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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 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 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.  
28



**FOURTH CLAIM FOR RELIEF**

**Unregistered Broker-Dealer**

**Violation of Section 15(a) of the Exchange Act**

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

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