UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21039

In the Matter of

LISA GORDON

Respondent.

DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF DEFAULT JUDGMENT AND REMEDIAL SANCTIONS

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Pursuant to the April 11, 2023 Order to Show Cause in this matter, Exch. Act Release No. 97281, the Division of Enforcement ("Division") submits this motion for default judgment and sanctions against Respondent Lisa Gordon ("Gordon").

I. INTRODUCTION

From January 2018 through April 2021, Gordon was hired by Thomas Gaffney, the principal and control person of defendant VerdeGroup Investment Partners, Inc. ("VerdeGroup") to handle VerdeGroup investor relations and act as an unregistered broker-dealer in connection with VerdeGroup's unregistered offering and directly offered and sold securities by soliciting investors through phone calls and emails. VerdeGroup raised approximately $612,765 from at least 27 investors, ostensibly to finance marijuana businesses. VerdeGroup misled and deceived actual and prospective investors about how their monies would be used, about VerdeGroup's business partners, and about VerdeGroup's purportedly imminent initial public offering.

The instant proceedings were commenced on September 7, 2022, based upon the entry of a final judgment against Gordon permanently enjoining her from future violations of Section 5 of the Securities Act of 1933 (the "Securities Act") and Section 15(a) of the Securities and Exchange Act of 1934 (the "Exchange Act") in the civil action entitled *Securities and Exchange Commission v. VerdeGroup Investment Partners, et al.*, Civil Action Number 2:21−cv−07663-SB-ADS, in the United States District Court for the Central District of California. *See* Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("OIP") Exch. Act. Rel. 95690 (September 7, 2022).

Pursuant to SEC Rule of Practice 141(a)(2)(iii), the OIP was served on Respondent. Gordon did not file an answer, and thus is in default. Accordingly, the Division moves, pursuant to Rules 155(a)(2) and 220(f) of the SEC's Rules of Practice, for a finding that Gordon is in default and for the imposition of remedial sanctions. The Division specifically requests that the Commission issue an order barring Gordon from being associated with a broker, dealer,

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investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

II. FACTS

A. Respondent

Gordon is last known to have resided in Tarzana, California. Declaration of Stephen Kam ("Kam Decl.") ¶ 2. VerdeGroup listed Gordon as its "Investor Relations" contact and as its "Treasurer or Fiscal Agent" on VerdeGroup's Wyoming corporate filing. *Id.* ¶ 3.

B. The Commission's Complaint in United States District Court

On September 27, 2021, the Commission filed a complaint against the VerdeGroup, Gaffney, and Gordon in the civil action entitled *Securities and Exchange Commission v. VerdeGroup Investment Partners, et al.*, Civil Action Number 2:21-cv-07663-SB-ADS, in the United States District Court for the Central District of California. *Id.* Ex. 2. The Commission's complaint alleged that from January 2018 through July 2019 Thomas Gaffney sold VerdeGroup securities in an unregistered offering, raising over approximately $612,765 from more than two dozen retail investors. *Id.* VerdeGroup represented that investor funds would be used to fund investments in cannabis businesses, that these cannabis businesses were VerdeGroup's business partners, and that investors would be able to convert their investment to equity before VerdeGroup's initial public offering. *Id.* Contrary to these representations, however, these cannabis businesses were not VerdeGroup's business partners and VerdeGroup did not invest in cannabis-related businesses, but rather diverted 467,110 of the money to Tommy's Pizza, a Florida-based pizza parlor company run and jointly owned by Gaffney. *Id.* Moreover, VerdeGroup misrepresented its plans for an initial public offering. *Id.*

The complaint further alleged that Gaffney engaged Gordon to handle investor relations and offer and sell VerdeGroup securities in connection with the unregistered offering. *Id.* Gordon sent VerdeGroup offering documents to investors, received documents from investors, actively solicited investments by both phone and email, and encouraged investors to invest in

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VerdeGroup by making representations about the merits of the company. *Id.* Her responsibilities included sending purported investment returns to investors. *Id.* In fact, Gordon was the only individual who directly communicated with VerdeGroup investors by phone and email, and in her communications with investors she repeated numerous misrepresentations to investors, including that VerdeGroup's initial public offering was imminent. *Id.* At least one check from Tommy's Pizza account, which had received the bulk of VerdeGroup investor funds, was addressed to Gordon. *Id.* Therefore, Gordon acted as an unregistered broker-dealer. *Id.* By engaging in this conduct, the Commission alleged that Gordon committed violations of Sections 5(a) and 5(c) of the Securities Act and Section 15(a) of the Exchange Act. *Id.*

C. Entry of the District Court Injunction

On January 14, 2022, the district court granted the SEC's motion for default judgment, finding that (1) "Gordon directly offered and sold securities by soliciting investors through phone calls and emails," (2) "the securities were not registered with the SEC," (3) "Gordon acted as an unregistered broker by emailing and sending VerdeGroup offering documents to investors, receiving documents from investors, actively soliciting investments by phone and email, and making representations about the merits of VerdeGroup," (4) Gordon "knowingly repeated several distinct and egregious lies to numerous investors over the course of more than a year," and (5) Gordon had "not acknowledged the wrongfulness of [her] conduct or offered any assurances that [she] will not violate the laws in the future." *Id.* Ex. 3. On March 11, 2022, a final judgment was entered against Gordon permanently enjoining her from future violations of Section 5 of the Securities Act and Section 15(a) of the Exchange Act. *Id.* Ex. 4.

D. The Commission Initiated this Proceeding

The instant proceedings were commenced on September 7, 2022, based upon the entry of a final judgment against Gordon, permanently enjoining her from future violations of Section 5 of the Securities Act and Section 15(a) of the Exchange Act in the district court action. The OIP was served on Respondent by sending a copy of the OIP addressed to Respondent's last-known

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addresses by certified U.S. mail in accordance with Commission Rule of Practice 141(a)(2). *Id.* ¶ 4.

E. The Evidence Against Respondent

The evidence developed during the Division of Enforcement's investigation clearly demonstrates that Gordon acted as an unregistered broker-dealer in connection with VerdeGroup's unregistered offering, in violation of Section 5 of the Securities Act and Section 15(a) of the Exchange Act. Specifically, Gordon directly offered and sold VerdeGroup securities by soliciting prospective investors through phone calls and email communications. *See Id.* Exs. 5 and 6. Gordon also emailed the VerdeGroup offering documents to prospective investors. *See Id.* Ex. 6. The VerdeGroup securities were not registered with the SEC. *Id.* ¶ 6.

In her communications with investors, Gordon made numerous misrepresentations to multiple investors, including misrepresentations relating to the purported imminence of VerdeGroup's initial public offering and the attractiveness of investing in VerdeGroup. *See Id.* Exs. 6-7. Gordon was also responsible for sending investment returns to VerdeGroup investors. *See Id.* Exs. 5-6 and 8.

The majority of investor funds that were raised in connection with the VerdeGroup unregistered offering were diverted to Tommy's Pizza Ventures Inc., Florida-based pizza parlor company run and owned by Gaffney. *See Id.* Ex. 9. In exchange for her services, Gordon received at least one check directly from Tommy's Pizza account. *See Id.* Ex. 10.

F. Gordon is in Default in this Proceeding

On April 11, 2022, the Commission issued an Order to Show Cause ordering Gordon, by April 25, 2023, to show cause why she should not be deemed to be in default and why this proceeding should not be determined against her due to his failure to file an answer and to otherwise defend this proceeding. Order, Exch Act. Rel. No. 97281 (Apr. 11, 2023). The Order

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further directed that if Gordon failed to file a response, the Division should file a motion for default and other relief by May 23, 2023. *Id.* Gordon did not appear or respond to the OSC. *Id.* ¶ 5.

III. ARGUMENT

A. Gordon Is In Default and the Allegations of the OIP May Be Deemed To Be True

Because Gordon has not responded to the OIP, she is in default. Rule 155(a) of the SEC's Rules of Practice states:

> A party to a proceeding may be deemed to be in default and the Commission or the hearing officer may determine the proceeding against the party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true, if that party fails: . . .
>
> (2) To answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding . . . .

17 CFR § 201.155(a). Moreover, the OIP itself provides: "If Respondent fails to file the directed answer . . . . the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true . . . ." Kam Decl. Ex. 1 (OIP at p. 3).

The Commission has already made findings that Gordon was properly served with the OIP, and has failed to answer. *See* Order to Show Cause, Exch. Act. Rel. No. 97281 (Apr. 11, 2023). Under Rule 155(a), the allegations of the OIP may thus be deemed to be true and the Commission may determine the proceedings against the party upon consideration of the record, including the OIP. 17 CFR § 201.155(a); *see also In the Matter of Roman Sledziejowski*, Admin. Proc. File No. 3-19502, SEC Rel. No. 97485, 2023 WL 3433408, *3 (Comm'n. Op.) (May 11, 2023) ("Because Sledziejowski has failed to answer or to respond to the show cause order or the Division's motion, we find it appropriate to deem him in default and to deem the allegations of

the OIP to be true."); *In the Matter of Conrad A. Coggeshall*, Admin. Proc. File No. 3-20142, SEC Rel. No. 6306, 2023 WL 3433398, *2 (Comm'n. Op.) (May 10, 2023) (same).

B. The Findings in the Underlying District Court Case Are Binding on Respondent

Where, as here, the facts have been determined in an earlier judicial proceeding, those facts may not be revisited in a subsequent administrative proceeding. *See In the Matter of Florin S. Ilovici*, Release No. 68285 (Nov. 23, 2012) ("This proceeding will be determined upon consideration of the record including the OIP, the allegations of which are deemed true. Additionally, because the District Court entered a default against Ilovici in the Civil Action, all of the well-pleaded allegations of the Complaint are deemed admitted."); *In the Matter of Corbin Jones*, Release No. 568 (Feb. 21, 2014) (same).

C. Imposition of a Permanent Bar Is Warranted

Based on the record here and in the underlying action, the Division respectfully requests that sanctions be imposed under Section 15(b)(6) of the Exchange Act. That section provides in relevant part:

> With respect to any person who is associated, . . . or, at the time of the alleged misconduct, who was associated . . . with a broker or dealer, . . . the Commission, by order, shall censure, place limitations on the activities or functions of such a person, or suspend for a period not exceeding 12 months, or bar any such person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock, if the Commission finds, on the record after notice and an opportunity for a hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person – . . .
>
> ***

(iii) is enjoined from any action, conduct or practice specified in subparagraph (C) of such paragraph (4)" of Section 15(b).

Thus, Section 15(b)(6) authorizes the Commission to impose an associational bar against a respondent if: (1) at the time of the alleged misconduct, he or she was associated with a broker; (2) he or she is enjoined from any action, conduct or practice specified in Section 15(b)(4)(C); and (3) a bar is in the public interest. Each of these factors is easily met here.

1. At the Time of the Misconduct, Respondent was Associated With a Broker

As to the first factor, Gordon emailed and sent VerdeGroup offering documents to investors, received documents from investors, actively solicited investments by phone and email, and made representations to investors regarding the merits of investing in VerdeGroup. She was the sole direct contact with VerdeGroup investors in connection with the unregistered offering. Due to her efforts, VerdeGroup raised approximately $612,765 from at least 27 investors, ostensibly to finance marijuana businesses. Gordon also received compensation from an account controlled by Gaffney containing VerdeGroup investor funds.

The Exchange Act defines a broker as one "engaged in the business of effecting transactions in securities for the account of others." 15 U.S.C. § 78c(a)(4)(A). The Commission has stated that "[a]ctivities that are indicative of being a broker include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation." *See In the Matter of Anthony Fields*, Advisers Act Release No. 4028, 2015 WL 728005, at *18 (Feb. 20, 2015) (holding that [respondents] explicitly held themselves out as brokers and provid[ed] brokerage services, and that is by itself sufficient to trigger Section 15(a)'s registration requirement). Specifically, the Commission has noted that "transaction-based compensation[] or commissions are one of the hallmarks of being a broker-dealer." *In the Matter of David Howard Welch (a/k/a David Howard Bryant*), Release No. 92267 (June 25, 2021).

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Moreover, the Commission has held that where a respondent meets the definition of a "broker," they also meet the definition of a "person associated with a broker" for purposes of Exchange Act Section 15(b)(6). *See In the Matter of Edward M. Daspin, a/k/a "Fedward (Ed)michael" Luigi Agostini, & Lawrence R. Lux*, Release No. 1387 (Oct. 16, 2019) (holding that "[b]ecause Daspin acted as an unregistered broker at the time of his misconduct, he is deemed to have been associated with one for purposes of Section 15(b))"); *In the Matter of Andrew Stitt*, Release No. 1348 (Feb. 6, 2019) ("Stitt's participation in the scheme was the basis for his injunction. There is therefore no doubt that he was associated with a broker— himself— at the time of his misconduct."); *In the Matter of James S Tagliaferri*, Release No. 4650 (Feb. 15, 2017) ("Because we find that Tagliaferri himself met the definition of a ""broker," we also find that he met the definition of a "person associated with a broker" for purposes of Exchange Act Section 15(b)(6).")

Indeed, had Gordon registered her role as a broker, as the Exchange Act required her to do, she necessarily would have been associated with that registered broker. *See* Exchange Act Section 15(a)(1), 15 U.S.C. 78o(a)(1) (making it "unlawful for any broker or dealer which is either a person other than a natural person or a natural person not associated with a broker or dealer which is a person other than a natural person" to act as a broker unless registered with the Commission); *see also Chester Richard Koza dba Chester R. Koza & Co.*, Exchange Act Release No. 6298, 1960 WL 56272, at *2 (June 28, 1960) (finding that applicant, who was a natural person "engaged in the securities business as a sole proprietor," violated Exchange Act Section 15(a) because he bought and sold securities as a dealer without having registered as such with the Commission, and rejecting argument that the securities transactions at issue were "personal ones made by [applicant] as an individual investor" because, as a sole proprietor, applicant "was the company") (internal quotations and citation omitted); *Tagliaferri*, Release No. 4650 (Feb. 15, 2017) ("He also necessarily controlled the activities of his brokerage business. Indeed, had Tagliaferri registered his sole proprietorship as a broker, as the Exchange Act required him to do, he necessarily would have been associated with that registered broker. And to hold that

Tagliaferri was not associated with a broker simply because he declined to register would prevent the Commission from barring persons who themselves meet the definition of a broker but who are not otherwise associated with a registered brokerage—something that would be inconsistent with the Exchange Act's purpose of protecting investors.") Therefore, Gordon was associated with a broker.

2. The District Court Enjoined Gordon Against Violations of the Securities Laws

The second element under Section 15(b)(6) is also established by the record in the underlying district court action, because Respondent was enjoined from conduct specified in Section 15(b)(4)(C). The acts enumerated under Section 15(b)(4)(D) include willful violations of the Securities Act, the Exchange Act or any rules or regulations under such statutes. Here, the district court permanently enjoined Respondent from violating Section 5 of the Securities Act and Section 15(b) of the Exchange Act. *See* Kam Decl., Ex. 4

3. A Bar Is In the Public Interest

Finally, the record establishes that a bar is in the public interest. In determining whether an administrative sanction is in the public interest, the Commission considers a number of factors, including (1) the egregiousness of the respondent's actions; (2) the isolated or recurrent nature of the infraction; (3) the degree of scienter involved; (3) the sincerity of the respondent's assurances against future violations; (4) recognition of wrongful conduct; and (5) the likelihood that the respondent's occupation will present future opportunities for violations. *See Steadman v. SEC,* 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 81 (1981); *Lonny S. Bernath*, Initial Dec. Rel. No. 993 at 4, 2016 SEC LEXIS 1222 *10-11 (Apr. 4, 2016) (*Steadman* factors used to determine whether a bar is in the public interest).

As to whether a bar is appropriate in a follow-on proceeding, "[t]he existence of an injunction can, in the first instance, indicate the appropriateness in the public interest of a suspension or bar from participation in the securities industry*." Michael V. Lipkin and Joshua*

Shainberg, Init. Dec. Rel. No. 317, 88 SEC Docket 2346, 2006 WL 2422652, at *4 (Aug. 21, 2006), *notice of finality*, 88 S.E.C. Docket 2872, 2006 WL 2668516 (Sept. 15, 2006).

a. Respondent's violations were egregious, intentional and recurrent

The first three *Steadman* factors are met here. As previously noted, in the district court found that this was not an isolated incident, but instead Gordon had "knowingly repeated several distinct and egregious lies to numerous investors over the course of more than a year." Kam Decl. Ex. 3. Further, as described above, Gordon engaged in numerous actions to induce investors to invest in VerdeGroup's offering while acting as an unregistered broker, including emailing VerdeGroup offering documents to investors, receiving documents from investors, actively soliciting investments by phone and email, and making representations about the merits of investing in VerdeGroup. For her services, she was compensated by an account controlled by Gaffney which contained VerdeGroup investor funds. In sum, the egregiousness and extent of Respondent's fraud clearly favor a bar under *Steadman*.

b. The remaining *Steadman* factors also favor a bar

The remaining *Steadman* factors also favor a bar. To begin, the district court found that Gordon had "not acknowledged the wrongfulness of [her] conduct or offered any assurances that [she] will not violate the laws in the future." *Id.* Ex. 3. Worse yet, Respondent has failed to appear or respond in this proceeding and declined to provide any assurance against future violations or recognition of her wrongful conduct. *Id.* ¶5. The "absence of recognition by [a respondent] of the wrongful nature of his conduct" favors a permanent bar. *Jonathan D. Havey, CPA*, Initial Dec. Rel. No. 959, 2016 SEC LEXIS 522, at *11 (Feb. 11, 2016) (granting permanent bar on motion for summary disposition in follow-on proceeding to criminal conviction); *Siming Yang*, Initial Dec. Rel. No. 788, 2015 SEC LEXIS 1735, at *10 (May 6, 2015) (noting, as part of grant of summary disposition and imposing of permanent bar in follow on proceeding to civil injunction, that, "[c]onsistent with a vigorous defense of the charges, [respondent] ha[d] not recognized the wrongful nature of his conduct"); *Delsa U. Thomas and*

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The D. Christopher Capital Management Group, LLC, Initial Dec. Rel. No. 205, 2014 SEC LEXIS 4181, at 24 (Nov. 4, 2014) (imposing permanent bar and revoking adviser's registration on summary disposition following an injunction, noting that "Respondents do not recognize the wrongful nature of their conduct. Instead, they deny any culpability, insist that none of their conduct was inappropriate, and accuse the Commission and the Commission's witnesses of bias or lying"); *Terrence O'Donnell*, Initial Dec. Rel. No. 334, 2007 SEC LEXIS 2148, at *14 (Sept. 20, 2007) (weighing in favor of bar respondent's "protest" that the securities laws were not sufficiently clear, finding this "evidence that [respondent] still seeks to minimize his misconduct"); *Steadman*, 603 F.2d at 1140.

In addition, the final *Steadman* factor considers "the likelihood that the respondent's occupation will present future opportunities for violations." Gordon's current employment is unknown. However, the question is not what position Gordon would be able to obtain, but whether Gordon would work in the business world if she could. *SEC v. Alexander*, 115 F. Supp. 3d 1071, 1086 (N.D. Cal. 2015) ("Although Defendants are in prison and no longer work for APS Funding, they may enter the business world in the future."); *SEC v. Small Bus. Capital Corp.*, No. 5:12-CV-03237-EJD, 2013 U.S. Dist. LEXIS 159227 (N.D. Cal. Nov. 6, 2013). Moreover, the other *Steadman* factors strongly favor the imposition of the bar, which is in the public's interest.

IV. CONCLUSION

For the foregoing reasons, the Division respectfully requests that Respondent be barred from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Dated: May 23, 2023

Respectfully submitted,

[redacted]

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In the Matter of Lisa Gordon
Administrative Proceeding File No. 3-21039
SERVICE LIST

Pursuant to Commission Rule of Practice 151 (17 C.F.R. §201.151), I certify that the attached:

DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF DEFAULT JUDGMENT AND REMEDIAL SANCTIONS

was served on May 23, 2023, upon the following parties as follows:

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Dated: May 23, 2023

Stephen T. Kam