

5. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v].

6. Venue is proper in this Court pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v]. Many of the acts, practices, and courses of business constituting the violations alleged herein have occurred within the Northern District of Illinois.

7. Thompson resides in this District and directed the securities offerings described herein from his home.

8. Thompson directly and indirectly made use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices, and courses of business alleged herein, and will continue to do so unless enjoined.

DEFENDANT

9. **Geoffrey J. Thompson**, age 52, is a resident of Frankfort, Illinois. He is the founder and former CEO of the cannabis company that issued and offered the securities described herein. Thompson is currently working as a consultant for a new cannabis-related venture that is seeking to raise funds from investors.

10. Thompson also is the founder, owner, and sole member of Fortress Legacy LLC (“Fortress Legacy”), a Nevada limited liability corporation Thompson used to offer and sell certain of the unregistered securities described herein.

11. In September 2017, the SEC sued Thompson for securities fraud and registration violations in connection with another of his companies, Accelera Innovations, Inc. See SEC v. Accelera Innovations, Inc., et al., 17-cv-7052 (N.D. Ill). To resolve that action, on April 3, 2020, Thompson consented to the entry of a final judgment permanently enjoining him from violating various provisions of the federal securities laws. The final judgment also ordered Thompson to

pay disgorgement in the amount of \$350,000, prejudgment interest in the amount of \$74,000, and a \$100,000 civil penalty. The court also imposed five-year bars prohibiting Thompson from (a) serving as an officer or director of a public company and (b) offering penny stocks.

OTHER RELEVANT ENTITY

12. **Covalent Collective, Inc.**, f/k/a Doyen Elements International Inc. f/k/a Advantameds Solutions Inc. (“Covalent”) is a Canadian corporation with its principal place of business in Longmont, Colorado. Thompson founded Covalent and, until at least October 2018, was its CEO. During the time period Covalent was offering the securities described herein, Thompson controlled Covalent and directed those securities offerings. Thompson also founded and is the sole member of Covalent’s subsidiary, Advantameds Operational Holdings, LLC (“Advantameds”).

13. While Covalent has pursued certain acquisitions in the cannabis sector, it has never commenced revenue-generating operations.

THOMPSON DIRECTS UNREGISTERED OFFERINGS OF COVALENT SECURITIES

14. At Thompson’s direction, from July 2014 through at least June 2019, Covalent and affiliated entities offered several different investments, all of which were connected to Covalent common stock. Each of these investments, discussed herein, are “securities” as that term is defined in the Securities Act.

15. Taken together, the Covalent securities offerings resulted in the sale of over 800 investments, to approximately 500 different U.S. investors, cumulatively raising over \$19 million.

16. At Thompson’s direction, the Covalent securities offerings employed several different solicitation methods to lure investors. For example, Thompson directed Covalent to

use offering methods including unregistered broker-dealers, press releases, an investor relations firm, a public website, and a call center operated by Fortress Legacy.

17. Most often, Covalent solicited investments via audio updates recorded by Thompson and distributed via e-mail. In doing so, Thompson regularly encouraged investors to spread the word about opportunities to invest in Covalent securities to their friends and family.

18. At Thompson's direction, Covalent offered and sold the securities described below. None of the securities or securities offerings described below was registered with the SEC, and no exemption from the applicable registration requirements was available.

A. The Advantameds Convertible Promissory Notes

19. At Thompson's direction, from approximately July 2014 through October 2018, Covalent's subsidiary, Advantameds, sold approximately 93 promissory notes to 66 different investors, raising a total of \$781,388.

20. These promissory notes had terms of five years, and offered interest of 8% per year.

21. The promissory notes provided that if Covalent became a public company, the notes would convert from a debt instrument to Covalent stock at the conversion rate of \$0.25 per share.

22. At Thompson's direction, Advantameds and Covalent did not require that the noteholders be accredited investors. In fact, at Thompson's direction, Covalent personnel steered unaccredited investors who expressed interest in investing in Covalent stock towards the promissory notes as an alternative means to invest.

23. In offering the promissory notes, Advantameds and Covalent did not provide investors with any financial statements.

B. The Covalent Warrants

24. At Thompson's direction, between February 2015 and August 2018, Covalent sold "special warrants" to approximately 177 different investors, raising a total of approximately \$8 million.

25. Covalent sold the special warrants for \$0.25 each. The warrants provided that they would automatically convert to Covalent common stock if Covalent became a public company.

26. Covalent did not provide the warrant investors with a prospectus or financial statements.

27. In August 2015, Covalent issued a press release through its investor relations firm promoting the warrants offering. At Thompson's direction, this press release was publicly available over the internet and widely distributed by the investor relations firm.

28. Covalent also solicited investments in the warrants using the e-mailed Thompson audio recordings and a public website.

29. Early versions of the subscription agreements that investors were required to complete asked investors to check boxes to indicate if they were accredited. While some investors checked the boxes to indicate they were accredited, others did not.

30. Approximately 79 of the 177 investors did not indicate that they were accredited. Other investors affirmatively disclosed to Covalent that they were not accredited, but were still allowed to invest.

C. Covalent Common Stock

31. At Thompson's direction, from approximately February 2018 through June 2019, Covalent offered shares of its common stock to investors, again requiring investors to complete subscription agreements.

32. During this period, Covalent entered into approximately 440 subscription agreements with 293 different investors, cumulatively selling more than \$8 million in Covalent common stock.

33. In the subscription agreements, investors were asked to declare that they were either accredited investors or that they were family, a close personal friend, or a close business associate of Thompson. However, for an investor who selected the family/friend option, Covalent allowed friends or family of a current investor, as opposed to Thompson, to invest.

34. Covalent initially solicited common stock investors through Thompson's audio recordings, which Covalent distributed via e-mail. In the recordings, Thompson encouraged the existing investors to refer any friends or family members interested in investing.

35. On the recordings, Thompson made overly optimistic statements about Covalent, such as repeatedly telling investors that Covalent stock would imminently be listed on a public exchange. On the recordings, Thompson often predicted that Covalent's stock would trade at prices that would amount to a large windfall for investors.

36. Covalent also promoted its common stock offering through its public website. The website directed interested potential investors to Covalent's investor relations firm, which would in turn provide subscription agreements to interested investors.

37. From February 2019 to June 2019, Covalent, working through Thompson's company, Fortress Legacy, began aggressively soliciting Covalent common stock investments using a call center staffed by unregistered salespeople.

38. As part of the call center operation, salespeople would cold-call more than 3,000 numbers, purchased from lead lists, per week. The salespeople would also transmit to potential investors a PowerPoint presentation promoting the investment.

39. Any interested potential investors would then have a conference call with Thompson himself. From February through May, 2019, Thompson held one to two such calls a week.

40. Regardless of the solicitation method, Covalent did not provide the common stock investors with a prospectus or financial statements.

D. The Covalent Promissory Notes

41. At Thompson's direction, from approximately April through December, 2018, Covalent sold approximately 75 promissory notes to 59 different investors, raising a total of over \$2 million.

42. Thompson initially solicited these investments by personally e-mailing existing Covalent investors.

43. Covalent also solicited promissory note investors through video and audio recordings made by Thompson, which Covalent distributed via email to existing investors. The recordings also encouraged existing investors to solicit investments from their own friends or family.

44. The promissory notes had a term of 6 months and offered interest of 11% per year. In addition, the promissory note investors received shares of Covalent common stock, in a quantity equal to the principal amount of their note divided by \$0.25.

45. In all, Covalent issued at least 7,622,760 shares of its common stock in connection with these promissory notes.

46. Covalent asked the promissory note investors to attest that they were either accredited investors or a family member, close personal friend or close business associate of an officer or director of Covalent. Of the 59 investors who purchased the promissory notes, only 22 indicated they were accredited investors.

47. Covalent did not provide the promissory note investors with financial statements or a prospectus.

Thompson's Substantial Compensation and Removal from Covalent

48. Despite raising more than \$19 million from investors, Covalent never commenced any revenue-generating operations.

49. Contributing to Covalent's inability to generate revenues, Thompson directed that Covalent use the money raised from investors to make payments exceeding \$2.7 million to himself, his wife, and to other companies he owned.

50. In July 2019, at Covalent's request, Thompson resigned from Covalent, and relinquished all associated corporate authority and responsibilities.

51. Covalent asked Thompson to resign after discovering that the \$2.7 million he received included at least \$480,000 in funds that Covalent determined he misappropriated from Covalent. Another reason Covalent asked Thompson to resign was his failure to ensure that the

other Covalent officers were aware of the status of Covalent's response to a subpoena that the SEC had issued to Covalent in the investigation that preceded this lawsuit.

COUNT I

Thompson Violated Section 5(a) and 5(c) of the Securities Act

52. Paragraphs 1 through 51 above are realleged and incorporated herein by reference.

53. By his conduct, Thompson directly or indirectly: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities as to which no registration statement was in effect; and (iii) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

54. By reason of the foregoing, Thompson violated Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Thompson committed the violations charged and alleged herein.

II.

Permanently restrain and enjoin Thompson from, directly or indirectly, participating in the issuance, purchase, offer, or sale of any security.

III.

Issue an Order requiring Thompson to disgorge the ill-gotten gains received as a result of the violations alleged in this Complaint, including prejudgment interest.

IV.

With regard to Thompson's violative acts, practices and courses of business set forth herein, issue an Order imposing upon Thompson appropriate civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

V.

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

VI.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the SEC hereby requests a trial by jury.

Respectfully Submitted,

Dated: September 3, 2020

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