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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **v.** **JAY S. LUCAS and LUCAS BRAND EQUITY LLC,** **Defendants.**	**COMPLAINT** **No. _____** **JURY TRIAL DEMANDED**

Plaintiff Securities and Exchange Commission (the "Commission"), for its Complaint against Jay S. Lucas ("Lucas") and Lucas Brand Equity LLC ("LBE") (collectively, "Defendants"), alleges as follows:

SUMMARY

1. Beginning in 2013 and continuing through the present, Lucas and LBE, the unregistered investment adviser he controlled, fraudulently induced hundreds of individuals to invest more than $50 million in three private equity funds they advised: Lucas Brand Equity LP ("Fund 1"), Lucas Brand Equity Emerging Growth LP ("Fund 2"), and Lucas Brand Equity Wellness Growth LP ("Fund 3") (collectively, the "Funds"). Defendants told investors that their

money would be used to make investments in early stage or startup companies operating in the wellness, beauty, and skincare sectors.

2. Defendants, however, did not use a substantial portion of investor money for the promised investments. Instead, Defendants misappropriated millions of dollars to fund Lucas's personal expenses and outside business interests using investor funds as needed to support Lucas's lifestyle.

3. Between 2017 and 2025 (the "Relevant Period"), Defendants misappropriated at least $8 million of investor money. Lucas used investor money for, among other things, rent on his residences, alimony payments, wedding expenses, personal real estate investments, payments to a political consultant, and funding a New Hampshire newspaper he owned.

4. Lucas often misappropriated funds by transferring money from Fund bank accounts to a bank account for an entity owned by Lucas and his wife called XL7 Group, LLC ("XL7"), which he operated as a slush fund masquerading as a business account that he could tap for personal expenses. He also charged personal expenses directly to the Funds' bank accounts.

5. To induce investors, Defendants made material misrepresentations in the Funds' offering materials about the use of investor funds, audits, and a third-party administrator. To conceal their misappropriation of investor money, Defendants made additional material misrepresentations to investors in quarterly reports and other communications about the use of funds, management expenses, and the nature of Fund assets.

6. Defendants also made multiple material misstatements and omissions regarding Immunocologie, LLC ("Immunocologie"), a Fund portfolio company that received the largest amount of investor funds. Immunocologie was a failing skincare company run by Lucas's wife. Defendants failed to disclose this financial conflict to all investors, falsely represented to

investors that the Funds owned a percentage of Immunocologie, and repeatedly failed to reassess the value of the company despite its declining financial results.

7. Defendants are investment advisers to the Funds, and thus have important fiduciary obligations to their clients, including duties of loyalty and care, which impose on them an affirmative duty of utmost good faith and an obligation to provide full and fair disclosure of all material facts. Defendants repeatedly violated these duties.

8. Separately, Lucas misappropriated money from another investment vehicle he controlled, Lucas FOV Holdings, LLC ("FOV Holdings"). Lucas created FOV Holdings as a special purpose vehicle to invest in a Virginia-based company that produces handcrafted wooden American flag decorations and other related products. In 2022 and 2023, Lucas raised more than $2.5 million from investors for FOV Holdings and misappropriated a substantial portion of this money for personal and unrelated business uses.

9. As a result of the conduct alleged herein, Defendants have violated, and unless restrained and enjoined will continue to violate:

- Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 340.10b-5];
- Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)];
- Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. § 80b-6(1), (2), and (4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8)].

10. Lucas is also liable for LBE's violations of the Exchange Act as a control person pursuant to Exchange Act Section 20(a) [15 U.S.C. § 78t(a)].

11. The Commission respectfully requests, among other things, that the Court permanently enjoin Defendants from further violating the federal securities laws as alleged in

this Complaint, order Defendants to pay disgorgement, plus pre-judgment interest, and civil penalties, and direct other appropriate and necessary relief.

JURISDICTION AND VENUE

12. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

13. Defendants have directly or indirectly made use of the means or instrumentalities of interstate commerce and/or the mails, including the use of email, the internet, and telephone in connection with the illegal transactions, acts, practices, and courses of business alleged in this Complaint.

14. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

15. Certain of the acts, practices, and transactions and courses of business alleged in this Complaint occurred within the Southern District of New York.

16. Specifically, during the Relevant Period, LBE and the Funds conducted business out of a residence Lucas maintained in Manhattan. Defendants also solicited investors in this district and maintained bank accounts in this district that they used to receive investor funds.

DEFENDANTS

17. **Jay Scott Lucas** ("Lucas"), age 71, is a resident of New York, New York, and Portsmouth, New Hampshire. Lucas is the Co-Founder and Managing Partner of LBE and the Chairman and Managing Partner of the Lucas Group LLC ("Lucas Group"), a boutique strategy consulting firm he founded in 1991.

18. **Lucas Brand Equity LLC** ("LBE") is a Delaware limited liability company formed on February 1, 2013, with its principal place of business in New York, New York. LBE is a private equity fund adviser focusing on the wellness, beauty, and skincare sectors. Lucas and his wife founded and own LBE, and Lucas manages it. LBE filed Part 1 of the Form ADV with the Commission on May 6, 2025, as an exempt reporting adviser. LBE served as the general partner for Funds 1 and 2 and as the investment manager for Fund 3.

OTHER RELEVANT ENTITIES

19. **Lucas Brand Equity LP ("Fund 1")** is a Delaware limited partnership formed on August 23, 2013. From 2013 through at least 2018, Fund 1 offered and sold securities in the form of limited partnership units. The purported objective of Fund 1 is "to generate significant returns by acquiring, holding, operating, developing, licensing and selling assets …, brands and businesses and engaging in related activities in the skin care, beauty and personal care products markets and related industries." LBE is the general partner of Fund 1 and is responsible for its investment decisions and day-to-day operations.

20. **Lucas Brand Equity Emerging Growth LP ("Fund 2")** is a Delaware limited partnership formed on October 20, 2017. From February 2018 through at least mid-2024, Fund 2 offered and sold securities in the form of limited partnership units. The stated objective of Fund 2 is identical to Fund 1. LBE is the general partner of Fund 2 and is responsible for its investment decisions and day-to-day operations.

21. **Lucas Brand Equity Wellness Growth LP ("Fund 3")** is a Delaware limited partnership formed on April 11, 2024. Fund 3 has, from June 2024 until as recently as October 2025, offered securities in the form of limited partnership units. Fund 3 claims to be "investing at the dynamic intersection of health, wellness, personal care and longevity," with a mission to

"empower innovating startups that are redefining how individuals achieve optimal well-being and extended healthy lifespans." LBE acts as the "investment manager" for Fund 3 and another Lucas-owned and managed entity, LB Equity GP, LLC ("LBE GP"), is the general partner.

22. **Lucas Group Capital, LP ("LGC")** was a Delaware limited partnership formed on May 12, 2006. From 2006 through at least 2011, LGC offered and sold securities in the form of limited partnership units. Another Lucas-owned entity, Lucas Group Capital LLC, served as the general partner of LGC.

23. **Lucas FOV Holdings, LLC ("FOV Holdings")** is a Delaware limited liability company created to raise funds to be invested in a Virginia-based company called Flags of Valor, LLC ("Flags of Valor"), through the sale of membership interests via a private placement during the period 2022 to 2023.

24. **XL7 Group, LLC ("XL7")** is a Delaware limited liability company formed in August 2012 and located in Portsmouth, New Hampshire. Lucas and his wife own XL7, and it has no employees.

FACTUAL ALLEGATIONS

I. Defendants and Their Creation of the Funds

A. Defendants Offered and Sold Securities

25. From late 2013 through late 2025, Defendants raised more than $50 million from more than 200 investors via limited partnership agreements in Funds 1, 2, and 3, as shown in the chart below:

Fund Name	Approximate Amount Raised	Approximate Investors	Fundraising Dates
Fund 1	$17.7 million	100	Oct. 2013 – Jul. 2018
Fund 2	$28.7 million	100	Feb. 2018 – Apr. 2024
Fund 3	$4 million	25	June 2024 – Oct. 2025
Total	**$50.4 million**		

26. To raise money for the Funds, Lucas solicited professional and personal contacts and other individuals identified by third-party services. Lucas met in person or spoke by telephone with prospective investors to pitch investments in the Funds. Lucas also solicited existing investors to make additional investments and obtained referrals from existing investors.

27. Defendants provided potential investors with offering materials, either by email or through an online portal. These materials typically consisted of a limited partnership agreement ("LPA"), private placement memorandum ("PPM"), a business presentation or slide deck incorporated by reference into the PPM, and a subscription agreement. As co-founder and Managing Partner of LBE, Lucas reviewed, edited, and approved the documents investors received, and signed the LPAs for all three Funds. The PPMs and subscription agreements for all three Funds refer to the limited partnership units as securities.

28. FOV Holdings' offering materials also referred to the membership interests it sold via private placement as securities.

29. LBE issued quarterly reports to investors in Funds 1 and 2. Lucas reviewed and approved these quarterly reports, which included a letter from him about the Funds' performance.

30. For each Fund, investor money was deposited into a Fund bank account and pooled with money from other investors in that Fund.

31. Investors were limited partners of each Fund and, as such, had no role in management or control of the Fund. LBE made investment decisions for the Funds. Investors were entitled to a pro-rata share of profits or losses earned by the Funds.

32. Lucas and LBE were entitled to compensation for their services in the form of an annual management fee, along with a carried-interest provision that allowed them to share in the upside of the Funds' investments. Specifically, the LPAs for Funds 1 and 2 each stated:

> [LBE] shall be entitled to receive compensation from the [Fund] for services rendered to the [Fund] in an amount not to exceed one and a half percent (1.5%) per annum (or portions thereof) of the aggregate Drawdowns from the Limited Partners (the "Management Fee") during the Investment Period and 1.5% of Net Invested Capital of the [Fund] after the Investment Period until liquidation of the [Fund].

33. The PPMs for Funds 1 and 2 included nearly identical provisions. The fee provisions for Funds 1 and 2 also provided that the Funds would pay all "organizational and operational expenses of [the Fund] and [LBE] … if such expenses are greater than" the 1.5% management fee. This excess amount would ultimately be subtracted from LBE's share of Fund profits in the event of a future distribution.

34. For Fund 3, the language was changed slightly. First, the management fee paid to LBE would be exactly—as opposed to no more than—1.5% per year. Second, unlike the LPAs for Fund 1 and Fund 2, the LPA for Fund 3 did not include any provision that the Funds would pay excess expenses of the general partner if the expenses exceeded the Management Fee. In addition, a provision of the Fund 3 LPA allowed the investment manager (LBE) to collect 51% of potential distributions that would otherwise be paid to the general partner (LBE GP, another Lucas-run entity), and to take advances on that "Success Fee." If any "Advance Success Fee"

taken by LBE exceeded what it was ultimately due from the Fund as its share of the profits, LBE would have to refund the excess at the time of dissolution and winding up of Fund 3.

35. This structure ostensibly aligned Defendants' financial interests with those of investors. But behind the scenes, Lucas commingled funds and secretly misappropriated investor money for himself, his family, and LBE.

B. Defendants Were Investment Advisers

36. The deal documents for the Funds designated Lucas or LBE with making investment decisions on behalf of the Funds. Both Lucas and LBE, which was owned by Lucas and his wife, received substantial compensation for their services.

37. Accordingly, during the Relevant Period, Defendants acted as investment advisers to the Funds within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11), because they were persons who, for compensation, engaged in the business of advising others, both directly and through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.

38. Investment advisers owe a fiduciary duty to their clients, which includes a duty of care and a duty of loyalty. The duty of care requires the investment adviser to provide investment advice in the best interest of its client, based on the client's objectives. The duty of loyalty requires an investment adviser to eliminate or make full and fair disclosure of all conflicts of interest that might incline an investment adviser—consciously or unconsciously—to render advice which is not disinterested such that a client can provide informed consent to the conflict.

II. Defendants Engaged in a Years-Long Scheme to Steal Investor Money

39. Defendants misappropriated millions of dollars from investors for Lucas's personal benefit and to make improper transfers between and among entities he controlled

through a multi-year scheme involving Ponzi-like payments and other devices to conceal their illicit use of investor money. Defendants also charged the Funds purported expenses well in excess of the disclosed 1.5% management fee and concealed those charges from investors.

A. Defendants Transferred Millions of Dollars of Investor Funds to Lucas's Personal Account

40. Defendants' primary method for misappropriating investor funds was to transfer money from Fund bank accounts to an account for XL7, a pass-through entity owned by Lucas and his wife that they used only to pay for personal and daily living expenses. According to Lucas in his written submissions to the SEC, the XL7 account into which he transferred millions of dollars of Fund money was "solely a personal bank account for a husband and wife" and a "family bank account" used for the "payment of typical family bills."

41. From 2017 through 2022, Defendants transferred approximately $186,000 net from Fund 1's bank account to XL7's bank account.

42. From 2018 through 2023, Defendants transferred more than $4.1 million net from Fund 2's bank account to XL7's bank account.

43. During this period, Defendants made total transfers of approximately $6.4 million from Fund 2 to XL7 but also made approximately $2.3 million in transfers back from XL7 to Fund 2; this was consistent with their general practice of commingling funds between and among various personal and business entities and accounts that Lucas controlled.

44. Lucas directed the transfers through his accountant and frequently asked the accountant to provide updated numbers on the amount of money he had transferred to XL7. For example, in May 2022, Lucas texted his accountant, asking him to send him the "flows of funds

between accounts – esp. from [Fund 2] to XL7." Two days later, the accountant responded that in Q1 2022 alone, $1,077,034 had been transferred from Fund 2 to XL7.

45. From XL7's bank account, Lucas used at least $4.1 million in investor money to make hundreds of thousands of dollars of payments in the following categories: (i) rent for his apartments in New York, NY, and Portsmouth, NH; (ii) alimony to his ex-wife; (iii) payments in connection with residential properties in New Hampshire and Vermont for his personal investment; (iv) payments to a political consultant; (v) financial support to a New Hampshire newspaper Lucas had purchased; (vi) cash transfers to Lucas and his family members; and (vii) Lucas's daily living expenses, including restaurants, grocery, air travel, hotels, taxis, car rentals, and shopping.

46. Defendants' ongoing diversion of investor money from Fund 2 to XL7 caused LBE employees to suspect misconduct. For instance, in May 2020, Lucas requested that an LBE employee recategorize certain transfers from Fund 2 to XL7 as LBE expenses rather than loans to XL7. The employee texted a co-worker with concerns about the request. The co-worker responded that "90–95% of the XL7 amount is from [Lucas] transferring cash out of LBE not expenses," to which the first employee responded, "[Lucas's] argument . . . is that the money he transferred to XL7 was used for LBE expenses, which obviously makes no sense."

47. Having reviewed, edited, and approved the offering documents investors received, including all three Funds' LPAs, PPMs, and the business presentations and slide decks incorporated by reference into the PPMs, having signed the LPAs for all three Funds, and in his capacity as the Managing Partner of LBE with control over the financial accounts of LBE and all three Funds, and further in light of his communications with his accountant as described above in paragraph 44, Lucas, and by imputation LBE, knew, were reckless in not knowing, or at a

minimum, should have known, that the millions of dollars Defendants transferred from Fund accounts to XL7's account were in excess of the management fees and expenses set forth in the PPMs and LPAs, and therefore were in contravention of those documents.

B. Defendants Tapped Fund Bank Accounts to Pay Personal Expenses

48. Lucas also misappropriated investor money by charging personal expenses directly to Fund bank accounts. For instance, from 2018 to 2024, Lucas charged at least $975,000 directly to Fund 2's bank account for personal expenses, including at least $90,000 in payments to support the newspaper Lucas owned and tens of thousands of dollars in airfare, hotels, and other travel expenses recorded as personal in Fund 2's internal records.

49. Lucas also misappropriated at least $727,000 of Fund 2 investor money to support the Lucas Group, an unrelated consulting business he owned that did no work for Fund 2. He transferred Fund 2 investor money directly to the consulting business and used Fund 2's bank account to pay the consulting business's employees and other expenses directly.

50. By the time Fund 3 began raising money in June 2024, the XL7 bank accounts had been closed, but Lucas continued to misappropriate investor money by taking money directly from Fund 3. Only 16% of the approximately $4 million raised for Fund 3 was transferred to portfolio companies. Defendants transferred more than $860,000 of Fund 3 investor money to LBE and spent an additional $573,000 on LBE payroll and related expenses directly from Fund 3's bank account.

51. Thus, over the course of 18 months, Defendants raised $4 million from Fund 3 investors, transferred only approximately $614,000 of that to portfolio companies, and sent approximately $1.43 million to Defendant LBE, even though LBE's 1.5% management fee would have totaled less than $90,000. Lucas misappropriated much of the remaining

approximately $2 million, including more than $247,000 for unrelated investments in New York and New Hampshire, $19,000 for alimony payments, $19,223 transferred to Fund 2's bank account, $79,273 for rent, more than $20,000 in direct payments to family members, and $88,000 to the Lucas Group.

52. Having reviewed, edited, and approved the offering documents investors received, including all three Funds' LPAs, PPMs, and business presentations and slide decks incorporated by reference into the PPMs, having signed the LPAs for all three Funds, and in his capacity as the Managing Partner of LBE with control over the financial accounts of LBE and the accounts of all three Funds, Lucas, and by imputation LBE, knew, were reckless in not knowing, or at a minimum, should have known, that the millions of dollars Defendants transferred directly out of Fund accounts to pay for personal and other non-Fund expenses were in excess of the management fees and expenses set forth in the PPMs and LPAs, and therefore were in contravention of those documents.

C. Lucas Often Immediately Used Incoming Investor Money to Pay Personal Bills Instead of Fund-Related Expenses and Investment

53. Lucas often immediately misappropriated new investor money for uses unrelated to the Funds. He treated incoming investor money as personal income he could use to support his lifestyle, instead of using the money for Fund-related investment.

54. Lucas also repeatedly engaged in a shell game—if one entity he controlled had cash in a bank account and another entity had expenses or obligations that needed to be met, he would move the money to the account of the entity most in need. Defendants thus used investor money that had been contributed to the Funds for improper purposes. For example:

1. January 2018

55. On January 5, 2018, XL7's account had a beginning balance of about $1,190. Lucas then transferred $15,000 from Fund 1's account to XL7's account that day. Later that same day, Lucas transferred $4,000 to a family member and $2,650 to a book publisher from XL7's account.

2. May 2018

56. On May 3, 2018, Fund 2 received a $375,000 investment from a husband and wife who had not previously invested with Lucas. This cash infusion lifted Fund's 2 bank account balance from about $23,000 to about $398,000. Fund 2 did not receive money from any other source between May 3, 2018, and May 14, 2018.

57. On May 4, 2018, Lucas transferred $123,000 from Fund 2's account to XL7's account, boosting XL7's account balance from about $24,000 to about $147,000. Later that day, Lucas directed payments totaling $118,448 from XL7's account to three vendors engaged to provide services for Lucas's upcoming designer wedding to the CEO of Immunocologie. These payments included $35,000 to a wedding planner, $62,647 to a catering firm hired for the rehearsal dinner and wedding reception, and $20,801 to a third vendor for catering equipment, furniture, tableware, a stage, and lighting. Also on May 4, Lucas directed a $6,700 payment from XL7's account to a New Hampshire political consultant. Lucas transferred $3,000 from XL7's account to a Lucas family member the same day.

58. On May 12, 2018, the husband and wife who had invested in Fund 2 nine days earlier attended Lucas's wedding and reception. They were unaware that at least $123,000 of their investment had been diverted to pay many of the vendors for the events they were attending.

3. October 2022

59. On October 19, 2022, Lucas deposited into Fund 2's bank account a $675,000 check from an investor, who texted Lucas at the time that he was "excited to triple down" on his investment. At the time, Fund 2's bank account had a negative balance of $3,880. From October 24, 2022, to November 2, 2022, across 10 transactions, Defendants transferred $360,000 from Fund 2's account to XL7's account. Prior to the transactions, XL7's account had a balance of $528, and during this period it did not receive money from any other source.

60. Lucas used the $360,000 in investor money he had transferred to XL7 for his personal benefit. He spent $3,500 on rent for his and his wife's apartment in Portsmouth, NH, made an alimony payment of $3,110 to his ex-wife, spent $1,282 on shopping, spent $2,381 on restaurants and grocery stores, spent $1,019 on airfare, made $3,845 in political donations, and transferred $16,100 to his personal bank account and $6,000 to his wife's bank account. On October 24, 2022, he made a payment of $34,137 to a New Hampshire political consultant. On November 2, 2022, he transferred $200,000 to facilitate a transaction for FOV Holdings.

61. At the time of these transactions, LBE was behind on both payroll for its employees and other important services, including paying for the online portal LBE used to communicate with investors. Yet LBE employees, based on prior experience, were rightfully concerned that Lucas would not use the new investor funds for these LBE-related expenses.

62. On October 14, 2022, one employee texted another that "Jay will blow through that check from [the investor] since he has a ton of other person[al] BS that needs to get paid."

63. Later, another employee described Defendants' use of investor money on non-LBE-related business as "a huge betrayal of investor trust and most likely illegal."

64. Another employee commented that, as was often the case, Lucas avoided her when she tried to raise the issue.

4. May 2023

65. On May 16, 2023, an existing LBE investor wired $500,000 to Fund 2's bank account, which at the time had a balance of $2,490.

66. Yet over the next two weeks, Defendants transferred $133,000 of the investor's money to XL7's account, which had a balance of $1,878 before the transfers. Lucas then used the money to pay for, among other things, rent at his Manhattan apartment ($10,400), a political consulting firm ($24,200), his newspaper ($24,000), utility bills ($3,523), restaurants ($3,277), and two transfers to banks in the Netherlands ($17,900).

5. January 2024

67. On January 30, 2024, two investors wired a total of $400,000 into Fund 2's bank account, which at the time had a negative balance of $3,344. That day, Lucas texted one of his assistants: "Checked account. $300,000 came in! We've had a $400,000 day!!! 👍👍👍 ps. Transferred $5k to [FOV Holdings]. Should be able to cover [the political consultant]!"

68. Over the next few days, Lucas transferred the investors' money directly out of Fund 2's bank account for non-Fund purposes, including $10,000 to the political consultant, $40,800 to FOV Holdings' account, and $24,000 to entities on behalf of the newspaper he owned. Less than 50% of the investors' money was sent to portfolio companies (which included approximately $53,500 to Immunocologie).

6. August 2025

69. On August 4, 2025, an investor wired $50,000 to Fund 3's bank account, which at the time had a negative balance of $379. On August 7, 2025, a second investor wired another

$50,000 to Fund 3's account. That same day, Lucas wired $79,000 from Fund 3's account to the account of a separate entity he controlled, Sunshine Fund LLC, and then used that money to make a rent payment of more than $78,000 for his apartment in New York.

70. Having reviewed, edited, and approved the offering documents investors received, including all three Funds' LPAs, PPMs, and business presentations and slide decks incorporated by reference into the PPMs, having signed the LPAs for all three Funds, and in his capacity as the Managing Partner of LBE with control over the financial accounts of LBE and all three Funds, Lucas, and by imputation LBE, knew, were reckless in not knowing, or at a minimum, should have known, that immediately using incoming investor money to pay for personal and other non-Fund expenses in amounts that exceeded the management fees and expenses set forth in the PPMs and LPAs was in contravention of those documents.

D. Defendants Made Ponzi-Like Payments to Previous Investors

71. In March 2018 a Fund 1 investor demanded that Lucas return his $200,000 investment because his confidence in Lucas and his investments had been "completely shaken up" when he learned that Lucas had defaulted on a business loan. On July 26, 2018, a different investor deposited $200,000 into Fund 1's account. Prior to this deposit, the account had a balance of $8,676.

72. Between July and September 4, 2018, Fund 1's account received only one additional deposit for less than $30,000. Nevertheless, on September 4, 2018, Lucas transferred $200,000 from Fund 1's account to the investor who had demanded a return of his investment in March. Defendants thus misappropriated over $160,000 to provide the refund.

73. Defendants also misappropriated at least $1,394,500 of Fund 2 money to repay investors in LGC, a fund previously established and advised by Lucas. In early 2018, LGC received hundreds of thousands of dollars in distributions from its investments.

74. Rather than passing that money to LGC investors, between February 2018 and July 2018, Lucas transferred at least $867,000 from LGC's account to XL7's account, and used it for a variety of purposes unrelated to LGC, including to pay expenses for his wedding.

75. Defendants later misappropriated Fund 2 investor money to repay the money Lucas had taken from LGC. On October 10, 2018, for example, Lucas transferred $300,000 from Fund 2's account to Immunocologie's account, from Immunocologie's account to XL7's account, and from XL7's account to LGC's account.

76. An LBE employee asked Lucas's accountant about the transaction in a text message, writing, "did that 300k to Immunocologie go to payroll taxes? Jay gave me some muddled answer." The accountant responded, "Not that [I'm] aware of. It went…..[Fund 2] to imm to xl7 to [LGC]." The LBE employee responded, "Auditors would love that one :)."

77. Between October 2018 and January 2022, Lucas transferred approximately $1.4 million of Fund 2 investor money to LGC through Ponzi-like payments involving transfers among multiple accounts on a single date, as set forth below:

Date	**Amount**	**Description**
10/10/2018	$300,000	$300,000 transferred from Fund 2 to Immunocologie to XL7 to LGC
12/24/2018	$580,000	$600,000 transferred from Fund 2 to Immunocologie to XL7; $580,000 transferred from XL7 to LGC
12/28/2018	$38,000	$40,000 transferred from Fund 2 to XL7; $38,000 transferred from XL7 to LGC
11/5/2019	$152,000	$152,000 transferred from Fund 2 to XL7 to LGC
1/7/2022	$324,500	$325,000 transferred from Fund 2 to XL7; $324,500 transferred from XL7 to LGC
Total	**$1,394,500**	

78. By funneling the first two above 2018 transactions through Immunocologie, Defendants disguised their misappropriation by falsely recording the transfers as Fund "investments" in a portfolio company.

79. Having reviewed, edited, and approved the offering documents investors received, including all three Funds' LPAs, PPMs, and business presentations and slide decks incorporated by reference into the PPMs, having signed the LPAs for all three Funds, and in his capacity as the Managing Partner of LBE with control over the financial accounts of LBE and the accounts of all three Funds, Lucas, and by imputation LBE, knew, were reckless in not knowing, or at a minimum, should have known, that they were using incoming investor money to make Ponzi-like payments in contravention of the Fund PPMs and LPAs.

E. Defendants Concealed Their Misappropriation and the Excess Expenses They Purportedly Charged Funds 1 and 2

80. Through misrepresentations and omissions in quarterly reports, Defendants furthered their scheme by concealing their misappropriation of investor money and the purported excess expenses LBE charged Fund 1 and Fund 2.[1]

81. During the Relevant Period, Defendants prepared and provided investors in Fund 1 with quarterly reports for most quarters from at least the second quarter of 2017 through the third quarter of 2024, although many of these reports were delivered months late.

[1] Fund 3's LPA required Defendants to provide Fund 3 investors with quarterly reports, but the Commission has seen no evidence that they ever did so.

82. Defendants prepared and provided investors in Fund 2 with quarterly reports for most quarters from at least the fourth quarter of 2018 through the third quarter of 2024, although again many were delivered months late.

83. The quarterly reports typically started with a letter to investors from Lucas, and included an unaudited schedule of investments that listed the portfolio companies that had received Fund money, the type of investment, the cost of the investment, the "Fair Value" of the investment (typically equal to the cost of the investment), and the ownership interest held by the Fund in the portfolio company.

84. The quarterly reports also contained updates on individual portfolio companies in the form of narratives and financial information, as well as unaudited financial statements for the Fund itself, which included a balance sheet, an income statement, a cash flow statement, and a statement of capital.

1. Defendants Grossly Understated Purported Expenses

85. The income statements (titled "Unaudited Statement of Operations") in quarterly reports for Fund 1 and Fund 2 included a section for "Expenses," which typically comprised a single item: "Management fee, net" as seen in the sample below from Fund 2's Q1 2023 report:

UNAUDITED STATEMENT OF OPERATIONS

For the Quarter ended March 31st, 2023.

	Q1 2023
Investment Income	
Interest income	$ -
Total investment income	-
Expenses	
Management fee, net	$ 85,190
Professional fees	-
Total expenses	85,190

86. The quarterly reports did not disclose additional purported expenses that Defendants charged the Funds. These purported expenses were tracked in LBE's internal accounting records and were far in excess of the 1.5% management fee disclosed in the quarterly reports and described in the LPAs and PPMs.

87. From 2018 through 2024, Defendants disclosed, in quarterly reports provided to Fund 2 investors, "Expenses" totaling approximately $1.5 million (roughly equal to the 1.5% annual management fee), when, in fact, Defendants charged Fund 2 an *additional* $4.1 million in purported expenses during this period.

88. Defendants knew that the "Expenses" disclosed to investors in quarterly reports significantly understated the expenses they were charging Fund 2 and led investors to believe that the only expense Defendants charged the Fund, with the exception of an occasional small "Professional fee," was the 1.5% annual management fee.

89. Defendants continued to use marketing materials disclosing only the 1.5% management fee and stating that all proceeds of investments would be returned to investors

"until 1.0x return of their invested capital plus fees, if any, in excess of the management fee" from 2019 to 2024 when soliciting new investor funds for Fund 2.

2. Defendants Used an Account Called "Due from Affiliates" to Conceal Their Misappropriations

90. To account for the large difference between money received from investors and money spent on legitimate Fund operations, Defendants used an account called "Due from Affiliates." Defendants listed the total of "Due from Affiliates" as an asset on the balance sheet of each quarterly report provided to investors, without further explanation or detail, as seen in the sample below from Fund 2's Q1 2023 report:

UNAUDITED STATEMENT OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL

As of March 31st, 2023.

	March 31, 2023
Assets	
Portfolio investments, at fair value	$ 24,097,183
Investments in assets	1,609,640
Cash	3,826
Due from affiliates, net	7,388,077
Prepaid expenses and other receivables	25,718
Total assets	$ 33,124,444

91. Internally at LBE, the "Due from Affiliates" account included various sub-accounts reflecting the purpose for which investor money had been used. For example, money that had been misappropriated for Lucas's personal use—either through direct transfers to XL7's account or through personal expenses charged directly to Fund 2's bank account—was included in a sub-account titled "Due to/from XL7 Group LLC." Investor money which was used to pay

for purported Fund expenses that exceeded the 1.5% management fee was tracked in a sub-account titled "Due to/from Lucas Brand Equity LLC."

92. "Due from Affiliates" began modestly for Fund 1 and Fund 2 but grew substantially over time. For example, the "Due from Affiliates" amount for Fund 2 was $1,495,627 according to the Q4 2018 quarterly report, but by Q3 2024, it had ballooned to $9,269,377, representing approximately 35% of the Fund's total reported assets. By this time, Fund 2's "Due from Affiliates" figure included more than $5.1 million that Lucas had misappropriated from Fund 2 investors for his personal use ($4.1 million through transfers to XL7 as detailed in Section II.A. above; $975,000 through direct payments from Fund 2's bank account as detailed in Section II.B. above) as well as a separate $4.1 million he and LBE had obtained in excess fees and expenses charged to Fund 2 (as detailed in Section II.E.1 above).

93. When investors questioned Lucas about the "Due from Affiliates" line item on the Funds' balance sheets, Lucas's responses were deliberately misleading. He told them that the amount reflected additional fees and expenses associated with running the Funds and was akin to a receivable that Defendants would pay back to the Funds prior to receiving any distributions themselves.

94. For example, in response to one investor inquiry in September 2023 about Fund 2, Lucas stated that 95% of the "Due from Affiliates" balance was simply "management fees in excess of the 1.5% management fee" which represented "the accumulated expense of office rent, professional compensation, outside services, etc. to run the fund since its inception in November 2017."

95. The sheer volume of these purported excess Fund expenses defied credulity, however. In December 2023, in response to Lucas's explanation that the $10.4 million difference

(as of Q1 2023) between total investor money contributed to Fund 2 and money actually invested in portfolio companies was a result of "fund expenses" that exceeded the management fee, another investor commented, "[T]hat can't be true given the amount." When that same investor also requested an explanation of the $7.39 million "Due from Affiliates" figure in the same Fund 2 Q1 2023 report, Lucas doubled down on his explanation and misleadingly described the amount as expenses related to the Fund, specifically "costs of executing investment and portfolio management activities and fund management."

96. Lucas did not disclose to either investor that approximately $5.1 million of Fund 2's "Due from Affiliates" total reflected investor money he had misappropriated for his personal use.

97. Defendants' portrayal of "Due from Affiliates" as a Fund asset was deliberately misleading. The money was largely misappropriated and misused by Lucas, and he had no way to repay the Funds absent a wildly successful liquidation event. Such an event was less likely because Defendants misused the money instead of investing it in the portfolio companies.

98. Defendants also hid purported Fund expenses in a line item called "Investments in assets," which they included in the balance sheets of the quarterly reports. The number remained small (approximately $65,000) for Fund 1 but grew substantially for Fund 2. As seen in the graphic above, by Q1 2023, Fund 2's "Investment in assets" had a value of $1,609,640.

99. In a December 2023 email to an investor, Lucas described the "Investment in assets" line item as representing "activities – wherein we have invested time, effort and cost in specific potential deals that have not materialized." Similar to "Due from Affiliates," the line item "Investments in assets" therefore was not actually an asset; it comprised additional expenses not clearly or accurately disclosed to investors.

100. Having reviewed, edited, and approved the offering documents investors received, including all three Funds' LPAs, PPMs, and business presentations and slide decks incorporated by reference into the PPMs, having signed the LPAs for all three Funds, having reviewed and approved the quarterly reports LBE sent to Fund 1 and Fund 2 investors, which included a letter from Lucas about the Funds' performance, and in his capacity as the Managing Partner of LBE with control over the financial accounts of LBE and the accounts of all three Funds, and further in light of his misleading communications with investors, as described above in paragraphs 93 to 96 and 99, Lucas, and by imputation LBE, knew, were reckless in not knowing, or at a minimum, should have known, that they were concealing from investors Defendants' misappropriation and the excess fees Defendants charged the Funds in contravention of the Fund PPMs and LPAs.

III. Defendants Made Additional Material Misrepresentations and Omissions in Furtherance of Their Scheme

A. Materially False and Misleading Statements About the Use of Investor Funds

101. In all three Funds' PPMs, Defendants stated that investor money "will be used to effect acquisitions and licenses, to fund the development of products and for working capital for the Partnership's portfolio companies." The PPMs for Funds 1 and 2 further stated that they would invest in small skincare, beauty, and/or personal products companies in the "subscale" to "emerging growth" stage.

102. The Fund 3 PPM stated that LBE was evaluating a specific wellness product company for investment and that if an agreement was finalized, half of the investor money received prior to that investment would be used for that purpose, with the balance used for "diversification, analyzing and investing in additional Partnership portfolio companies."

103. Lucas repeated similar statements about the use of investor funds in direct conversations with potential investors, and investors considered these statements significant in deciding to invest. One Fund 2 investor stated after the fact that he would not have agreed to invest if he had known that his money would be used for anything unrelated to the Fund. Defendants' statements were knowingly misleading when made because Defendants knew that they were misappropriating substantial sums of investor money.

104. Defendants also lied to investors regarding their use of investor money when they issued capital calls. Capital call emails typically told investors that funds were needed because "several of our more advanced brands are approaching key inflection points."

105. In October 2023, for example, Lucas emailed one Fund 2 investor asking him to send $25,000 as part of the investor's $100,000 total investment. Lucas's email used the "key inflection point" language, adding that "we are continuing to invest in new opportunities in the beauty and wellness space." In a follow-up email, Lucas explained that "the reason for the capital call is that we are making follow on investment[s] into several of our portfolio companies."

106. In fact, the balance in Fund 2's bank account was negative $4,637 when the investor wired $25,000 on October 12, 2023. The next day, at Lucas's direction, $17,000 of the $25,000 was wired to the New Hampshire newspaper Lucas owned. The remaining funds were used over the next few days to renew certain software licenses for LBE and for other *de minimis* expenses.

107. By misrepresenting their intended uses for investor funds, Lucas, and by imputation LBE, knowingly, recklessly, or at a minimum, negligently, made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of

the circumstances under which they were made, not misleading, to investors and prospective investors in the Funds.

B. Lies About Outside Service Providers

108. According to the LPA for Fund 1, LBE was required to deliver to all investors "the annual financial statements of the [Fund], audited by independent certified public accountant(s) . . . within sixty (60) days of the delivery of the final Auditor's Report to the General Partner."

109. Defendants never retained an independent auditor and never provided investors with audited financial statements. Had Defendants retained outside auditors, their significant misappropriation and misuse of investor funds likely would have been detected.

110. Defendants did not promise to give audited financial statements to Fund 2 or Fund 3 investors. Instead, Defendants told investors in Fund 2 that they would implement "cost effective, efficient and transparent fund operations," by retaining SteelBridge, a third-party administrator Defendants said would provide "best-in-class options for administration, reporting and compliance."

111. This representation was made in, among other places, an investor presentation Lucas sent to prospective Fund 2 investors in 2023 and 2024. At least one investor believed that the retention of a third-party fund administrator added credibility to a Fund.

112. As Lucas well knew, Defendants had not employed SteelBridge for years when he sent the 2023 and 2024 investor presentations. In fact, SteelBridge emailed Lucas in December 2018 to resign due to Lucas's failure to pay SteelBridge's outstanding invoices.

113. By misrepresenting their retention of third-party service providers, Lucas, and by imputation LBE, knowingly, recklessly, or at a minimum, negligently, made untrue statements of

material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to investors and prospective investors in the Funds.

C. Misrepresentations and Omissions Concerning Immunocologie

114. Defendants misled investors about key aspects of the Funds' purported "investments" in Immunocologie, ostensibly the largest investment in a portfolio company made by each of the three Funds.

1. Defendants Misstated the Nature of Fund Investments in Immunocologie

115. In 2013, LBE arranged a transaction with the founders of a small skincare company pursuant to which a newly formed company, which ultimately became Immunocologie, would purchase the assets of the skincare company, and ownership of that new company was divided among LBE and the two founders. LBE was granted a 51% ownership stake in the new company and each of the founders retained a 24.5% ownership stake. Lucas's then girlfriend (now his wife) became Immunocologie's CEO in August 2013.

116. From about 2013 through 2018, Defendants directed more than $5.3 million of Fund 1 investor money to Immunocologie. From 2018 to 2024, Defendants directed more than $6.9 million of Fund 2 investor money to Immunocologie. These transfers made Immunocologie the largest investment for those Funds, ultimately reaching approximately 40% of Fund 1's total invested capital, and approximately 43% of Fund 2's total invested capital. In addition, Fund 3 transferred at least $310,000 of the $4 million it raised to Immunocologie, which represented approximately 50% of the investor money Fund 3 sent to portfolio companies.

117. In reality, and contrary to representations to investors, Fund 1 and Fund 2 did not have an equity interest in Immunocologie. Instead, in March 2019, in his capacity as Chairman of Immunocologie, Lucas executed two promissory notes in favor of Fund 1 and Fund 2, purporting to document multi-million dollar "loans" that Immunocologie received from Fund 1 and Fund 2. The notes make it clear that the previous transfers of money (along with any future transfers) from Fund 1 and Fund 2 to Immunocologie were being subsumed by the notes, leaving the Funds as creditors to Immunocologie, not owners.

118. Nevertheless, beginning at least in 2017, Defendants represented to investors that Fund 1, and later Fund 2, had significant ownership interests in Immunocologie, and would thus share in any potential upside. The quarterly reports Lucas and LBE provided to investors included Immunocologie in the "Schedule of Investments," which listed the amount of money that each Fund had provided to Immunocologie and the percentage of Immunocologie purportedly owned by each Fund under "Ownership Interest."

119. For example, in the Fund 1 quarterly report for Q1 2023, Fund 1's investment in Immunocologie was listed at $5.346 million, which it described as a 46.3% "Ownership Interest" in the company. For the same quarter, Fund 2's investment in Immunocologie was listed at $6.681 million and described as a 55.6% "Ownership Interest." See the excerpts of Fund 1 and Fund 2's quarterly reports for Q1 2023 below:

Fund 1 Q1 2023 Quarterly Report Excerpt

UNAUDITED SCHEDULE OF INVESTMENTS
As of March 31st, 2023.

	Security	Cost	Fair Value	Ownership Interest
Equity:				
Marula Oil	Preferred Equity Class A	$ 3,350,855	$ 3,350,855	43.7%
Immunocologie	Membership Interest	5,346,318	5,346,318	46.3%
Caring Family (BlamCo LLC)	Preferred Equity Class A	686,895	686,895	15.4%
Tara Smith	Preferred Equity A3	250,250	233,344	7.2%
Youth Corridor	Membership Interest	1,577,264	1,577,264	50.0%
Nocicept (Ampersand)	Preferred Equity	258,217	516,434	0.6%
HYD for Men	Preferred Equity Class A	320,554	293,696	13.8%
Mellow Girraffe (ISS)	Membership Interest	126,837	126,837	15.4%
Clear Solutions	Membership Interest	1,385,118	-	100.0%
Portico	Membership Interest	117,420	-	100.0%
Soapbox Soaps	Preferred Equity	50,000	166,667	0.3%
	Total Equity Investments	$ 13,469,828	$ 12,298,409	

Fund 2 Q1 2023 Quarterly Report Excerpt

UNAUDITED SCHEDULE OF INVESTMENTS
At March 31st, 2023, the Fund's portfolio investments are valued at $24.1 million.

Fund Investments:

Investment	Security	Cost	Fair Value	In Place Multiple[1]	Ownership Interest
Standard Dose	Preferred Stock Class A	1,750,000	10,176,258	5.8x	27.1%
Standard Dose	Convertible Bridge Note	150,000	150,000	1.0x	0.5%
Defunkify	Preferred Stock Class A	850,000	850,000	1.0x	4.2%
Mad Rabbit	Convertible Bridge Note	250,000	462,963	1.9x	0.8%
Impact Driven Brands	Convertible Bridge Note	250,000	250,000	1.0x	0.7%
Crown Affair	Preferred Stock Series A	227,433	227,433	1.0x	1.0%
Opus Wellness	Series Seed Preferred Stock	100,000	138,694	1.4x	0.3%
Womaness	Preferred Stock Series A	70,000	70,000	1.0x	0.6%
Herb Essntls	Preferred Units Class A	500,000	500,000	1.0x	14.3%
Caring Family (BlamCo LLC)	Preferred Units Class A	1,126,057	1,126,057	1.0x	33.4%
Immunocologie	Membership Interest	6,681,341	6,681,341	1.0x	55.6%
Marula Oil	Preferred Units Class A	2,481,092	2,481,092	1.0x	31.9%
Mellow Girraffe (ISS)	Membership Interest	831,122	831,122	1.0x	86.8%
MD Professional, LLC	Membership Interest	120,000	120,000	1.0x	0.2%
	Total Equity Investments	**$ 15,387,045**	**$ 24,064,960**	**1.6x**	

120. Defendants knew that Funds 1 and 2 did not have an ownership interest in Immunocologie. In addition to signing the promissory notes on behalf of Immunocologie, when Lucas asked an LBE employee in January 2021 to "refresh me on the corporate structure and financial status" of Immunocologie with respect to Funds 1 and 2, the employee replied that "the entire investment from both funds are through promissory notes."

121. In February 2025, another LBE employee sent Lucas drafts of the Q3 2024 quarterly reports for Fund 1 and Fund 2 that changed the description of the Funds' interest in Immunocologie from "Membership Interest" to "Promissory Note." Lucas responded by asking the employee to change the security description "back from 'Promissory Note' to 'Membership Interest.'"

2. Defendants Misstated the Amount of Fund Investments in Immunocologie

122. The quarterly reports also falsely stated how much money Fund 1 and Fund 2 had "invested" in Immunocologie. As described above at the end of Section II.D, at least two large 2018 transfers from Fund 2 to Immunocologie were not actual investments in the company by Fund 2, but instead were part of a series of transactions that used Fund 2 investor money to make Ponzi-like payments to LGC investors, with Immunocologie as a pass-through. Nonetheless, the quarterly reports included these pass-through amounts in the total amount of "investment" in Immunocologie by Fund 2, overstating Fund 2's "investment" in Immunocologie by at least $880,000.

123. Similarly, in December 2014, Defendants funneled $331,250 from Fund 1's account through Immunocologie's account and XL7's account, then back to Fund 1's account where it originated:

Date	Amount	Description
12/30/2014	$270,000	$270,000 transferred from Fund 1 to Immunocologie to XL7 to Fund 1
12/31/2014	$61,250	$61,250 transferred from Fund 1 to Immunocologie to XL7 to Fund 1
Total	**$331,250**	

124. These circular transactions resulted in a $331,250 overstatement of Fund 1's purported investment in Immunocologie.

125. Defendants reported these misleading numbers in the quarterly reports throughout the Relevant Period.

3. Defendants Failed to Disclose Conflicts of Interest Concerning Immunocologie

126. Quarterly reports and Fund offering documents did not disclose that LBE was the majority owner of Immunocologie, that Lucas's wife was the CEO of Immunocologie, and that Lucas himself was the company's Chairman.

127. Nor was that information revealed during online presentations made by portfolio companies—including Immunocologie—that Defendants organized for Fund investors.

128. At least one investor stated after the fact that he would have considered it essential to know that the CEO was Lucas's wife before deciding to invest because that meant that the Fund's large investment in Immunocologie posed a serious conflict of interest.

129. By misrepresenting the nature of Fund investments in Immunocologie, by misstating the amount of Fund investments in Immunocologie, and by failing to disclose conflicts of interest concerning Immunocologie, Lucas, and by imputation LBE, knowingly, recklessly, or at a minimum, negligently, made untrue statements of material fact or omitted to

state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to investors and prospective investors in the Funds.

IV. Defendants Unreasonably Failed to Reassess the Fair Value of Multiple Portfolio Companies

130. Throughout the Relevant Period, Defendants assigned a valuation to each of Fund 1's and Fund 2's investments in portfolio companies. Defendants included these valuations under the column heading "Fair Value" in the "Schedule of Investments" that was included in the quarterly reports provided to investors.[2] Generally, Defendants assigned a "Fair Value" for each investment that was equivalent to the amount of money the Fund had invested in each portfolio company. In certain instances, Defendants assigned higher valuations via an "in-place multiple" that was applied to the cost of each investment. For other investments that were unsuccessful, Defendants zeroed out the "Fair Value" of the Fund's investment.

131. The valuations of the Funds' investments also factored into the management fees Defendants were paid for managing the Funds. The fee provision of the LPAs for Funds 1 and 2 provided that, after an initial five year "Investment Period," LBE's management fee was to be based on the "Net Invested Capital" of each Fund, an amount that should have been decreased if a particular investment had been "written down" and "perceived to have a permanent impairment of value as determined by the General Partner." Accordingly, a decrease in the value assigned to an investment in a portfolio company would decrease the management fees due to Defendants.

132. Defendants had a fiduciary duty to Fund 1 and Fund 2 and their respective investors to reassess these valuations as appropriate. With respect to Fund investments in at least

[2] Examples of the "Schedule of Investments" that list each portfolio company's "Fair Value" are shown in the excerpts of quarterly reports included in Section III.C.1., above.

three portfolio companies, Defendants unreasonably failed to do so, despite requests from investors and Defendants' awareness of substantial information suggesting a reassessment was warranted.

A. Immunocologie

133. By Q3 2024, the "cost" of the Funds' investments in Immunocologie had reportedly grown to $6,941,850 for Fund 2 and $5,346,318 for Fund 1. The Q3 2024 quarterly report for Fund 2 stated that its $6,941,850 investment constituted a 56.5% "Ownership Interest" in Immunocologie, implying an overall value for the company of $12,286,460. This purported total value was equal to almost exactly the total amount of money Fund 1 and Fund 2 had transferred to the Immunocologie to date ($6,941,850 + $5,346,318 = $12,288,168).

134. Between 2018 and 2023, Immunocologie averaged annual gross sales of $389,495. In 2018, gross sales were approximately $588,498. By 2023, gross sales had fallen to $197,960. In addition, from 2018 through 2023, the company averaged losses of more than a million dollars a year.

135. Defendants, aware of Immunocologie's dismal performance, continued to value the company at "cost" in the Funds' quarterly reports. They did so despite requests from at least two investors in November 2023 that Lucas consider writing down the values of Immunocologie and two other portfolio companies (Marula Oil and Standard Dose, discussed below) given the downturn in their sales performance.

136. In these circumstances, Defendants' failure to reassess the value of Fund 1's and Fund 2's investments in Immunocologie was unreasonable.

137. Separately, Defendants knew that they had inflated the Fair Value assigned to Immunocologie in quarterly reports when, as described above in Section III.C.2, they overstated

the "cost" of their investment in the company, which in turn inflated the reported Fair Value of the company.

138. This inflation by Defendants resulted in them charging excessive management fees to Fund 1 and Fund 2 since management fee calculations were affected by the Fair Value amounts, as detailed above at the beginning of Section IV.

B. Marula Oil

139. Marula Oil ("Marula") was a hair and skincare company that sold products featuring oil derived from the African Marula tree nut. It was the second largest recipient of Fund 1 and Fund 2 money, after Immunocologie. As of Q1 2024, Defendants reported that Fund 1 had invested $3.35 million in Marula (acquiring a 44% ownership stake in the company), and that Fund 2 had invested $2.49 million (acquiring a 32% ownership stake). In quarterly reports for both Funds, Defendants consistently assigned a "Fair Value" to each Fund's investment in Marula equal to the cost of each Fund's investment, implying that Marula had a total overall value of nearly $8 million.

140. But as Defendants were aware, by 2022 Marula had effectively ceased operations. It had no sales, no products, and no assets, and the company LBE previously had hired to overhaul Marula had quit because it was not getting paid.

141. Nevertheless, Defendants did not reassess the valuation of Fund 1's and Fund 2's investments in Marula. Their failure to do so was unreasonable.

C. Standard Dose

142. Standard Dose was a "a premium lifestyle brand setting and elevating the standard of plant-based wellness and alternatives to traditional pharmaceutical based remedies." Standard Dose received $1.9 million of Fund 2 money during the period 2018 to 2024 mainly in the form

of equity plus a $150,000 convertible bridge note. In quarterly reports Defendants typically valued Fund 2's investment in Standard Dose at approximately five times the amount Fund 2 had invested in the company.

143. Standard Dose collapsed in late 2023. Around that time, LBE employees conducted an investigation of Standard Dose and concluded that $6.3 million had been stolen from the company, which led to extensive misrepresentations by Standard Dose in its financials and "compromised the integrity and financial stability" of the company.

144. On November 2, 2023, Lucas emailed LBE employees and told them that he had been getting multiple calls from investors about Standard Dose. He proposed drafting a letter to send to investors "ASAP" that would describe the analysis done by LBE and the "massive fraud we discovered." Later that day, an LBE employee sent a draft 5-page letter to Lucas that laid out the findings of their investigation in great detail. That letter was not sent to investors.

145. Instead, in late December 2023, Lucas distributed an "Investor Update Letter" summarizing activity at a number of portfolio companies, including Standard Dose. After several positive bullet points highlighting Standard Dose's progress, Lucas acknowledged only that "we have recently uncovered evidence of fraud by the founder and previous CEO, who is no longer working at Standard Dose."

146. LBE continued to value Standard Dose in quarterly reports at about four times the amount it invested in the company.

147. When Lucas finalized the Q2 2023 quarterly report for Fund 2 in January 2024, he did not mention the Standard Dose investigation and did not decrease the assigned value of the Fund's investment in the company. Shortly thereafter, the report was distributed to investors

via the online portal and email, prompting at least one investor to complain about LBE's failure to write down the value of Standard Dose.

148. The Q3 2023 quarterly report for Fund 2, distributed to investors in February 2024, referenced LBE's discovery of fraud at Standard Dose but Defendants still did not reassess their valuation of the company.

149. It was not until the Q4 2023 quarterly report, provided to investors in May 2024, that Defendants reduced the valuation of their interest in Standard Dose, electing to assign a value equal to the money Fund 2 had invested instead of the five-times multiple they previously used.

150. Defendants' failure to reassess the valuation of Fund 2's investment in Standard Dose in the quarterly reports they sent to investors until May 2024 was unreasonable.

151. By unreasonably failing to reassess the valuation of Fund portfolio companies Immunocologie, Marula Oil, and Standard Dose, despite Defendants' awareness of substantial information suggesting that reassessment was warranted, Lucas, and by imputation LBE, knowingly, recklessly, or at a minimum, negligently, violated their fiduciary duty to the Funds.

V. Defendant Lucas Used a Separate Investment Vehicle to Steal Additional Investor Money

152. Through additional entities he controlled, Lucas offered and sold securities in another investment vehicle, Lucas FOV Holdings, LLC ("FOV Holdings"). The purpose of FOV Holdings was to purchase a substantial stake in Flags of Valor, LLC ("Flags of Valor"), a company that produces flags and other patriotic decorations. Lucas was the Managing Member of Lucas FOV Manager, LLC ("FOV Manager"), which served as the manager of FOV Holdings.

153. FOV Holdings raised more than $2.5 million in 2022 and 2023 from approximately 20 investors, but at most only approximately $1.4 million was sent to Flags of Valor. Lucas used more than $1 million of the money he raised for personal and unrelated business expenses.

154. In offering materials for FOV Holdings, including a slide deck for potential investors, Lucas stated that investor money would be used to buy a 45% interest in Flags of Valor and provide working capital to that company. Pursuant to the Membership Interest Purchase Agreement between Flags of Valor and FOV Holdings (executed by Lucas on behalf of FOV Holdings) dated November 10, 2022, the purchase price for this 45% ownership interest in Flags of Valor was $1.35 million.

155. The FOV Holdings Operating Agreement stated that one or more affiliates of FOV Manager "may receive compensation" from Flags of Valor for services provided. In the FOV Holdings Subscription Agreement, Lucas stated that FOV Holdings intended to use the proceeds of the security offering to acquire an equity interest in Flags of Valor and "to pay associated expenses including a $170,000 advisory fee to the Lucas Group, Lucas's consulting company." The offering materials did not state that forty percent of investor funds would go to Lucas and his entities.

156. Lucas freely transferred FOV Holdings funds to the accounts of other entities he controlled and vice-versa, seemingly depending on which entity had funds and which entity had bills or obligations to meet. From 2022 through 2024, Lucas made net transfers from the FOV Holdings account of $800,000 to XL7's account, $164,800 to Fund 2's account, $324,000 to LBE's account, and $235,000 to Immunocologie's account.

157. Lucas also made direct payments from the FOV Holdings bank account for his own personal benefit. In this manner, he used FOV Holdings investor money to pay approximately $150,000 for expenses related to the newspaper he owned, approximately $116,000 in rent payments for his personal residence, approximately $100,000 to a political consultant, and approximately $15,000 in alimony payments. He also charged approximately $74,000 in airfare, hotels, restaurants, groceries, rideshares, and other personal expenses directly to the FOV Holdings bank account.

158. Having reviewed and approved the offering documents investors received, including the slide deck for investors, the Membership Interest Purchase Agreement between Flags of Valor and FOV Holdings, and the FOV Holdings Operating Agreement, and in his capacity as Managing Member of FOV Manager with control over the financial accounts of FOV Manager and FOV Holdings, Lucas knew, was reckless in not knowing, or at a minimum, should have known, that the 40% of investor funds in FOV Holdings that Defendants transferred to Lucas and his entities were in excess of the compensation set forth in the FOV Holdings Operating Agreement and the FOV Holdings Subscription Agreement, and therefore were in contravention of those documents.

FIRST CLAIM FOR RELIEF

(Fraud in Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)
(All Defendants)

159. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 129 and 152 through 158 of this Complaint as though fully set forth herein.

160. By engaging in the conduct described above, Defendants, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, have, knowingly or recklessly (a) employed devices, schemes, or artifices to defraud, (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and/or (c) engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person.

161. By reason of the foregoing, Defendants have violated and, unless enjoined, are reasonably likely to 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 CLAIM FOR RELIEF

(Fraud in Violation of Section 17(a) of the Securities Act)
(All Defendants)

162. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 129 and 152 through 158 of this Complaint as though fully set forth herein.

163. By engaging in the conduct described above, Defendants, 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: (a) knowingly or recklessly employed devices, schemes, or artifices to defraud; (b) knowingly, recklessly or negligently obtained money or property by means of untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) knowingly, recklessly or negligently

engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

164. By reason of the foregoing, Defendants have violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF

(Control Person Liability Under Section 20(a) of the Exchange Act)
(Defendant Lucas)

165. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 129 of this Complaint as though fully set forth herein.

166. By engaging in the conduct described above, Defendant Lucas directly or indirectly controlled Defendant LBE and at no point in time acted in good faith.

167. As alleged above, Defendant LBE violated 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].

168. By reason of the foregoing, Defendant Lucas is liable as a controlling person for the securities violations committed by Defendant LBE to the same extend as that entity is liable pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

FOURTH CLAIM FOR RELIEF

(Fraud in Violation of Sections 206(1) of the Advisers Act)
(All Defendants)

169. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 129 of this Complaint as though fully set forth herein.

170. At all relevant times, Defendants were investment advisers to the Funds under Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)] because they were persons who, for compensation, engaged in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. Defendants owed the Funds a fiduciary duty of utmost good faith and had an affirmative duty to make full and fair disclosure to them of all material facts, as well as the duty to act in the Funds' best interests, and not to act in their own interests to the detriment of the Funds.

171. By engaging in the conduct described above, Defendants, directly or indirectly, by use of the mails or any means or instrumentalities of interstate commerce, while acting as investment advisers, have knowingly or recklessly employed one or more devices, schemes, or artifices to defraud any client or prospective client.

172. By reason of the foregoing, Defendants have violated, and unless enjoined are reasonably likely to continue to violate, Sections 206(1) of the Advisers Act [15 U.S.C. §§ 80b-6(1)].

FIFTH CLAIM FOR RELIEF
(Fraud in Violation of Sections 206(2) of the Advisers Act)
(All Defendants)

173. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 151 of this Complaint as though fully set forth herein.

174. At all relevant times, Defendants were investment advisers to the Funds under Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)] because they were persons who, for compensation, engaged in the business of advising others, either directly or through

publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. Defendants owed the Funds a fiduciary duty of utmost good faith and had an affirmative duty to make full and fair disclosure to them of all material facts, as well as the duty to act in the Funds' best interests, and not to act in their own interests to the detriment of the Funds.

175. By engaging in the conduct described above, Defendants, directly or indirectly, by use of the mails or any means or instrumentalities of interstate commerce, while acting as investment advisers, have knowingly, recklessly, or negligently engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon any client or prospective client.

176. By reason of the foregoing, Defendants have violated, and unless enjoined are reasonably likely to continue to violate, Sections 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

SIXTH CLAIM FOR RELIEF

(Fraud in Violation of Section 206(4) of the Advisers Act and Rule 206(4)-8 Thereunder)
(All Defendants)

177. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 129 of this Complaint as though fully set forth herein.

178. At all relevant times, Defendants were investment advisers, under Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)] to the Funds, pooled investment vehicles as defined in Rule 206(4)-8(b) of the Advisers Act [17 C.F.R. § 275.206(4)-8(b)].

179. By engaging in the conduct described above, Defendants, directly or indirectly, while acting as investment advisers to the Funds, through the use of the mails or any means or instrumentalities of interstate commerce, knowingly, recklessly, or negligently: (1) made untrue statements of material fact and omitted to state material facts necessary to make statements made, in the light of the circumstances under which they were made, not misleading, to investors and prospective investors in the pooled investment vehicles; and/or (2) engaged in acts, practices, and courses of business that were fraudulent, deceptive, and manipulative with respect to investors and prospective investors in pooled investment vehicles.

180. By reason of the foregoing, Defendants have violated, and unless enjoined are reasonably likely to continue to violate, Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Finding that Defendants each violated the Federal securities laws and rules promulgated thereunder as alleged against them in this Complaint.

II.

Permanently restraining and enjoining Defendants, their agents, servants, employees, and attorneys, and other persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise from committing future violations of (i) Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; (ii) 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]; and (iii) Sections

206(1), (2), and (4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2), and (4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

III.

Permanently restraining and enjoining Defendant Lucas from directly or indirectly, including, but not limited to, through any entity owned or controlled by him, participating in the issuance, purchase, offer, or sale of any security, provided, however, that such injunction shall not prevent him from purchasing or selling securities for his own personal account.

IV.

Permanently restraining and enjoying Defendant Lucas from, directly or indirectly, acting as or being associated with any investment adviser.

V.

Ordering Defendants, jointly and severally, pursuant to Sections 21(d)(3), (d)(5), and (d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), (5), and (7)], to disgorge all ill-gotten gains, with prejudgment interest, as a result of the conduct alleged in this Amended Complaint.

VI.

Ordering Defendants to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)];

VII.

Retaining 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; and

VIII.

Granting such other and further relief this Court may deem just, proper, and equitable.

DEMAND FOR A JURY TRIAL

The Commission demands a trial by jury in this action.

Dated: April 24, 2026

Respectfully submitted,

/s/ *Anna O. Area*

Anna O. Area
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