SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934
Release No. 101507 / November 4, 2024

Admin. Proc. File No. 3-21039

In the Matter of
LISA GORDON

OPINION OF THE COMMISSION

BROKER-DEALER PROCEEDING

Grounds for Remedial Action

Injunction

Broker-dealer was permanently enjoined from violations of the registration provisions of the federal securities laws. *Held*, it is in the public interest to bar respondent from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

APPEARANCES:

Stephen T. Kam for the Division of Enforcement.

On September 7, 2022, the Securities and Exchange Commission instituted proceedings against Lisa Gordon pursuant to Section 15(b) of the Securities Exchange Act of 1934.[1] We now find Gordon to be in default, deem the allegations against her to be true, and bar her from associating in the securities industry in any capacity.

I. Background

A. The Commission instituted these proceedings against Gordon.

The order instituting proceedings ("OIP") alleges that, on March 11, 2022, in a civil action brought by the Commission, a federal district court entered a final judgment permanently enjoining Gordon from violating Section 5 of the Securities Act of 1933 and Exchange Act Section 15(a).[2] The OIP alleges that Thomas Gaffney, who was the principal and control person of VerdeGroup Investment Partners, Inc., hired Gordon to handle investor relations for VerdeGroup; and that from January 2018 to April 2021, Gordon acted as an unregistered broker-dealer for the offer and sale of VerdeGroup securities. The OIP alleges that VerdeGroup raised $612,765 in the offering from 27 investors, ostensibly to finance marijuana businesses. The OIP alleges that VerdeGroup misled investors about how their monies would be used.

The OIP initiated proceedings to determine whether the allegations contained therein were true and if any remedial action was appropriate in the public interest. It directed Gordon to file an answer to the allegations within 20 days after service, as provided by Rule of Practice 220(b).[3] The OIP informed Gordon that if she failed to answer, she could be deemed to be in default, the allegations in the OIP could be deemed to be true as provided in the Rules of Practice, and the proceeding could be determined against her upon consideration of the OIP.[4]

B. Gordon failed to answer the OIP, respond to an order to show cause why she should not be found in default, or respond to a motion for default and sanctions.

Gordon was properly served with the OIP on December 3, 2022, pursuant to Rule of Practice 141(a)(2)(i),[5] but did not respond. On April 11, 2023, more than 20 days after service, the Commission ordered Gordon to show cause by April 25, 2023, why it should not find her in default due to her failure to file an answer or otherwise defend this proceeding.[6] The show cause order warned Gordon that if the Commission found her to be in default, the allegations in the OIP would be deemed to be true and the Commission could determine the proceeding against her upon consideration of the record. Gordon did not respond to the show cause order.

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1 *Lisa Gordon*, Exchange Act Release No. 95690, 2022 WL 4103363 (Sept. 7, 2022).

2 *See also* Amended Final Judgment, *SEC v. VerdeGroup Inv. Partners, Inc.*, No. 2:21-cv-07663-SB-ADS (C.D. Cal. Mar. 11, 2022), ECF No. 37.

3 17 C.F.R. § 201.220(b).

4 *See* Rules of Practice 155(a), 220(f), 17 C.F.R. §§ 201.155(a), .220(f).

5 17 C.F.R. § 201.141(a)(2)(i).

6 *Lisa Gordon*, Exchange Act Release No. 97281, 2023 WL 2909720 (Apr. 11, 2023).

On May 5, 2023, the Division of Enforcement filed a motion requesting that the Commission find Gordon in default and bar her from associating in the securities industry. The Division supported the motion with materials from the civil action, including the amended final judgment, a declaration from the Division's attorney who conducted the underlying investigation, and evidence obtained during the investigation. Gordon did not respond to the Division's motion.

On August 29, 2023, the Commission issued a renewed order to show cause requiring that Gordon show cause by September 12, 2023, why she should not be found in default due to her failure to file an answer or otherwise defend this proceeding.[7] The show cause order again warned Gordon that, if the Commission found her to be in default, the allegations in the OIP would be deemed to be true and the Commission could determine the proceeding against her upon consideration of the record. Gordon did not respond to the renewed order to show cause, nor has she otherwise participated in this proceeding.

II. Analysis

A. We deem Gordon to be in default and deem the OIP's allegations to be true.

Rule of Practice 155(a) provides that if a party fails to "answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding," we may deem the party to be in default and "determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true."[8] Because Gordon has failed to answer or to respond to the show cause order or the Division's motion, we find it appropriate to deem her to be in default and deem the allegations of the OIP to be true. We base the findings that follow on the record, including the OIP and the evidentiary materials that the Division submitted with its motion for default and sanctions.[9]

B. We find that barring Gordon from the securities industry is in the public interest.

Exchange Act Section 15(b)(6)(A) authorizes the Commission to suspend or bar a person from associating in the securities industry if it finds, on the record after notice and opportunity

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[7] *Lisa Gordon*, Exchange Act Release No. 98242, 2023 WL 5549334 (Aug. 29, 2023). The Commission issued the renewed order to show cause because the initial show cause order "may not have been served properly on Gordon." *Id.*

[8] 17 C.F.R. § 201.155(a); *see also* Rule of Practice 220(f), 17 C.F.R. § 201.220(f) (providing that "[i]f a respondent fails to file an answer required by this section within the time provided, such respondent may be deemed in default pursuant to" Rule of Practice 155(a)).

[9] Because the judgment in the civil action was by default, the facts alleged in the complaint and the findings made by the district court based on the default have no preclusive effect in this proceeding. *Gary L. McDuff*, Exchange Act Release No. 74803, 2015 WL 1873119, at *2 (Apr. 23, 2015) (finding that because "'none of the issues is actually litigated'" in the case of a judgment entered by default, issue preclusion "'does not apply with respect to any issue in a subsequent action'" (quoting *Arizona v. California*, 530 U.S. 392, 414 (2000))).

for hearing, that (1) the person was enjoined from engaging in or continuing any conduct or practice in connection with broker or dealer activities, or in connection with the purchase or sale of any security; (2) the person was associated with a broker or dealer at the time of the alleged misconduct; and (3) such a sanction is in the public interest.[10]

The record establishes the first two of these elements. First, because the district court enjoined Gordon from violating Securities Act Section 5 and Exchange Act Section 15(a), she has been enjoined from broker-dealer activities and from conduct in connection with the purchase or sale of any security.[11] Second, the OIP alleges that Gordon was a broker-dealer at the time of the misconduct. Because Gordon was a broker-dealer, she was necessarily a person associated with a broker-dealer.[12]

Thus, we need determine only if any remedial action is in the public interest. In doing so, we consider the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of the conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.[13] Our public interest inquiry is flexible, and no one factor is dispositive.[14] The remedy is intended to protect the trading public from further harm, not to punish the respondent.[15]

We have weighed these factors and conclude that industry bars are warranted to protect the investing public. Gordon's misconduct was egregious and recurrent. The OIP's allegations, which we deem true, and the evidence submitted by the Division show that, from January 2018 to April 2021, Gordon acted as an unregistered broker-dealer selling $612,765 in securities of VerdeGroup.[16] The record also shows that Gordon made material misrepresentations to investors. Gordon misrepresented that VerdeGroup would use investor funds to finance

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10 15 U.S.C. § 78*o*(b)(6)(A) (cross-referencing Exchange Act Section 15(b)(4)(C), 15 U.S.C. § 78*o*(b)(4)(C), which specifies injunctions against various actions, conduct, and practices).

11 *See* 15 U.S.C. § 77e (prohibiting unregistered offers and sales of securities); 15 U.S.C. § 78*o*(a) (prohibiting unregistered brokers or dealers from effecting transactions in securities).

12 *See Allen M. Perres*, Exchange Act Release No. 79858, 2017 WL 280080, at *3 (Jan. 23, 2017) (explaining that an individual who acts as a broker meets the definition of a "person associated with a broker" in Exchange Act Section 3(a)(18)), *pet. denied*, 695 F. App'x 980 (7th Cir. 2017).

13 *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

14 *Tzemach David Netzer Korem*, Exchange Act Release No. 70044, 2013 WL 3864511, at *4 (July 26, 2013).

15 *McCarthy v. SEC*, 406 F.3d 179, 188 (2d Cir. 2005).

16 Under Rule of Practice 323, 17 C.F.R. § 201.323, we take official notice of the Commission's EDGAR database, which does not show that VerdeGroup has ever registered securities or made other filings.

marijuana businesses. But VerdeGroup actually raised the funds for, and diverted them to, Tommy's Pizza Ventures, Inc.—a pizza parlor company owned by VerdeGroup's principal and control person, Gaffney.[17] Of the funds raised, Gaffney misappropriated $467,110 for personal expenses and to finance Tommy's Pizza.

The record further shows that Gordon acted with a high degree of scienter.[18] Gaffney testified that, when he hired Gordon, he told her VerdeGroup was to raise funds for Tommy's Pizza; and the record shows that Gordon received at least one check from Tommy's Pizza. Gordon thus knew or was reckless in not knowing that she was misleading investors when she told them that VerdeGroup was raising funds for marijuana businesses.

Because Gordon failed to answer the OIP or respond to the show cause order or the Division's motion, she has made no assurances that she will not commit future violations or that she recognizes the wrongful nature of her conduct. Also, Gordon's more than three-years acting as an unregistered broker-dealer, and her failure to offer assurances about her future plans, show that her occupation presents opportunities for future violations.[19]

The Commission may impose bars to protect the investing public from a respondent's future actions by restricting access to areas of the securities industry where a demonstrated propensity to engage in violative conduct may cause further investor harm. Here, the record establishes that Gordon is unfit to participate in the securities industry and that her participation in it in any capacity would pose a risk to investors.[20] Given that Gordon has defaulted in this proceeding, she has not opposed the imposition of any particular associational bar. Because Gordon poses a continuing threat to investors, we conclude that it is in the public interest to bar

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17 *See, e.g., Fuad Ahmed*, Exchange Act Release No. 81759, 2017 WL 4335036, at *15 (Sept. 28, 2017) ("A reasonable investor would have considered important the misrepresentations regarding the use of Note proceeds.").

18 Scienter includes recklessness—conduct representing an "extreme departure from the standards of ordinary care, . . . which presents a danger of misleading buyers or sellers that is either known to the [respondent] or is so obvious that the [respondent] must have been aware of it." *SEC v. Steadman*, 967 F.2d 636, 641-42 (D.C. Cir. 1992) (quoting *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir. 1977)).

19 *See George Charles Cody Price*, Advisers Act Release No. 4631, 2017 WL 405511, at *3 (Jan. 30, 2017) (expressing concern that respondent's occupation would present opportunities for future violations where he did not indicate that he planned to leave the securities industry).

20 *See James S. Tagliaferri*, Advisers Act Release No. 80047, 2017 WL 632134, at *6 (Feb. 15, 2017) (finding that the misconduct underlying the respondent's conviction demonstrated that respondent was unfit to participate in the securities industry and posed a risk to investors).

her from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.[21]

An appropriate order will issue.

By the Commission (Chair GENSLER and Commissioners PEIRCE, CRENSHAW, UYEDA and LIZÁRRAGA).

Vanessa A. Countryman
Secretary

[21] *Id.* (imposing associational bars where they were necessary to protect the public).

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101507 / November 4, 2024

Admin. Proc. File No. 3-21039

In the Matter of

LISA GORDON

ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's opinion issued this day, it is

ORDERED that Lisa Gordon is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

By the Commission.

Vanessa A. Countryman
Secretary