing's fund raising activities.
6 By reason of the foregoing, Portillo is liable as a control person for the entities'
7 violations of the Exchange Act and the rules and regulations thereunder.

8 271. Lloyd and Heckeke, as the managing members of GGV and ECT1,
9 directly and indirectly controlled those entities, and exercised day-to-day control over
10 those entities, including by orchestrating and overseeing their offerings, preparing,
11 authorizing and disseminating their private placement memoranda, and directing and
12 supervising their fund raising activities. By reason of the foregoing, Lloyd and
13 Heckeke are as control persons for the entities' violations of the Exchange Act and
14 the rules and regulations thereunder

15 272. Lloyd, as the managing member of Lloyd Marketing, directly and
16 indirectly controlled that entity, and exercised day-to-day control over that entity,
17 including by directing and supervising its fund raising activities. By reason of the
18 foregoing, Lloyd is liable for Lloyd Marketing's violation of the Exchange Act and
19 the rules and regulations thereunder.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, the SEC respectfully requests that the Court:

22 **I.**

23 Issue findings of fact and conclusions of law that Defendants committed the
24 alleged violations.

25 **II.**

26 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
27 Civil Procedure, permanently enjoining Todd Johnson, Jeremy Johnson, Gregory,
28 Portillo, Heckeke, Lloyd, Smart Initiatives, Valley View, Target Equity, ZFG, C-

1 Quadrant, GPA, GBI Marketing, RJ Holdings, CIS Marketing, ECT1, and GGV, and
2 their officers, agents, servants, employees and attorneys, and those persons in active
3 concert or participation with any of them, who receive actual notice of the judgment
4 by personal service or otherwise, and each of them, from violating 17(a) of the
5 Securities Act [15 U.S.C. §77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C.
6 §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

7 **III.**

8 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
9 Civil Procedure, permanently enjoining Todd Johnson, Jeremy Johnson, Portillo,
10 Heckeles, Lloyd, GBI Marketing, CIS Marketing, and Lloyd Marketing and their
11 officers, agents, servants, employees and attorneys, and those persons in active
12 concert or participation with any of them, who receive actual notice of the judgment
13 by personal service or otherwise, and each of them, from violating Section 15(a) of
14 the Exchange Act [15 U.S.C. §§ 78o(a)].

15 **IV.**

16 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
17 Civil Procedure, permanently enjoining Todd Johnson, Jeremy Johnson, Gregory,
18 Portillo, Heckeles, Lloyd, Smart Initiatives, Valley View, Target Equity, ZFG, C-
19 Quadrant, GPA, GBI Marketing, RJ Holdings, CIS Marketing, ECT1, GGV, and
20 Lloyd Marketing, and their officers, agents, servants, employees and attorneys, and
21 those persons in active concert or participation with any of them, who receive actual
22 notice of the judgment by personal service or otherwise, and each of them, from
23 violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

24 **V.**

25 Order Defendants Todd Johnson, Jeremy Johnson, and GBI Marketing, jointly
26 and severally; Portillo and CIS Marketing, jointly and severally; and Lloyd and Lloyd
27 Marketing, jointly and severally, and Heckeles to disgorge, all funds received from
28 their illegal conduct, together with prejudgment interest thereon.

1 **VI.**

2 Order Defendants Todd Johnson, Jeremy Johnson, Portillo, Lloyd, Heckeke and
3 Gregory to pay civil penalties Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]
4 and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

5 **VII.**

6 Retain jurisdiction of this action in accordance with the principles of equity and
7 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
8 all orders and decrees that may be entered, or to entertain any suitable application or
9 motion for additional relief within the jurisdiction of this Court.

10 **VIII.**

11 Grant such other and further relief as this Court may determine to be just and
12 necessary.

13 Dated: July 28, 2020

14 */s/ Donald W. Searles*

15 DONALD W. SEARLES

16 Attorney for Plaintiff

17 Securities and Exchange Commission