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

11
12 **SECURITIES AND EXCHANGE**
13 **COMMISSION,**

14 **Plaintiff,**

15 **vs.**

16 **PEDRAM ABRAHAM MEHRIAN,**
17 **STRATEGIC LEGACY**
18 **INVESTMENT GROUP, INC., and**
19 **SLIG HIGH INTEREST LIQUID**
20 **SAVINGS COMPANY,**

21 **Defendants.**

Case No. 2:23-cv-08009

COMPLAINT

22 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

23 **JURISDICTION AND VENUE**

24 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
25 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
26 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
27 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
28 78u(d)(3)(A), 78u(e) & 78aa(a).

2. Defendants have, directly or indirectly, made use of the means or

1 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
2 securities exchange in connection with the transactions, acts, practices and courses of
3 business alleged in this complaint.

4 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
5 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a)
6 because certain of the transactions, acts, practices, and courses of conduct
7 constituting violations of the federal securities laws occurred within this district. In
8 addition, venue is proper in this district because Defendant Pedram Abraham Mehrian
9 (“Mehrian”) resides in this district, and Defendants Strategic Legacy Investment
10 Group, Inc. (“SLIG”) and SLIG High Interest Liquid Savings Company (“SLIG High
11 Interest”) (collectively, “Defendants”) have their principal places of business here.

12 **SUMMARY**

13 4. This civil enforcement action concerns a \$17.5 million offering fraud
14 perpetrated by Defendant Mehrian and his real estate investment companies
15 Defendants SLIG and SLIG High Interest.

16 5. From January 2018 through October 2022, Defendants raised at least
17 \$17.5 million from over 150 investors through the unregistered sale of promissory
18 notes; Defendants told investors that their funds would be used to finance real estate
19 developments. Significantly, Defendants took in this eight-figure sum from note
20 investors through claims about the safety and security of their investment: that their
21 promissory notes were “safe” and “secure” because they were “backed by SLIG’s
22 portfolio of assets”; that the notes were “collateralized” by Defendants’ real estate
23 portfolio; that the notes would pay “guaranteed interest” above prevailing market
24 rates offered by banks; and that investments in Defendants’ promissory notes were
25 “recession-proof.” These representations, all significant to an objectively reasonable
26 investor’s decision to invest, were false and misleading.

27 6. In truth, Defendants improperly treated investor proceeds as one pool of
28 money, commingled investor funds, regularly moved money among operating

1 accounts to meet SLIG’s cash flow needs of the moment, and diverted incoming
2 investor funds to make Ponzi-like payments to existing investors totaling
3 approximately \$4.2 million. Last, Defendants failed to inform investors that over the
4 entire period of the promissory note offering, their real estate development business
5 had consistently operated at a loss and was incapable of generating enough revenue
6 from real estate operations to pay promissory note investors their promised returns.

7 7. By engaging in this conduct, Defendants Mehrian, SLIG, and SLIG High
8 Interest violated the antifraud provisions of Section 17(a) of the Securities Act, 15
9 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule
10 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and violated the registration provisions of
11 Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. § 77e(a) and (c).

12 8. With this complaint, the SEC seeks permanent injunctions prohibiting
13 Defendants’ future violations of the federal securities laws, disgorgement of
14 Defendants’ ill-gotten gains together with prejudgment interest, civil penalties from
15 Defendants, a conduct-based injunction permanently enjoining Defendant Mehrian
16 from participating in the issuance, purchase, offer, or sale of any security (provided,
17 however, that such injunction shall not prevent him from purchasing or selling
18 securities for his own personal account), and an officer and director bar as to
19 Defendant Mehrian.

20 THE DEFENDANTS

21 13. **Pedram Abraham Mehrian (“Mehrian”)**, age 42, is a resident of Los
22 Angeles, California. He was the co-founder, president, chief executive officer,
23 chairman, director, and majority owner of Defendant SLIG, and was the chief
24 executive officer and a director of Defendant SLIG High Interest. Defendant
25 Mehrian exerted managerial control over both entities and related SLIG
26 entities/subsidiaries. Defendant Mehrian was associated with a broker-dealer
27 registered with the Commission from 2002 to 2011.

28 14. **Strategic Legacy Investment Group, Inc. (“SLIG”)**, is a California

1 corporation that was incorporated in 2014, with its principal place of business in Los
2 Angeles, California. Defendant SLIG marketed itself as a “private placement
3 investment firm” focused on real estate development, or as a “private equity” real
4 estate investment and development firm that offered and sold promissory notes.
5 Neither Defendant SLIG nor its securities offerings has ever been registered with the
6 SEC in any capacity.

7 15. **SLIG High Interest Liquid Savings Company (“SLIG High**
8 **Interest”)**, is a California corporation that was incorporated in 2019, with its
9 principal place of business in Los Angeles, California. Defendant SLIG High
10 Interest, a subsidiary of SLIG, existed to offer and sell promissory notes. Neither
11 Defendant SLIG High Interest nor its securities offerings has ever been registered
12 with the SEC in any capacity.

13 THE ALLEGATIONS

14 **A. Defendants’ Securities Offering**

15 16. From at least January 2018 through October 2022, Defendants SLIG and
16 SLIG High Interest offered and sold approximately \$17.5 million in promissory notes
17 to over 150 investors across the United States. Many of Defendants’ promissory note
18 investors purchased those investments through self-directed IRAs.

19 17. Defendant SLIG had begun selling promissory notes since 2015, and
20 Defendant SLIG High Interest had begun selling promissory notes since 2020.

21 18. The promissory notes offered by both entities were part of one
22 continuous offering, and Defendant SLIG High Interest’s notes represented that
23 Defendant SLIG was the guarantor.

24 19. Defendant Mehrian signed both entities’ promissory notes on behalf of
25 Defendant SLIG as its president. For Defendant SLIG’s own promissory notes,
26 Defendant SLIG was the borrower, and for Defendant SLIG High Interest’s
27 promissory notes it was the borrower and Defendant SLIG was the guarantor.

28 20. Defendant Mehrian exercised full decision-making authority over

1 Defendants SLIG and SLIG High Interest's operations.

2 21. Further, Defendant Mehrian authorized the promissory notes' use for
3 offer, purchase, and sale.

4 22. Additionally, Defendant Mehrian was a signatory on Defendants SLIG
5 and SLIG High Interest's bank accounts, and thus controlled how the investor funds
6 deposited into those accounts were used.

7 23. Both Defendants SLIG and SLIG High Interest's promissory notes
8 offered anywhere between at least 4% and 7.26%, and as high as 9%, in annual
9 interest, to be paid monthly, quarterly, semi-annually, or accrued, and guaranteed a
10 return of principal upon maturity, which was typically 12 months.

11 **B. Marketing and General Solicitation of SLIG and SLIG High Interest**
12 **Offering**

13 24. Defendants Mehrian, SLIG, and SLIG High Interest engaged in general
14 solicitation for SLIG and SLIG High Interest's promissory note offering, marketing
15 the notes primarily via the internet and emails, and through oral representations to
16 investors.

17 25. For example, Defendants made the following representations through
18 SLIG's website:

19 a. Defendant SLIG was "a private equity firm that creates timeless,
20 trusted real estate projects," selecting "secure investment projects that will prosper
21 and grow throughout all economic cycles over time."

22 b. Defendant SLIG High Interest was Defendant SLIG's subsidiary
23 and "a savings vehicle designed to provide higher returns through its unique
24 promissory note program," which helped "ensure the proper administration of all of
25 SLIG's assets."

26 c. Defendant SLIG's "High Interest Liquid Savings" investment
27 option involved issuing promissory notes that were "backed by California lending
28 laws," and were "backed by SLIG's portfolio of assets."

1 d. The High Interest Liquid Savings promissory notes were “safe and
2 recession-proof,” guaranteed a monthly income, “earn[ed] higher interest,” and
3 “outpace[d] inflation.”

4 e. The promissory notes would be issued by Defendant SLIG High
5 Interest, whose accounts were “collateralized by the real estate portfolio” owned by
6 Defendant SLIG High Interest.

7 f. The “\$295 million worth of real estate” purportedly consisted of
8 properties that were described as “income producing asset[s]” and/or generated
9 “rate[s] of return” from 39.07% to 118.45%.

10 26. Additionally, Defendant SLIG made the following representations
11 through emails to prospective and new investors:

12 a. Defendant SLIG offered “unique investment opportunities in
13 diverse, flourishing real estate markets across the country,” created a “well-
14 diversified portfolio that ha[d] out-performed traditional investment options, resulting
15 in secure and profitable returns,” and had a “current projected portfolio” consisting of
16 “about \$342M of real estate assets in office, multi-family, and senior living spaces.”

17 b. Defendant SLIG was offering a “SLIG savings account” as an
18 alternative to a “traditional savings account,” with interest rates ranging from 6.01%
19 to 8.02% depending how much money was deposited.

20 27. Furthermore, Defendant SLIG posted a YouTube video titled “SLIG
21 High Return Liquid Savings” that made the following representations, through
22 Defendant SLIG’s representatives:

23 a. Defendant SLIG’s promissory note program provided a “secure
24 and lucrative” investment alternative to the volatile stock market and traditional
25 savings accounts, which were “not exciting or worthwhile to savvy investors.”

26 b. All of Defendant SLIG’s promissory notes were “backed by
27 California lending laws and by SLIG’s portfolio of assets.”

28 c. Investors would receive monthly interest payments.

1 d. Defendant SLIG offered “the highest interest rate,” and was “safe,
2 secure.”

3 e. Investor money would remain liquid and not be “locked.”

4 28. Moreover, Defendant Mehrian made the following oral representations
5 directly to investors:

6 a. Defendant SLIG’s promissory notes provided greater investor
7 returns than traditional investments.

8 b. Defendant SLIG’s promissory notes were secured loans, backed
9 by Defendant SLIG’s real estate holdings and rental revenue.

10 c. Defendant SLIG’s promissory note investments remained in its
11 corporate accounts, and were never loaned out for other purposes.

12 d. Investors would get a check in the mail the first of every month.

13 e. Defendant SLIG would not automatically renew promissory notes
14 without first talking to the investor.

15 f. Real estate investments were better than stock market investments
16 because the former were more secure, less volatile, and more profitable.

17 29. Defendants did not attempt to verify the accredited status of promissory
18 note investors.

19 **C. Violations of the Antifraud Provisions**

20 **1. False and Misleading Statements Concerning Use of Investor**
21 **Funds**

22 30. Defendants Mehrian, SLIG, and SLIG High Interest made false and
23 misleading statements to promissory note investors about the safety and security of
24 the promissory note investment. Specifically, Defendants failed to disclose that
25 investor funds were commingled, transferred to other SLIG-related entities to meet
26 those entities’ cash flow needs, and used to make Ponzi-like payments to other
27 promissory note investors.

28 31. Defendant Mehrian had control over all promissory note investor money,

1 and he caused SLIG to treat it as one pool of funds, moving money between various
2 SLIG-related entities to meet cash flow needs for SLIG’s planned multi-family and
3 senior living and commercial real estate projects.

4 32. Defendant Mehrian caused SLIG to document these transfers as loans to,
5 or investments in, the SLIG project entities, if they were documented at all.

6 33. Such transfers of promissory note investor money allowed SLIG-related
7 entities low on cash to continue in operation and allowed the Defendants to portray
8 SLIG and its network of associated, affiliated, and related entities as a successful real
9 estate enterprise with significant liquidity, which, as explained below, was a false and
10 misleading portrayal.

11 34. From at least January 2018 to October 2022, while the promissory note
12 offering was still ongoing and SLIG was operating at a net loss, Defendants Mehrian,
13 SLIG, and SLIG High Interest made at least \$4.2 million (out of the \$17.5 million
14 raised) in Ponzi-like payments—that is, payments to prior promissory note investors
15 from new investor funds. For example:

16 a. In May 2019, \$140,800 in Ponzi-like payments were made to
17 investors, when SLIG’s monthly income was just \$11,396.

18 b. In November 2020, \$120,890 in Ponzi-like payments were made
19 to investors, when SLIG’s monthly income was just \$1,427.

20 c. In January 2022, \$20,214 in Ponzi-like payments were made to
21 investors, when SLIG’s monthly income was just \$354.

22 **2. False and Misleading Statements Concerning Profitability and**
23 **Ability to Pay Investors**

24 35. Defendants Mehrian and SLIG made false and misleading statements
25 about Defendant SLIG’s profitability and success, as mentioned above, and never
26 disclosed that Defendant SLIG was consistently operating at a loss and had negative
27 equity throughout the relevant period.

28

1 36. Between fiscal years 2016 and 2020, Defendant SLIG’s total liabilities
2 exceeded \$18.3 million, including \$13.4 million owed to promissory note investors
3 and over \$4 million payable to other SLIG entities.

4 37. During this same period, Defendant SLIG’s negative equity was in
5 excess of \$6.3 million.

6 38. Notably, in March 2020, as investors asked Defendants about not having
7 received interest payment and for return of principal, Defendants cited the COVID-19
8 pandemic as an excuse for why they could not pay investors.

9 39. Specifically, Defendant SLIG sent promissory note investors an
10 unsigned letter announcing the suspension of interest payments, stating, “This is due
11 to sources of funds from different financial lenders being delayed resulting from the
12 continuing uncertainty around COVID-19.”

13 40. After further inquiries and complaints from investors, Defendants sent
14 investors a written “Statement of Condition” for SLIG—that Defendant Mehrian co-
15 signed—representing that SLIG and its subsidiaries “are a well-capitalized and strong
16 financial investment institution.”

17 41. In that correspondence, Defendant SLIG represented that: “[b]ased on
18 our current portfolio and strategic location of assets, we have put ourselves in a
19 strong and safe position to weather the storm in any economic downturn;” “[w]e have
20 created a safe haven for our investors to invest and preserve capital, backed by our
21 real estate portfolio;” and “[i]n comparison to other money market accounts with
22 negative returns, CDs, and other investment vehicles, our Promissory Notes remain
23 the most lucrative option in the current economic environment.”

24 42. Following this correspondence, Defendant SLIG sent promissory note
25 investors monthly statements that set forth the investor’s total principal amount,
26 interest rate, monthly interest, and, in some cases, a “current value” figure, even
27 though they did not receive the guaranteed monthly interest payments.

28

1 43. Defendants Mehrian, SLIG, and SLIG High Interest thus engaged in
2 lulling by continuing to represent to investors that they would still be paid guaranteed
3 interest payments in the future, and that their principal would eventually be returned,
4 even after Defendants ceased paying investors' purportedly guaranteed monthly
5 interest payments.

6 44. By year-end 2020, Defendant SLIG lacked sufficient assets to satisfy its
7 payment obligations to promissory note investors and amounts owed to Defendant
8 SLIG's other entities.

9 45. Further, from 2018 to 2022, Defendant SLIG did not generate sufficient
10 revenue from its real estate holdings to pay investors their promised returns.

11 46. During this same period, Defendant SLIG's operation was funded
12 entirely from the proceeds derived from the sale of promissory notes.

13 **3. False and Misleading Statements Concerning Automatic**
14 **Renewal of Promissory Notes**

15 47. In 2020, despite Defendant Mehrian's prior representations of
16 "guaranteed interest" on the notes, and the notes providing no authority for
17 Defendants to unilaterally defer those interest payments to a later date, Defendant
18 SLIG unilaterally renewed investors' promissory notes without advance notice and
19 without consent of the investors.

20 48. Defendant SLIG extended the maturity date of the notes by, in some
21 cases, over a year, depriving investors of the option to forego renewal and to obtain
22 the return of their principal and accrued, unpaid interest, upon maturity of their
23 promissory notes.

24 **4. False and Misleading Statements Concerning Investor's**
25 **Purported Collateralized Interest in SLIG's Real Estate**
26 **Portfolio**

27 49. Despite Defendants Mehrian, SLIG, and SLIG High Interest's
28 representations that promissory note investments were backed or collateralized by

1 Defendants SLIG and SLIG High Interest’s real estate portfolio, the reality was that
2 the promissory note investments were unsecured and uncollateralized, with no
3 enforceable interest in real estate. This was contrary to Defendants’ false and
4 misleading statements that their investments were more stable than the stock market,
5 safe, secure, and recession-proof because the promissory notes were backed by real
6 estate assets and collateralized.

7 **D. Defendants’ False and Misleading Statements Were Material**

8 50. Each of Defendants Mehrian, SLIG, and SLIG High Interest’s false and
9 misleading statements and omissions were material.

10 51. A reasonable investor would have considered it important to know that
11 their money was being used to make Ponzi-like payments to other investors.

12 52. A reasonable investor also would have considered it important to know
13 that they were investing their money into a purported real estate development
14 company—and its related entities—that was consistently operating at a loss with
15 negative equity from its real estate operations.

16 53. A reasonable investor further would have considered it important to
17 know that their notes could be renewed unilaterally without their knowledge or
18 approval.

19 54. Finally, a reasonable investor would have considered it important to
20 know that their funds were not backed or collateralized by any real estate holdings.

21 55. All of the foregoing facts—misuse of investor funds to make Ponzi-like
22 payments, consistent operating losses from the real estate projects, deferred interest
23 payments at Defendants’ unilateral discretion, and note holders having no enforceable
24 collateral interest in real estate assets—contradicted Defendants’ representations that
25 their promissory note investments were “safe” and “secure” because they were
26 “backed by SLIG’s portfolio of assets,” “collateralized” by Defendants’ real estate
27 portfolio, would pay “guaranteed interest” above prevailing market rates offered by
28 banks, and were consequently “recession-proof” investments.

1 **E. Defendants Acted with Scienter and Their Conduct Was Negligent**

2 56. Defendant Mehrian knew, or was reckless in not knowing, that his, and
3 Defendants SLIG and SLIG High Interest’s, misrepresentations that their promissory
4 note investments were “safe” and “secure” because they were “backed by SLIG’s
5 portfolio of assets,” “collateralized” by Defendants’ real estate portfolio, would pay
6 “guaranteed interest” above prevailing market rates offered by banks, and were
7 consequently “recession-proof” investments were false and misleading. For the same
8 reasons, Defendant Mehrian’s conduct was unreasonable and therefore negligent.

9 57. Defendant Mehrian’s scienter is attributable to Defendants SLIG and
10 SLIG High Interest because he, as the president of Defendant SLIG and chief
11 executive officer of Defendant SLIG High Interest, exerted managerial control over
12 both entities.

13 58. Defendant Mehrian’s negligence is attributable to Defendants SLIG and
14 SLIG High Interest because he, as the President of Defendant SLIG and C.E.O. of
15 Defendant SLIG High Interest, exerted managerial control over both entities.

16 **F. Defendants Obtained Money By Means of the Misrepresentations**

17 59. Defendants obtained money directly by means of the misrepresentations,
18 as the promissory note investor money was used to fund SLIG and SLIG High
19 Interest’s purported real estate operations.

20 **G. The Promissory Notes Offered and Sold by Defendants Are**
21 **Securities**

22 60. Based on Defendants’ materially false and misleading statements,
23 investors invested money into accounts controlled by Defendants in order to receive
24 returns in the form of fixed interest payments.

25 61. Defendant Mehrian pooled the investor funds—which investors were
26 told were collateralized by Defendants SLIG and SLIG High Interest’s real estate
27 portfolios and investments—into various bank accounts.

28

1 62. The managerial efforts of Defendants SLIG and SLIG High Interest,
2 with respect to their purported real estate assets and portfolio, were to be led entirely
3 by Defendants.

4 63. Promissory note investors were entirely passive, and they reasonably
5 expected profits based on Defendants' managerial efforts due to the false and
6 misleading representations made to them.

7 **G. Registration Violations: Sections 5(a) and 5(c) of the Securities Act**

8 64. Defendants Mehrian, SLIG, and SLIG High Interest offered and sold
9 securities, raising over \$17.5 million from about 150 investors throughout the United
10 States from at least January 2018 to October 2022.

11 65. The SLIG and SLIG High Interest offering was never registered with the
12 SEC.

13 66. The SLIG and SLIG High Interest securities were offered and sold
14 through interstate commerce.

15 67. The SLIG and SLIG High Interest offering was not exempt from
16 registration.

17 68. Defendant Mehrian, and Defendants SLIG and SLIG High Interest, as
18 the issuers of the securities, directly offered and sold securities through general
19 solicitation, broadly targeting members of the public via the internet.

20 69. Defendants Mehrian, SLIG, and SLIG High Interest offered and sold
21 securities to investors residing outside of California.

22 70. Defendants Mehrian, SLIG, and SLIG High Interest did not take
23 reasonable steps to verify whether investors residing in the United States were
24 accredited.

25 71. Defendant Mehrian is liable for Defendants SLIG and SLIG High
26 Interest's offer and sale of securities because he, as the president of Defendant SLIG
27 and chief executive officer of Defendant SLIG High Interest, exerted managerial
28 control over both entities.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder
(Against All Defendants)**

72. The SEC realleges and incorporates by reference paragraphs 1 through 71 above.

73. In connection with the purchase or sale of securities, Defendants engaged in a scheme to defraud and made material misrepresentations and omissions to investors. Defendants failed to disclose that investor funds were commingled, transferred to other entities to meet those entities' cash flow needs, and used to make Ponzi-like payments to other investors. Further, Defendants Mehrian and SLIG made false representations about the profitability about Defendant SLIG's success, all while Defendant SLIG was operating at a loss and had negative equity, and falsely blamed non-payment of guaranteed interest on the COVID-19 pandemic. Additionally, Defendant Mehrian falsely represented to investors that their promissory notes would not be automatically renewed without their consent. Lastly, Defendants falsely represented that promissory note investments were backed or collateralized by real estate.

74. Because Defendant Mehrian controlled and had ultimate authority over his direct communications to investors, postings on Defendant SLIG's website and social media, and documents provided to Defendants SLIG and SLIG High Interest's promissory note investors, Defendant Mehrian is the maker of these material misrepresentations and/or omissions.

75. By engaging in the conduct described above, Defendants, and each of them, directly or indirectly, in connection with the purchase or sale of a security, and by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of a material fact or omitted to state a

1 material fact necessary in order to make the statements made, in the light of the
2 circumstances under which they were made, not misleading; or (c) engaged in acts,
3 practices, or courses of business which operated or would operate as a fraud or deceit
4 upon other persons.

5 76. Because Defendant Mehrian controlled Defendants SLIG and SLIG
6 High Interest, his knowledge and/or recklessness may be imputed to Defendants
7 SLIG and SLIG High Interest.

8 77. Defendants, with scienter, employed devices, schemes, or artifices to
9 defraud; made untrue statements of material facts or omitted to state material facts
10 necessary in order to make the statements made, in the light of the circumstances
11 under which they were made, not misleading; and engaged in acts, practices, or
12 courses of business which operated or would operate as a fraud or deceit upon other
13 persons, including purchasers and sellers of securities by the conduct described in
14 detail above.

15 78. By engaging in the conduct described above, Defendants each violated,
16 and unless restrained and enjoined will continue to violate, Section 10(b) of the
17 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

18 **SECOND CLAIM FOR RELIEF**

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

20 **Violations of Sections 17(a) of the Securities Act**

21 **(Against All Defendants)**

22 79. The SEC realleges and incorporates by reference paragraphs 1 through
23 71 above.

24 80. In connection with the purchase or sale of securities, Defendants
25 engaged in a scheme to defraud and made material misrepresentations or omissions to
26 investors. Defendants failed to disclose that investor funds were commingled,
27 transferred to other entities to meet those entities' cash flow needs, and used to make
28 Ponzi-like payments to other investors. Further, Defendants Mehrian and SLIG made

1 false representations about the profitability about SLIG's success, all while SLIG was
2 operating at a loss and had negative equity, and falsely blamed non-payment of
3 guaranteed interest on the COVID-19 pandemic. Additionally, Defendant Mehrian
4 falsely represented to investors that their promissory notes would not be
5 automatically renewed without their consent. Lastly, Defendants falsely represented
6 that promissory note investments were backed or collateralized by real estate.

7 81. By engaging in the conduct described above, Defendants, directly or
8 indirectly, in the offer or sale of securities by the use of means or instruments of
9 transportation or communication in interstate commerce or by use of the mails (a)
10 employed devices, schemes, or artifices to defraud; (b) obtained money or property
11 by means of untrue statements of a material fact or by omitting to state a material fact
12 necessary in order to make the statements made, in light of the circumstances under
13 which they were made, not misleading; or (c) engaged in transactions, practices, or
14 courses of business which operated or would operate as a fraud or deceit upon the
15 purchaser.

16 82. Because Defendant Mehrian controlled Defendants SLIG and SLIG
17 High Interest, his knowledge, recklessness, and/or negligence may be imputed to
18 Defendants SLIG and SLIG High Interest.

19 83. Defendants, with scienter, employed devices, schemes, or artifices to
20 defraud; and Defendants, with scienter or negligence, obtained money or property by
21 means of untrue statements of material fact or by omitting to state a material fact
22 necessary in order to make the statements made, in light of the circumstances under
23 which they were made, not misleading, and engaged in transactions, practices, or
24 courses of business which operated or would operate as a fraud or deceit upon the
25 purchaser.

26 84. Defendants obtained money directly by means of the misrepresentations,
27 as the promissory note investor money was used to fund Defendants SLIG and SLIG
28 High Interest's operations.

1 85. By engaging in the conduct described above, Defendants each violated,
2 and unless restrained and enjoined will continue to violate, Section 17(a) of the
3 Securities Act, 15 U.S.C. § 77q(a).

4 **THIRD CLAIM FOR RELIEF**

5 **Unregistered Offer and Sale of Securities**

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

7 **(Against All Defendants)**

8 86. The SEC realleges and incorporates by reference paragraphs 1 through
9 71 above.

10 87. Defendants' offer and sale of SLIG and SLIG High Interest's securities
11 were not registered with the SEC and the securities were offered and sold through
12 interstate commerce. There was no registration statement in effect or filed with the
13 SEC with respect to the offering.

14 88. No exemption applies to Defendants SLIG and SLIG High Interest's
15 offer and sale of securities. Defendants engaged in general solicitation, broadly
16 targeting members of the public across various states via the internet. In addition,
17 Defendants failed to take reasonable steps to verify whether investors actually
18 qualified as accredited investors, relying instead upon investors' own representations
19 as to whether they met the applicable requirements. Defendants also sold notes to
20 investors residing outside of California.

21 89. Defendant Mehrian is liable under Section 5 of the Securities Act for
22 SLIG and SLIG High Interest's unregistered offer and sale of securities because
23 Defendant Mehrian controlled both entities and he was a necessary participant and
24 substantial factor in the offerings.

25 90. By engaging in the conduct described above, Defendants, and each of
26 them, directly or indirectly, singly and in concert with others, made use of the means
27 or instruments of transportation or communication in interstate commerce, or of the
28 mails, to offer to sell or to sell securities, or carried or caused to be carried through

1 the mails or in interstate commerce, by means or instruments of transportation,
2 securities for the purpose of sale or for delivery after sale, when no registration
3 statement had been filed or was in effect as to such securities, and when no
4 exemption from registration was applicable.

5 91. By engaging in the conduct described above, Defendants each violated,
6 and unless restrained and enjoined, will continue to violate, Sections 5(a) and 5(c) of
7 the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c).

8 **PRAYER FOR RELIEF**

9 WHEREFORE, the SEC respectfully requests that the Court:

10 **I.**

11 Issue findings of fact and conclusions of law that Defendants committed the
12 alleged violations.

13 **II.**

14 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
15 Civil Procedure, permanently enjoining Defendant Mehrian and his officers, agents,
16 servants, employees, and attorneys, and those persons in active concert or
17 participation with any of them, who receive actual notice of the judgment by personal
18 service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a)
19 of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and Section 10(b) of
20 the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §
21 240.10b-5].

22 **III.**

23 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
24 Civil Procedure, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C.
25 § 78u(d)(5)], permanently enjoining Defendant Mehrian and his officers, agents,
26 servants, employees and attorneys, and those persons in active concert or
27 participation with any of them, who receive actual notice of the judgment by personal
28 service or otherwise, from, directly or indirectly, including, but not limited to,

1 through any entity owned or controlled by Defendant Mehrian, participating in the
2 issuance, purchase, offer, or sale of any security; provided, however, that such
3 injunction shall not prevent Defendant Mehrian from purchasing or selling securities
4 for his own personal account.

5 **IV.**

6 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
7 Civil Procedure, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §
8 78u(d)(2)] and/or Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], prohibiting
9 Defendant Mehrian from acting as an officer or director of any issuer that has a class
10 of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l]
11 or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15
12 U.S.C. § 78o(d)].

13 **V.**

14 Order Defendants to disgorge all funds received from their illegal conduct,
15 together with prejudgment interest thereon, pursuant to Exchange Act Sections
16 21(d)(3), 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(3), (d)(5) and 78u(d)(7)].

17 **VI.**

18 Order Defendants to pay civil penalties under Section 20(d) of the Securities
19 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §
20 78u(d)(3)].

21 **VII.**

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

26 **VIII.**

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

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Dated: September 25, 2023

/s/ Gary Y. Leung

Gary Y. Leung
Daniel S. Lim
Attorneys for Plaintiff
Securities and Exchange Commission