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9  
10 **UNITED STATES DISTRICT COURT**  
11 **DISTRICT OF NEVADA**  
12

13 SECURITIES AND EXCHANGE  
14 COMMISSION,

15 Plaintiff,

16 vs.

17 CANNAVEST CORP. a/k/a/ CV  
SCIENCES, INC. and MICHAEL J.  
18 MONA, JR.,

19 Defendants.

Case No.

**COMPLAINT**

20  
21 Plaintiff Securities and Exchange Commission (“SEC”) alleges as follows:

22 **JURISDICTION AND VENUE**

23 1. This Court has jurisdiction over this action pursuant to Sections  
24 21(d)(1), 21(d)(2), 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of  
25 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(2), 78u(d)(3)(A), 78u(e),  
26 and 78aa.

27 2. Defendants have, directly or indirectly, made use of the means or  
28 instrumentalities of interstate commerce, or of the mails, or of the facilities of a

1 national securities exchange in connection with the transactions, acts, practices,  
2 and courses of business alleged in this complaint.

3 3. Venue is proper in this district pursuant to Section 27 of the Exchange  
4 Act, 15 U.S.C. § 78aa, because certain of the transactions, acts, practices, and  
5 courses of conduct constituting violations of the federal securities laws occurred  
6 within this district, and the Defendants reside and/or are located in this district.

7 **SUMMARY**

8 4. This matter involves fraud by CannaVEST Corp. and its CEO  
9 Michael Mona, Jr. (together, “Defendants”) in making material misrepresentations  
10 and/or misleading omissions on CannaVEST’s quarterly reports filed with the SEC  
11 for its first three quarters of 2013.

12 5. In the reports for the first two quarters of 2013, the Defendants  
13 overstated CannaVEST’s total assets. The overstatements related to CannaVEST’s  
14 acquisition of another company, PhytoSphere Systems, LLC (“PhytoSphere”) in  
15 the first quarter of 2013 for a stated \$35 million purchase price. CannaVEST  
16 agreed to the purported \$35 million purchase price only because CannaVEST  
17 could pay it primarily with CannaVEST shares that had little or no trading volume  
18 at the time, and which Mona believed had little value, and a small amount of cash.  
19 Mona knew that CannaVEST was paying substantially less than \$35 million to  
20 acquire the PhytoSphere business, that PhytoSphere was not worth \$35 million,  
21 and that CannaVEST would have never agreed to the purported purchase price if  
22 CannaVEST were required to pay cash for PhytoSphere.

23 6. Nevertheless, Mona had CannaVEST record \$35 million worth of  
24 assets related to the PhytoSphere acquisition on CannaVEST’s balance sheet in its  
25 Form 10-Q for the first quarter of 2013. As a result, CannaVEST materially  
26 overstated its assets on its balance sheet for the first quarter of 2013. In its Form  
27 10-Q for the second quarter of 2013, CannaVEST continued to report falsely the  
28 value of its assets related to the PhytoSphere acquisition.



1 CannaVEST entered into the business of acquiring raw hemp product from  
2 suppliers in Europe and reselling it to third parties and also developing, producing,  
3 and selling consumer products that contain cannabidiol (“CBD”) oil, a type of  
4 hemp oil. In early January 2016, CannaVEST changed its name to CV Sciences,  
5 Inc. and claimed to develop pharmaceutical drugs that contain CBD oil.

6 CannaVEST’s common stock is registered with the SEC pursuant to Section 12(g)  
7 of the Exchange Act.

8 12. **Michael J. Mona, Jr.**, age 63, resides in Las Vegas, Nevada. Mona  
9 has been CannaVEST’s chief executive officer since November 2012 and a  
10 member of its board of directors since January 2013.

11 **THE ALLEGATIONS**

12 **A. The PhytoSphere Acquisition**

13 13. Before becoming CannaVEST’s CEO, Mona was a consultant for  
14 Medical Marijuana, Inc. (“MJNA”) from April 2011 through November 2012. In  
15 that capacity, Mona provided MJNA with advice on its operations, business  
16 matters, and business deals. In April 2012, MJNA bought a majority interest in  
17 PhytoSphere for \$2.5 million.

18 14. In December 2012, CannaVEST entered into an agreement to  
19 purchase PhytoSphere from MJNA. At that time, CannaVEST was a shell  
20 company with no operations, no revenues, and only \$431 in assets on December  
21 31, 2012, its fiscal year end.

22 15. In his capacity as CannaVEST’s CEO, Mona negotiated  
23 CannaVEST’s acquisition of PhytoSphere from MJNA and signed the purchase  
24 agreement. The PhytoSphere acquisition closed on January 29, 2013, and included  
25 CannaVEST obtaining PhytoSphere’s existing rights under contracts with hemp  
26 production and processing facilities. With the PhytoSphere acquisition,  
27 CannaVEST entered the hemp and hemp oil business. According to Mona,  
28 PhytoSphere was the “core” and the “heartbeat” of CannaVEST’s business.

1           16. When negotiating the PhytoSphere acquisition, CannaVEST and  
2 Mona did not obtain any financial information on PhytoSphere, did not perform  
3 any valuation on PhytoSphere, and did not conduct due diligence on the  
4 acquisition.

5           17. The stated purchase price of CannaVEST's acquisition of  
6 PhytoSphere was \$35 million. CannaVEST agreed to pay for the acquisition with  
7 cash and/or CannaVEST shares and to make the payments in five installments over  
8 the course of fiscal year 2013.

9           18. Pursuant to the terms of the acquisition, CannaVEST shares would be  
10 valued at a minimum \$4.50 and a maximum \$6.00 (the "collar").

11           19. Mona intended to pay the five installments primarily with  
12 CannaVEST shares and only a small amount of cash.

13           20. When Mona established the collar's minimum and maximum values  
14 for CannaVEST shares, he had no basis for assigning a value of \$4.50 to \$6.00 per  
15 share. Rather, he assigned the collar values arbitrarily, in order to cap the number  
16 of shares provided as payment for the PhytoSphere acquisition.

17           21. At the time of the acquisition, CannaVEST shares were either not  
18 trading or had very little trading on the OTC market.

19           22. CannaVEST and Mona never took any steps to determine how much  
20 CannaVEST shares were worth at the time of the PhytoSphere acquisition.

21           23. Mona did not know how much PhytoSphere was worth at the time of  
22 the acquisition.

23           24. CannaVEST ultimately provided a total of 5,825,000 restricted shares  
24 and paid \$950,000 in cash (borrowed from another entity) to MJNA during 2013  
25 for the PhytoSphere acquisition.

26           25. At the time of the acquisition, Mona believed that the total value of  
27 the cash and CannaVEST shares paid to MJNA to acquire PhytoSphere was  
28 substantially less than \$35 million.

1 26. At the time of the acquisition, CannaVEST did not have \$35 million  
2 in cash to pay for PhytoSphere.

3 27. Mona would not have paid \$35 million in cash for PhytoSphere  
4 because he did not believe it was worth \$35 million.

5 28. Mona has subsequently stated that “[t]he \$35 million price agreed  
6 upon, which was paid and intended to be paid in non-trading/non-marketable  
7 [CannaVEST] stock, did not represent the value of the transaction appropriately as  
8 [CannaVEST] would never have agreed to that price if it were paid in cash.  
9 [CannaVEST] would have paid a much lower price in cash and much more  
10 information would have been sought from the seller and due diligence performed.”

11 29. Mona further stated that “[w]e have always believed that the \$35  
12 million purchase price was not a true measure of the value of the transaction.”

13 30. Mona further stated that he believed that a \$35 million valuation of  
14 PhytoSphere was “substantially inflated.”

15 31. Mona further stated that “we were willing to accept the \$35 million  
16 purchase price demanded by PhytoSphere because, ultimately, the acquisition  
17 would be funded with stock which was not trading at the time and had little value.  
18 Ultimately, given those terms, we realized the true price to [CannaVEST] of the  
19 acquisition would be much less as our common stock had little value at the time of  
20 the purchase....”

21 **B. Mona Caused CannaVEST To Report The Inflated Value Of**  
22 **PhytoSphere In CannaVEST’s Quarterly Reports Filed With The**  
23 **SEC**

24 **1. In the First Quarter of 2013, CannaVEST Falsely Reported**  
25 **\$35 Million in Assets Related to the PhytoSphere**  
26 **Acquisition**

27 32. On May 20, 2013, CannaVEST filed with the SEC its Form 10-Q for  
28 the first quarter of 2013. CannaVEST and Mona falsely included assets

1 improperly valued at \$35 million related to the PhytoSphere acquisition on its first  
2 quarter balance sheet. CannaVEST reported total assets of \$36,698,910 on its  
3 Form 10-Q for the first quarter of 2013.

4 33. Mona reviewed, approved, and signed CannaVEST's materially false  
5 Form 10-Q for the first quarter of 2013.

6 34. In connection with CannaVEST's Form 10-Q for the first quarter of  
7 2013, Mona signed a Certification pursuant to Section 302 of the Sarbanes-Oxley  
8 Act of 2002 ("Sarbanes-Oxley Certification"). The Sarbanes-Oxley Certification  
9 for the first quarter of 2013 stated, among other things, that, based on Mona's  
10 knowledge, the first quarter Form 10-Q: (i) fairly presented, in all material  
11 respects, CannaVEST's financial condition, and (ii) the Form 10-Q did not contain  
12 any untrue statement of material fact.

13 35. On or about May 30, 2013, Mona reviewed, approved, and signed a  
14 management representation letter to CannaVEST's auditors for the first quarter of  
15 2013 that stated, among other things, that there were "no material transactions that  
16 have not been properly recorded" in the accounting records underlying  
17 CannaVEST's financial statements for the first quarter of 2013.

18 36. Mona signed the false management representation letter for the first  
19 quarter of 2013 without disclosing to CannaVEST's auditors that CannaVEST was  
20 paying substantially less than \$35 million for PhytoSphere, that PhytoSphere was  
21 not worth \$35 million, and that CannaVEST would have never agreed to the  
22 inflated purchase price if it had been required to pay cash for PhytoSphere.

23 **2. CannaVEST Continued to Falsely Report the Value of its**  
24 **Assets Related to the PhytoSphere Acquisition in the**  
25 **Second Quarter of 2013**

26 37. On August 13, 2013, CannaVEST filed its Form 10-Q for the second  
27 quarter of 2013. In that filing, CannaVEST and Mona continued to report falsely  
28 \$35 million in assets related to the PhytoSphere acquisition on its balance sheet.



1 CannaVEST reported total assets of \$37,303,795 in its Form 10-Q for the second  
2 quarter of 2013.

3 38. Mona reviewed, approved, and signed the materially false  
4 CannaVEST Form 10-Q for the second quarter of 2013.

5 39. In connection with CannaVEST's Form 10-Q for the second quarter  
6 of 2013, Mona signed a Sarbanes-Oxley Certification that stated, among other  
7 things, that, based on Mona's knowledge, the second quarter Form 10-Q: (i) fairly  
8 presented, in all material respects, CannaVEST's financial condition, and (ii) the  
9 Form 10-Q did not contain any untrue statement of material fact.

10 40. On or about August 12, 2013, Mona reviewed, approved, and signed a  
11 management representation letter to CannaVEST's auditors for the second quarter  
12 of 2013 that stated, among other things, that there were "no material transactions  
13 that have not been properly recorded" in the accounting records underlying  
14 CannaVEST's financial statements for the second quarter of 2013.

15 41. Mona signed the false management representation letter for the  
16 second quarter of 2013 without disclosing to CannaVEST's auditors that  
17 CannaVEST was paying substantially less than \$35 million for PhytoSphere, that  
18 PhytoSphere was not worth \$35 million, and that CannaVEST would have never  
19 agreed to the inflated purchase price if it had been required to pay cash for  
20 PhytoSphere.

21 **3. In the Third Quarter of 2013, CannaVEST Failed to**  
22 **Disclose that Assets Related to the PhytoSphere Acquisition**  
23 **Were Never Worth \$35 Million**

24 42. In October 2013, at the request of an independent contractor,  
25 CannaVEST obtained a valuation of PhytoSphere from a third-party valuation  
26 firm. The third-party valuation stated that the fair value of the PhytoSphere  
27 business was approximately \$8 million as of January 29, 2013.

28 43. On November 14, 2013, CannaVEST filed its Form 10-Q for the third



1 quarter of 2013. In that filing, as a result of the third-party valuation, CannaVEST  
2 recorded a goodwill impairment of \$26,998,125 on its balance sheet and income  
3 statement.

4 44. CannaVEST's Form 10-Q for the third quarter was materially false  
5 and misleading. CannaVEST and Mona failed to disclose that CannaVEST had  
6 never paid \$35 million for PhytoSphere; that CannaVEST's assets related to the  
7 PhytoSphere acquisition were never worth \$35 million; and that CannaVEST's  
8 first and second quarter 2013 balance sheets were false and materially overstated.

9 45. Mona reviewed, approved, and signed the materially false  
10 CannaVEST Form 10-Q for the third quarter of 2013.

11 46. In connection with CannaVEST's Form 10-Q for the third quarter of  
12 2013, Mona signed a Sarbanes-Oxley Certification that stated that, among other  
13 things, based on Mona's knowledge, the third-quarter Form 10-Q did not contain  
14 any omissions of a material fact or omit to state a material fact necessary to make  
15 the statements made, in light of the circumstances under which such statements  
16 were made, not misleading.

17 **C. CannaVEST Restated Its Forms 10-Q For The First Through**  
18 **Third Quarters of 2013**

19 47. CannaVEST's outside auditors resigned in or about November 2013.  
20 In January 2014, CannaVEST retained new outside auditors.

21 48. In March 2014, at the request of its new auditors, CannaVEST  
22 obtained another valuation report that allocated value to CannaVEST's individual  
23 assets related to the PhytoSphere acquisition. In this report, the valuation firm (the  
24 same firm that did the previous report) treated PhytoSphere's \$8 million valuation  
25 as the fair value of the consideration paid to MJNA for PhytoSphere, and allocated  
26 the \$8 million among CannaVEST's assets related to the PhytoSphere acquisition.

27 49. On March 28, 2014, CannaVEST filed its Form 10-K annual report  
28 for the fiscal year 2013. In addition to reporting that CannaVEST's assets related

1 to the PhytoSphere acquisition were worth only \$8 million as of January 29, 2013,  
2 the Form 10-K also included management’s conclusion that CannaVEST’s  
3 “internal controls (sic) over financial reporting were not effective in that there were  
4 material weaknesses as of December 31, 2013.” The Form 10-K identified several  
5 “deficiencies” in internal controls, including a deficiency related to the purchase  
6 price and the purchase price allocation for the PhytoSphere acquisition not being in  
7 accordance with Generally Accepted Accounting Principles (“GAAP”) in  
8 CannaVEST’s Forms 10-Q for the first through third quarters of 2013. The Form  
9 10-K also stated that the Forms 10-Q could no longer be relied upon because they  
10 included materially incorrect information.

11 50. On April 24, 2014, CannaVEST restated its Forms 10-Q for the first  
12 through third quarters of 2013 to reflect that CannaVEST’s assets related to the  
13 PhytoSphere acquisition were valued at only \$8 million as of the acquisition date,  
14 not the \$35 million initially recognized in CannaVEST’s first quarter 2013 Form  
15 10-Q. CannaVEST restated its first quarter 2013 total assets to \$10,063,502,  
16 which was \$26,635,408 less than the originally reported amount, and restated its  
17 second quarter 2013 total assets to \$10,932,787, which was \$26,371,008 less than  
18 the originally reported amount.

19 **D. Mona Received a \$10,000 Bonus In 2013**

20 51. In December 2013, Mona received a \$10,000 cash bonus from  
21 CannaVEST for fiscal year 2013.

22 52. Mona has not reimbursed CannaVEST for the bonus that he received  
23 in December 2013.

24 **E. Materiality of Defendants’ Misstatements and Misleading**  
25 **Omissions**

26 53. CannaVEST’s and Mona’s misstatements and misleading omissions  
27 were material. A reasonable investor would have considered it important to know  
28 that the assets related to the PhytoSphere acquisition were not worth (and were

1 never worth) the stated \$35 million purchase price, especially given that  
2 PhytoSphere was the core of CannaVEST's assets and operations. CannaVEST  
3 also admitted in its 2013 Form 10-K that its Forms 10-Q included materially  
4 incorrect information related to the PhytoSphere acquisition.

5 **F. Defendants' Scienter**

6 54. Mona knew, or was reckless in not knowing, at the time of the  
7 materially misleading statements in CannaVEST's quarterly reports, that (1) there  
8 was no basis for the \$35 million in assets reported on CannaVEST's balance sheet  
9 in the Q1 and Q2 2013 quarterly reports, and that (2) the Q3 2013 quarterly report  
10 failed to disclose that CannaVEST never paid \$35 million for PhytoSphere and that  
11 the assets were never worth the \$35 million stated purchase price.

12 55. Mona acted knowingly, in that he: (1) entered into an agreement to  
13 purchase PhytoSphere for \$35 million without obtaining any financial information  
14 or a valuation and without conducting any due diligence; (2) knew that  
15 CannaVEST was paying much less than the \$35 million stated purchase price for  
16 PhytoSphere by paying with CannaVEST shares that Mona knew had little value;  
17 (3) did not take any steps to determine how much CannaVEST's restricted shares  
18 were worth, *i.e.*, how much CannaVEST was paying for PhytoSphere; (4) assigned  
19 a collar price of \$4.50 to \$6.00 per share with no basis for this price; (6) signed the  
20 false Q1 through Q3 2013 Forms 10-Q and signed the false SOX 302 certifications  
21 for these Forms 10-Q; and (7) signed the false management representation letters  
22 to the auditors for Q1 and Q2 2013.

23 56. Mona knowingly failed implement a system of internal accounting  
24 controls such that transactions, including the PhytoSphere transaction, were  
25 properly recorded to permit preparation of financial statements in accordance with  
26 GAAP and to maintain accountability of assets.

27 57. Mona knowingly made or caused to be made materially false or  
28 misleading statements or omissions to an accountant in connection with a required

1 audit, review, or examination of the financial statements of an issuer, or the  
2 preparation or filing of any document or report required to be filed with the SEC,  
3 by signing false management representation letters to CannaVEST's auditors that  
4 stated that there were no material transactions that had not been properly recorded  
5 in CannaVEST's financial information.

6 58. Because of Mona's position as CannaVEST's CEO and director, his  
7 scienter is attributable to CannaVEST.

8 **FIRST CLAIM FOR RELIEF**

9 **Fraud in Connection With The Purchase or Sale of Securities**  
10 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**  
11 **(Against All Defendants, and Against Defendant Mona as a Control Person)**

12 59. The SEC realleges and incorporates by reference paragraphs 1  
13 through 58 above.

14 60. As alleged above in paragraphs 13 through 50, 54, 55, and 58, among  
15 other allegations, Defendants made material misrepresentations and omissions to  
16 investors and prospective investors regarding, among other things, the value of the  
17 compensation that CannaVEST paid for PhytoSphere and the value of the assets  
18 that it acquired through the PhytoSphere acquisition.

19 61. By engaging in the conduct described above, Defendants, directly or  
20 indirectly, in connection with the purchase or sale of a security, and by the use of  
21 means or instrumentalities of interstate commerce, of the mails, or of the facilities  
22 of a national securities exchange, with scienter, made untrue statements of a  
23 material fact or omitted to state a fact necessary in order to make the statements  
24 made, in the light of the circumstances under which they were made, not  
25 misleading.

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



1 of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder.

2 **THIRD CLAIM FOR RELIEF**

3 **Failure to File Maintain Accurate Books and Records**

4 **Violations of Section 13(b)(2)(A) of the Exchange Act**

5 **(Against Defendant CannaVEST,**

6 **and Against Defendant Mona as a Control Person)**

7 68. The SEC realleges and incorporates by reference paragraphs 1  
8 through 58 above.

9 69. As alleged above in paragraphs 13 through 50, among other  
10 allegations, CannaVEST failed to make and keep books, records, and accounts  
11 that, in reasonable detail, accurately and fairly reflected CannaVEST's acquisition  
12 of PhytoSphere.

13 70. By engaging in the conduct described above, CannaVEST violated,  
14 and unless restrained and enjoined will continue to violate Section 13(b)(2)(A) of  
15 the Exchange Act, 15 U.S.C. § 78m(b)(2)(A).

16 71. Defendant Mona is a control person of Defendant CannaVEST  
17 because he possesses, directly or indirectly, the power to direct or cause the  
18 direction of the management and policies of Defendant CannaVEST. Accordingly,  
19 pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), Defendant  
20 Mona is liable to same extent as Defendant CannaVEST is liable for its violations  
21 of Section 13(b)(2)(A) of the Exchange Act.

22 **FOURTH CLAIM FOR RELIEF**

23 **Failure to Devise a System of Internal Accounting Controls**

24 **Violations of Section 13(b)(2)(B) of the Exchange Act**

25 **(Against Defendant CannaVEST,**

26 **and Against Defendant Mona as a Control Person)**

27 72. The SEC realleges and incorporates by reference paragraphs 1  
28 through 58 above.

1 73. As alleged above in paragraphs 13 through 50, among other  
2 allegations, CannaVEST failed to devise a system of internal accounting controls  
3 sufficient to provide reasonable assurances that its financial statements were  
4 prepared in conformity with GAAP or any other criteria applicable to such  
5 statements, and to maintain accountability of assets.

6 74. By engaging in the conduct described above, CannaVEST violated,  
7 and unless restrained and enjoined will continue to violate Section 13(b)(2)(B) of  
8 the Exchange Act, 15 U.S.C. § 78m(b)(2)(B).

9 75. Defendant Mona is a control person of Defendant CannaVEST  
10 because he possesses, directly or indirectly, the power to direct or cause the  
11 direction of the management and policies of Defendant CannaVEST. Accordingly,  
12 pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), Defendant  
13 Mona is liable to same extent as Defendant CannaVEST is liable for its violations  
14 of Section 13(b)(2)(B) of the Exchange Act.

15 **FIFTH CLAIM FOR RELIEF**

16 **Failure to Implement Internal Accounting Controls and**  
17 **Falsifying Books and Records**  
18 **Violations of Section 13(b)(5) of the Exchange Act, and**  
19 **Rule 13b2-1 Thereunder**  
20 **(Against Defendant Mona)**

21 76. The SEC realleges and incorporates by reference paragraphs 1  
22 through 58 above.

23 77. As alleged above in paragraphs 13 through 50 and 56, among other  
24 allegations, Mona knowingly failed to implement a system of internal accounting  
25 controls such that transactions, including the PhytoSphere transaction, were  
26 properly recorded to permit preparation of financial statements in accordance with  
27 GAAP and to maintain accountability of assets. As alleged in paragraphs 13  
28 through 50, among other allegations, Mona falsified a book, record, or account of



1 an issuer that the Exchange Act requires an issuer to maintain by falsely having  
2 \$35 million in assets recorded on CannaVEST's balance sheets related to the  
3 PhytoSphere transaction.

4 78. By engaging in the conduct described above, Mona violated, and  
5 unless restrained and enjoined will continue to violate Section 13(b)(5) of the  
6 Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1 thereunder, 17 C.F.R.  
7 § 240.13b2-1.

8 **SIXTH CLAIM FOR RELIEF**

9 **False Statements to Accountants**

10 **Violations of Rule 13b2-2 under the Exchange Act**

11 **(Against Defendant Mona)**

12 79. The SEC realleges and incorporates by reference paragraphs 1  
13 through 58 above.

14 80. As alleged above in paragraphs 13 through 31, 35, 36, 40, 41, and 57,  
15 among other allegations, Mona, directly or indirectly, made or caused to be made  
16 materially false or misleading statements or omissions to an accountant in  
17 connection with a required audit, review, or examination of the financial  
18 statements of an issuer, or the preparation or filing of any document or report  
19 required to be filed with the SEC, by signing false management representation  
20 letters to CannaVEST's auditors that stated that there were no material transactions  
21 that had not been properly recorded in CannaVEST's financial information.

22 81. By engaging in the conduct described above, Mona violated, and  
23 unless restrained and enjoined will continue to violate Rule 13b2-2 of the  
24 Exchange Act, 17 C.F.R. § 240.13b2-2.

25 **SEVENTH CLAIM FOR RELIEF**

26 **False Sarbanes-Oxley Certifications**

27 **Violations of Rule 13a-14 under the Exchange Act**

28 **(Against Defendant Mona)**

1 82. The SEC realleges and incorporates by reference paragraphs 1  
2 through 58 above.

3 83. As alleged above in paragraphs 13 through 31, 34, 39, and 46, among  
4 other allegations, Mona certified that CannaVEST's Forms 10-Q for the first  
5 through third quarters of 2013 did not contain any untrue statement of material fact  
6 and that the reports fairly presented, in all material respects, CannaVEST's  
7 financial condition.

8 84. By engaging in the conduct described above, Mona violated, and  
9 unless restrained and enjoined will continue to violate Rule 13a-14 of the  
10 Exchange Act, 17 C.F.R. § 240.13a-14.

11 **EIGHTH CLAIM FOR RELIEF**

12 **Failure to Reimburse Bonus**

13 **Violations of Section 304(a) of the Sarbanes-Oxley Act**

14 **(Against Defendant Mona)**

15 85. The SEC realleges and incorporates by reference paragraphs 1  
16 through 58 above.

17 86. As alleged above in paragraphs 13 through 46, among other  
18 allegations, CannaVEST, by engaging in the conduct described above, filed Forms  
19 10-Q for the first through third quarters of 2013 that were in material  
20 noncompliance with financial reporting requirements under the securities laws and  
21 GAAP.

22 87. As alleged above in paragraphs 47 through 50, among other  
23 allegations, due to CannaVEST's material non-compliance with its financial  
24 reporting requirements under the securities laws and GAAP, and as a result of its  
25 misconduct, CannaVEST was required to prepare an accounting restatement for the  
26 first through thirds quarters of 2013.

27 88. As alleged above in paragraphs 51 and 52, among other allegations,  
28 Mona received a \$10,000 cash bonus from CannaVEST in December 2013 for

1 fiscal year 2013, for which Mona has not reimbursed CannaVEST.

2 89. The SEC has not exempted Mona, pursuant to Section 304(b) of the  
3 Sarbanes-Oxley Act, 15 U.S.C. § 7243(b), from the application of Section 304(a)  
4 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7243(a).

5 90. By engaging in the conduct described above, Mona violated Section  
6 304(a) of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7243.

7 **PRAYER FOR RELIEF**

8 WHEREFORE, the SEC respectfully requests that the Court:

9 **I.**

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

12 **II.**

13 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
14 Civil Procedure, permanently enjoining Defendant CannaVEST and its officers,  
15 agents, servants, employees, and attorneys, and those persons in active concert or  
16 participation with any of them, who receive actual notice of the judgment by  
17 personal service or otherwise, and each of them, from violating Sections 10(b),  
18 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78j(b),  
19 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B)] and Rules 10b-5(b), 12b-20, and 13a-13  
20 thereunder [17 C.F.R. §§ 240.10b-5(b), 240.12b-20, and 240.13a-13].

21 **III.**

22 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
23 Civil Procedure, permanently enjoining Defendant Mona and his officers, agents,  
24 servants, employees, and attorneys, and those persons in active concert or  
25 participation with any of them, who receive actual notice of the judgment by  
26 personal service or otherwise, and each of them, from violating Sections 10(b),  
27 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act [15 U.S.C. §§  
28 78j(b), 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), and 78m(b)(5)] and Rules 10b-5(b),

1 12b-20, 13a-13, 13a-14, 13b2-1, and 13b2-2 thereunder [17 C.F.R. §§ 240.10b-  
2 5(b), 240.12b-20, 240.13a-13, 240.13a-14, 240.13b2-1, and 240.13b2-2], and  
3 Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 7243].

4 **IV.**

5 Order Defendants CannaVEST and Mona to pay civil penalties under  
6 Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

7 **V.**

8 Pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)],  
9 bar Defendant Mona from acting as an officer or director of any issuer that has a  
10 class of securities registered pursuant to Section 12 of the Exchange Act [15  
11 U.S.C. § 78l], or that is required to file reports pursuant to Section 15(d) of the  
12 Exchange Act [15 U.S.C. § 78o(d)].

13 **VI.**

14 Order Mona to reimburse CannaVEST for his bonuses and other incentive-  
15 based and equity-based compensation pursuant to Section 304 of the Sarbanes-  
16 Oxley Act of 2002 [15 U.S.C. § 7243].

17 **VII.**

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

22 **VIII.**

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

25 DATED: June 15, 2017

26   
27 JENNIFER T. PURPERO  
28 DAVID J. VAN HAVERMAAT  
Attorneys for Plaintiff  
Securities and Exchange Commission

JS 44 (Rev. 06/17)

### CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

<p><b>I. (a) PLAINTIFFS</b></p> <p>Securities and Exchange Commission</p> <p><b>(b)</b> County of Residence of First Listed Plaintiff _____ <i>(EXCEPT IN U.S. PLAINTIFF CASES)</i></p> <p><b>(c)</b> Attorneys <i>(Firm Name, Address, and Telephone Number)</i> David J. Van Havermaat / Jennifer T. Purpero Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071, (323) 965-3998</p>	<p><b>DEFENDANTS</b></p> <p>Cannavest Corp. a/k/a CV Sciences, Inc. and Michael J. Mona, Jr.</p> <p>County of Residence of First Listed Defendant <u>Clark</u> <i>(IN U.S. PLAINTIFF CASES ONLY)</i></p> <p>NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.</p> <p>Attorneys <i>(If Known)</i> Thomas A. Zaccaro and Nick Morgan, Paul Hastings LLP, 515 South Flower Street, 25th Floor, Los Angeles, CA 90071, (213) 683-6000</p>
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<p><b>II. BASIS OF JURISDICTION</b> <i>(Place an "X" in One Box Only)</i></p> <p><input checked="" type="checkbox"/> 1 U.S. Government Plaintiff</p> <p><input type="checkbox"/> 2 U.S. Government Defendant</p> <p><input type="checkbox"/> 3 Federal Question <i>(U.S. Government Not a Party)</i></p> <p><input type="checkbox"/> 4 Diversity <i>(Indicate Citizenship of Parties in Item III)</i></p>	<p><b>III. CITIZENSHIP OF PRINCIPAL PARTIES</b> <i>(Place an "X" in One Box for Plaintiff and One Box for Defendant)</i></p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:30%;"></td> <td style="width:10%; text-align: center;"><b>PTF</b></td> <td style="width:10%; text-align: center;"><b>DEF</b></td> <td style="width:40%;"></td> <td style="width:10%; text-align: center;"><b>PTF</b></td> <td style="width:10%; text-align: center;"><b>DEF</b></td> </tr> <tr> <td>Citizen of This State</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business In This State</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business In Another State</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> </tr> </table>		<b>PTF</b>	<b>DEF</b>		<b>PTF</b>	<b>DEF</b>	Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
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Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

[Click here for: Nature of Suit Code Descriptions.](#)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans <i>(Excludes Veterans)</i> <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<p><b>PERSONAL INJURY</b></p> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury - Medical Malpractice	<p><b>PERSONAL INJURY</b></p> <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <p><b>PERSONAL PROPERTY</b></p> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <p><b>PROPERTY RIGHTS</b></p> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 835 Patent - Abbreviated New Drug Application <input type="checkbox"/> 840 Trademark <p><b>SOCIAL SECURITY</b></p> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g))	<input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 376 Qui Tam (31 USC 3729(a)) <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 896 Arbitration <input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS	LABOR	FEDERAL TAX SUITS	
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 448 Education	<p><b>Habeas Corpus:</b></p> <input type="checkbox"/> 463 Alien Detainee <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <p><b>Other:</b></p> <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition <input type="checkbox"/> 560 Civil Detainee - Conditions of Confinement	<input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Management Relations <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Employee Retirement Income Security Act	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	

**V. ORIGIN** *(Place an "X" in One Box Only)*

1 Original Proceeding   
 2 Removed from State Court   
 3 Remanded from Appellate Court   
 4 Reinstated or Reopened   
 5 Transferred from Another District *(specify)*   
 6 Multidistrict Litigation - Transfer   
 8 Multidistrict Litigation - Direct File

**VI. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing *(Do not cite jurisdictional statutes unless diversity):*  
15 USC §§ 78j(b), 78m(a), 78m(b)(2)(A)&(B), 78m(b)(5), 78t(a), and 7243.

Brief description of cause:  
Violations of the Federal Securities Laws

**VII. REQUESTED IN COMPLAINT:**   
 CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.   
**DEMAND \$** \_\_\_\_\_   
 CHECK YES only if demanded in complaint:  
**JURY DEMAND:**   
 Yes   
 No

**VIII. RELATED CASE(S) IF ANY**   
*(See instructions):*   
 JUDGE \_\_\_\_\_   
 DOCKET NUMBER \_\_\_\_\_

DATE 6/15/17   
 SIGNATURE OF ATTORNEY OF RECORD \_\_\_\_\_

**FOR OFFICE USE ONLY**

RECEIPT # \_\_\_\_\_   
 AMOUNT \_\_\_\_\_   
 APPLYING IFP \_\_\_\_\_   
 JUDGE \_\_\_\_\_   
 MAG. JUDGE \_\_\_\_\_

AO 440 (Rev. 06/12) Summons in a Civil Action

UNITED STATES DISTRICT COURT

for the

District of Nevada

Securities and Exchange Commission

Plaintiff(s)

v.

Cannavest Corp. a/k/a CV Sciences, Inc. and Michael J. Mona, Jr.

Defendant(s)

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: (Defendant's name and address)

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

David J. Van Havermaat
Jennifer T. Purpero
Securities and Exchange Commission
444 South Flower Street, Suite 900
Los Angeles, CA 90071

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

CLERK OF COURT

Date:

Signature of Clerk or Deputy Clerk

Civil Action No. \_\_\_\_\_

**PROOF OF SERVICE**

*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* \_\_\_\_\_  
was received by me on *(date)* \_\_\_\_\_ .

I personally served the summons on the individual at *(place)* \_\_\_\_\_  
\_\_\_\_\_ on *(date)* \_\_\_\_\_ ; or

I left the summons at the individual's residence or usual place of abode with *(name)* \_\_\_\_\_  
\_\_\_\_\_, a person of suitable age and discretion who resides there,  
on *(date)* \_\_\_\_\_ , and mailed a copy to the individual's last known address; or

I served the summons on *(name of individual)* \_\_\_\_\_ , who is  
designated by law to accept service of process on behalf of *(name of organization)* \_\_\_\_\_  
\_\_\_\_\_ on *(date)* \_\_\_\_\_ ; or

I returned the summons unexecuted because \_\_\_\_\_ ; or

Other *(specify)*:

My fees are \$ \_\_\_\_\_ for travel and \$ \_\_\_\_\_ for services, for a total of \$ \_\_\_\_\_ 0.00 \_\_\_\_\_ .

I declare under penalty of perjury that this information is true.

Date: \_\_\_\_\_

\_\_\_\_\_  
*Server's signature*

\_\_\_\_\_  
*Printed name and title*

\_\_\_\_\_  
*Server's address*

Additional information regarding attempted service, etc: