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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

v.

CRAIG C. GARRICK, JR, an individual,

DEFENDANT;

COMPLAINT

Case No.: 2:21-cv-00135-JCB

Judge Jared C. Bennett

Plaintiff, Securities and Exchange Commission (the “Commission”), for its Complaint against Defendant Craig C. Garrick, Jr (“Defendant” or “Garrick”) alleges as follows:

INTRODUCTION

1. This matter involves an offering fraud operated by Garrick.
2. From at least December 2018 to September 2019, Garrick solicited \$450,000 in investments in a real estate lead generation company called Fropio LLC (“Fropio”) from three investors.

3. In exchange for their cash investments, Garrick sold the three investors membership interests in Fropio, which were investment contracts that constituted securities.

4. Garrick concealed from investors that:

a. He was serving a probationary sentence for felony charges of mortgage fraud; and

b. Garrick planned to and did use some of the investment money for his own benefit and living expenses, instead of using the investors' money to build Fropio's business.

5. As a result of the foregoing conduct, Garrick engaged in fraud in the offer, purchase, and sale of securities and the offer and sale of unregistered securities in violation of the federal securities laws.

JURISDICTION AND VENUE

6. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77t and 77v] and Sections 21 and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u and 78aa].

7. Defendant, directly and indirectly, has made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, certain of which have occurred within the District of Utah.

8. Venue for this action is proper in the District of Utah under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this

Complaint took place in this district and because the defendant resides in and transacts business in this district.

9. Defendant, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

10. Defendant's conduct took place in connection with the offer, purchase and/or sale of investment contracts issued by Garrick, which are securities.

DEFENDANT

11. **Craig C. Garrick, Jr** ("Garrick"), age 42, is a resident of Utah County, Utah. Garrick was a managing member and owner of Fropio LLC.

RELATED PARTIES

12. **Fropio LLC** ("Fropio") is a Utah limited liability company of which Garrick was an owner and managing member. Fropio ceased operations in June 2019. Fropio has never been registered with the Commission in any capacity.

STATEMENT OF FACTS

Background

13. At all relevant times, Garrick resided in or around Utah County, Utah.

14. In December 2013, Garrick was indicted by the USAO for the District of Utah on bank fraud and aiding and abetting charges related to several fraudulent mortgage applications.

15. In July 2015, the State of Utah also charged Garrick with mortgage fraud, a third-degree state felony, in connection with the same conduct.

16. Garrick pled guilty to the state charges on September 10, 2015 and agreed to pay restitution, and the USAO voluntarily dismissed the federal charges in light of the state plea.

17. On April 13, 2016, Garrick was sentenced to 60 days in jail, a \$5000 fine, and 3 years of probation.

18. Fropio was founded in 2016 as a real estate lead generation company.

19. In February 2018, Garrick joined Fropio LLC as a managing member and 50% owner.

20. Fropio ceased operations in June 2019.

Garrick Fraudulently Solicits Investments in Fropio

21. After joining Fropio, Garrick began to solicit investments in the company from current and former members of the Utah County community.

22. Garrick represented that Fropio would generate revenue by gathering real estate leads from potential buyers and sellers on its website and selling those leads to real estate agents.

23. Ultimately, at least three investors purchased purported membership interests in Fropio in response to Garrick's solicitation, as follows:

	Date of Investment	Purported % Ownership	Amount of Investment
Investor 1	December 2018	2%	\$200,000
Investor 2	September 2019	1.5%	\$162,000
Investor 3	September 2019	1%	\$88,000
Total Investments:			\$450,000

24. The investors resided in Utah and Washington State.

25. Garrick provided the investors with subscription agreements that specifically stated that the membership interests in Fropio were securities.

26. Garrick represented, and the investors understood, that investors would earn a portion of Fropio's profits or losses according to their percentage interest.

27. Investors wired the money to purchase the membership interests to Fropio bank accounts at Chase Bank.

28. None of the investors took any active role in the business; rather, they relied on Garrick's representations that he was hiring employees to generate leads and that Fropio was earning revenues accordingly.

29. In the course of inducing their investments, Garrick concealed from investors that:

a. He was serving a probationary sentence for felony charges of mortgage fraud; and

b. He planned to and did use some of their money for his own benefit and living expenses.

Return of Investor Money

30. On or about January 2020, the other managing member of Fropio discovered Investors 2's and 3's investments in a Fropio account and demanded that Garrick return Investors 2's and 3's money (\$250,000).

31. Garrick gave \$250,000 to the other managing member, who in turn returned the money to Investors 2 and 3 on August 6, 2020.

32. Garrick returned Investor 1's \$200,000 investment on or about October 5, 2020 as part of a criminal plea agreement with the US Attorney's Office for the District of Utah.

The LLC Membership Interests Are Securities

33. The membership interests in Fropio LLC that Garrick sold to investors are investment contracts.

34. Garrick represented in subscription agreements provided to the investors that the LLC membership interests they were purchasing were securities.

35. Investors collectively provided Garrick with \$450,000 in cash in exchange for their membership interests in Fropio.

36. Investors wired money to common Fropio bank accounts.

37. The investors believed that they would earn a return on their membership interests based on the expected profitability of Fropio's real estate lead generation business, which Garrick was purportedly managing.

38. All three investors were passive: they had no titles, roles, or responsibilities respective to Fropio and owned non-controlling interests that could not be combined to significantly influence Fropio's business under the terms of its operating agreement.

Materiality

39. The misrepresentations and omissions detailed above are material to a reasonable investor.

40. Had the investors known that Garrick had a criminal history and would use investor proceeds for his own benefit and living expenses, they would not have invested in Fropio.

Scienter

41. Garrick acted with scienter.

42. Garrick misappropriated investor funds for his personal use.

43. Garrick either knew or was reckless in not knowing: (a) he was not using investor money to further Fropio's business; (b) he was using investor funds to pay his personal expenses, and (c) he had pled guilty, served jail time, and was on probation for mortgage fraud.

FIRST CAUSE OF ACTION FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF SECURITIES

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

44. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.

45. Defendant, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter, (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material fact or omitted to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or (3) engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.

46. By reason of the foregoing, Defendant violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CAUSE OF ACTION
EMPLOYMENT OF A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD
Violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

47. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.

48. Defendant, by engaging in conduct described above, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter, employed devices, schemes, or artifices to defraud.

49. By reason of the foregoing, Defendant directly or indirectly, violated, and unless restrained and enjoined by this Court, will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**THIRD CAUSE OF ACTION
FRAUD IN THE OFFER AND SALE OF SECURITIES
Violations of Section 17(a)(2) and (3) of the Securities Act
[15 U.S.C. § 77q(a)(2) and (3)]**

50. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.

51. Defendant, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

52. By reason of the foregoing, Defendant directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

**FOURTH CAUSE OF ACTION
OFFER AND SALE OF UNREGISTERED SECURITIES
Violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)]**

53. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 43, above.

54. Defendant, by engaging in the conduct described above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce

or the mails, offered to sell or sold securities or, directly or indirectly, or carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

55. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

56. By reason of the foregoing, Defendant violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I

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

II

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that temporarily, preliminarily and permanently enjoin Garrick from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a), 5(c) and 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III

Enter an order directing Defendant to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

IV

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.

Dated this 5th day of February, 2021.

Respectfully submitted,

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