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9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA

11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 v.

15 JOHN MARQUES AND LIFELINE
16 INNOVATIONS & INSURANCE SOLUTIONS
17 LLC,

18 Defendants.

Case No.: [Case No.]

**COMPLAINT FOR INJUNCTIVE
AND OTHER RELIEF AND
DEMAND FOR JURY TRIAL**

19 Plaintiff Securities and Exchange Commission (“Commission”) alleges:

INTRODUCTION

20 1. From approximately August 2016 through February 2020, Defendants John
21 Marques (“Marques”) and his company Lifeline Innovations & Insurance Solutions
22 LLC (“Lifeline”) acted as unregistered brokers on behalf of several real estate
23 investment funds (“EquiAlt Funds”) managed by EquiAlt, LLC (“EquiAlt”). They
24 raised approximately \$7.9 million from the unregistered offer and sale of securities of
25 two of the EquiAlt Funds to more than 50 retail investors located in California and
26 Washington. From these sales, the Defendants received approximately \$824,000 in
27 transaction-based sales commissions.
28

1 12. In furtherance of this fraudulent scheme, EquiAlt, Rybicki, and Davison also
2 made numerous material misrepresentations and omissions to investors in connection
3 with the offer and sale of investments in the EquiAlt Funds.

4 13. EquiAlt, through a network of unregistered sale agents including the
5 Defendants in this action, sold investors 3-year or 4-year term debentures issued by the
6 EquiAlt Funds providing a fixed annual return of 8% to 10%. Many of the investors
7 were elderly, retired, and used their IRAs to invest in the EquiAlt Funds.

8 **B. Defendants Offered and Sold EquiAlt Securities**

9 14. Over a period of several years, EquiAlt recruited a network of unregistered
10 sales agents throughout the United States to sell the fixed rate debentures issued by the
11 EquiAlt Funds. EquiAlt paid these unregistered sales agents, including the Defendants,
12 commissions ranging from 6-12% of the amount invested in the EquiAlt Funds.

13 15. EquiAlt Funds' debentures are securities within the meaning of Section
14 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act which defines a
15 "security" to include, among other things, "any note, . . . bond, [or] debenture."

16 16. EquiAlt Funds' debentures also fall under Section 2(a)(1) of the Securities
17 Act and Section 3(a)(10) of the Exchange Act as "investment contracts." Investors
18 invested money in the debentures but had no control over how the EquiAlt Funds would
19 use it. Investors had no role in selecting or analyzing the underlying properties and the
20 expected profitability of the investments was derived solely from the efforts of EquiAlt,
21 Davison, and Rybicki.

22 17. Marques first became involved with EquiAlt in 2016 when he and one of
23 the EquiAlt Funds (EquiAlt Fund, LLC) entered into a written agreement titled
24 "Finder's Fee Agreement" whereby Marques agreed to introduce investors to the fund
25 in exchange for transaction-based compensation. The agreement, which had a two-year
26 term, stated that Marques would be paid 6% of the total amount invested in the fund by
27 an investor introduced by Marques. The agreement also provided that Marques would
28

1 receive a 2% bonus if the total amount invested in the fund in any particular month
2 exceeded \$500,000.

3 18. As alleged more particularly below, Marques' conduct relating to the
4 EquiAlt Funds far surpassed that of a mere "finder." At all relevant times, Marques,
5 acting through Lifeline, was a regular participant in numerous transactions involving
6 EquiAlt Funds' securities at key points in the chain of distribution.

7 19. Shortly after entering into the so-called Finder's Fee Agreement, Marques
8 began actively soliciting investors for the EquiAlt Funds by conducting dinner seminars
9 with prospective investors he found after sending advertisements in the mail. During
10 these dinner seminars, Marques made presentations about the EquiAlt investment as
11 well as other investment opportunities such as oil and gas investments and life
12 settlements. At the end of these dinner seminars, Marques asked prospective investors
13 to complete a form indicating whether they had an interest in one or more of the
14 investment opportunities presented to them so that he could schedule an individual
15 meeting with them to discuss the specific details of the investment. If a prospective
16 investor expressed an interest in the investment opportunity offered by the EquiAlt
17 Funds, Marques would then provide the prospective investor with copies of EquiAlt
18 Funds' offering documents and marketing/sales materials including sales brochures,
19 subscription agreements, and private placement memoranda.

20 20. In addition to providing prospective investors with copies of EquiAlt Funds'
21 offering documents and marketing/sales materials, Marques typically explained
22 important aspects of the investment such as the management of the EquiAlt Funds and
23 their underlying business model. Among other things, he explained to prospective
24 investors that their investment funds would be used by the EquiAlt Funds to invest in
25 real estate that would be purchased at low or distressed prices. He also represented that
26 the risk of investing in the EquiAlt Funds was low because it would be difficult for
27 management to abscond with real estate. Over a period of almost four years, Marques
28 repeatedly recommended the EquiAlt Funds to more than fifty investors.

1 21. Marques also helped investors handle most aspects of the actual securities
2 sales transactions. For example, he collected the completed subscription agreements
3 from investors together with their investment checks and forwarded these documents
4 directly to his contact at EquiAlt in order to complete the investment transaction. If
5 necessary, he also assisted investors resolve any issues that arose after they made an
6 investment in the EquiAlt Funds such as the payment of interest due to investors under
7 the debentures. Marques also collected an additional commission from the EquiAlt
8 Funds on those occasions when investors renewed their investments in the EquiAlt
9 Funds after their original investments matured.

10 22. As a result of the conduct alleged above, Defendants regularly participated
11 in multiple securities transactions involving the EquiAlt Funds at key points in the chain
12 of distribution. More specifically, Marques repeatedly solicited investors for EquiAlt's
13 Funds; communicated directly with investors about EquiAlt's Funds; described the
14 merits of the EquiAlt Funds' securities to investors; reassured investors about the risk of
15 investing in the EquiAlt Funds; and received transaction-based compensation.
16 Ultimately, Defendants raised about \$7.9 million from the unregistered offer and sale of
17 securities of the EquiAlt Funds to more than 50 retail investors. From these sales, the
18 Defendants received approximately \$824,000 in transaction-based sales commissions.

19 23. Moreover, when the Defendants sold the EquiAlt Funds' securities they
20 held no securities licenses, were not registered with the Commission as broker-dealers,
21 and were not associated with a registered broker-dealer.

22 24. Finally, although the EquiAlt Funds purportedly offered their securities
23 under Rule 506(b) of Regulation D, a "safe harbor" under Section 4(a)(2) of the
24 Securities Act, the safe harbor did not apply because the EquiAlt Funds engaged in
25 general solicitation or advertising to market their securities. Furthermore, the EquiAlt
26 Funds did not provide an audited balance sheet or financial statements to the
27 unaccredited investors. Consequently, the Defendants engaged in unregistered
28 securities transactions for which an exemption from registration did not apply.

CLAIMS FOR RELIEF

COUNT I

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

25. The Commission repeats and realleges paragraphs 1 through 24 of this Complaint as if fully set forth herein.

26. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities offered and sold by the Defendants as described in this Complaint and no exemption from registration existed with respect to these securities.

27. From approximately August 2016 and continuing through approximately February 2020, the Defendants directly and indirectly:

- (a) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried or caused to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or
- (c) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security;

without a registration statement having been filed or being in effect with the Commission as to such securities.

28. By reason of the foregoing the Defendants violated and, unless enjoined, are reasonably likely to continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

COUNT II

Violations of Section 15(a)(1) of the Exchange Act

29. The Commission repeats and realleges Paragraphs 1 through 24 of this Complaint as if fully set forth herein.

30. From approximately August 2016 and continuing through approximately February 2020, the Defendants, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce effected transactions in, or induced or attempted to induce the purchase or sale of securities, while they were not registered with the Commission as a broker or dealer or when they were not associated with an entity registered with the Commission as a broker-dealer.

31. By reason of the foregoing, the Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find the Defendants committed the violations alleged, and:

A.

Permanent Injunctive Relief

Issue a Permanent Injunction enjoining the Defendants from violating Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange Act.

B.

Disgorgement and Prejudgment Interest

Issue an Order directing Defendants Marques and Lifeline to disgorge on a joint and several basis all ill-gotten gains or proceeds received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest thereon.

1 C.

2 **Civil Money Penalties**

3 Issue an Order directing the Defendants Marques and Lifeline to pay civil money
4 penalties on a joint and several basis pursuant to Section 20(d) of the Securities Act and
5 Section 21(d) of the Exchange Act.

6 D.

7 **Further Relief**

8 Funding such other and further relief as may be necessary and appropriate.

9 E.

10 **Retention of Jurisdiction**

11 Further, the Commission respectfully requests that the Court retain jurisdiction
12 over this action in order to implement and carry out the terms of all orders and decrees
13 that it may enter, or to entertain any suitable application or motion by the Commission for
14 additional relief within the jurisdiction of this Court.

15
16 **DEMAND FOR JURY TRIAL**

17 The Commission hereby demands a trial by jury in this case.

18
19 Dated: December 20, 2021

20 Respectfully submitted,

21 s/ Alise Johnson

22 Alise Johnson

23 Attorney for Plaintiff

24 Securities and Exchange Commission

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