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8  
9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**

11  
12 SECURITIES AND EXCHANGE  
13 COMMISSION,

14 Plaintiff,

15 vs.

16 VERDEGROUP INVESTMENT  
17 PARTNERS, INC.; THOMAS  
GAFFNEY; and LISA GORDON,

18 Defendants,

19 and

20 TOMMY'S PIZZA VENTURES,  
21 INC.; and CYNTHIA GAFFNEY,

22 Relief Defendants.  
23

Case No.

**COMPLAINT**

24  
25  
26  
27  
28

1 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

2 **JURISDICTION AND VENUE**

3 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
4 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
5 77t(b), 77t(d)(1) & 77v(a) and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the  
6 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
7 78u(d)(3)(A), 78u(e) & 78aa(a).

8 2. Defendants have, directly or indirectly, made use of the means or  
9 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
10 securities exchange in connection with the transactions, acts, practices and courses of  
11 business alleged in this complaint.

12 3. Venue is proper in this district pursuant to Section 22(a) of the Securities  
13 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),  
14 because certain of the transactions, acts, practices and courses of conduct constituting  
15 violations of the federal securities laws occurred within this district. In addition,  
16 venue is proper in this district because Defendant Gordon resides in this district.

17 **SUMMARY**

18 4. This action involves a securities offering fraud by an issuer and its director  
19 and control person that raised over \$612,765 from investors located in multiple states  
20 from January 2018 through July 2019, ostensibly to finance marijuana businesses.

21 5. In soliciting investor funds to invest in marijuana businesses, recidivist  
22 violator of the securities laws defendant Thomas Gaffney (“Gaffney”), who was the  
23 principal and control person of defendant VerdeGroup Investment Partners, Inc.  
24 (“VerdeGroup”), misled and deceived actual and prospective investors about how their  
25 monies would be used, about VerdeGroup’s business partners, and about VerdeGroup’s  
26 purportedly imminent initial public offering.

27 6. Rather than receiving money in his own name, Gaffney disguised his role  
28 by directing investors to send their funds to a third party account. Investor funds were

1 transferred from that third party account to an account in the name of relief defendant  
2 Tommy's Pizza Ventures, Inc. ("Tommy's Pizza"), the signatories of which are  
3 Gaffney and relief defendant Cynthia Gaffney. Investor funds were then used for  
4 Gaffney's personal expenses, and a pizza parlor business, among other things.  
5 VerdeGroup and Gaffney misappropriated approximately \$467,110 of investor money.

6 7. To further generate investor interest in the offering, defendants Gaffney  
7 and VerdeGroup also made material misrepresentations to investors and prospective  
8 investors about VerdeGroup's business partners and its efforts to undertake an initial  
9 public offering. Gaffney and VerdeGroup made the same or similar misrepresentations  
10 to lull investors into not withdrawing funds and to encourage investors to invest more  
11 and/or rollover funds to a different entity.

12 8. VerdeGroup and Gaffney used general solicitation to attract investors,  
13 including advertisements in newspapers and the use of VerdeGroup's website,  
14 [verdegrouinvest.com](http://verdegrouinvest.com).

15 9. Defendant Lisa Gordon, hired by Gaffney to handle VerdeGroup investor  
16 relations, acted as an unregistered broker-dealer in connection with the offering and  
17 directly offered and sold securities by soliciting investors through phone calls and  
18 emails.

19 10. The securities offering was not registered with the SEC as required by the  
20 Securities Act.

21 11. At least some of the investors were not provided with the information that  
22 a registration statement is required to provide for the protection of investors.

23 12. In addition, at least one of the investors was unaccredited.

24 13. Through their conduct, and as further detailed herein, all three  
25 defendants violated the registration provisions of Section 5 of the Securities Act;  
26 VerdeGroup and Gaffney violated the antifraud provisions of Section 17(a) of the  
27 Securities Act and Section 10b of the Exchange Act and Rule 10b-5 thereunder; and  
28 Gordon violated the broker registration provisions of Section 15 of Exchange Act.

1 Relief Defendants Tommy’s Pizza and Cynthia Gaffney were unjustly enriched by  
2 the receipt of investors’ funds to which they had no legitimate claim.

3 14. The SEC seeks findings that Defendants committed these violations;  
4 permanent injunctions; disgorgement with prejudgment interest from Defendants and  
5 Relief Defendants, and civil monetary penalties against Defendants.

6 **DEFENDANTS**

7 15. **VerdeGroup Investment Partners, Inc. (“VerdeGroup”)** is a  
8 Wyoming corporation with its principal places of business in Indian Harbour Beach,  
9 Florida and Buffalo, Wyoming. During the relevant period, VerdeGroup’s website  
10 listed its address in Los Angeles, California. VerdeGroup claims to be an investment  
11 and business financing firm focused on investing in the legal marijuana industry.  
12 VerdeGroup and its securities have never been registered with the SEC in any  
13 capacity.

14 16. **Thomas Gaffney (“Gaffney”)**, age 55, resides in Satellite Beach,  
15 Florida. Gaffney is listed as a VerdeGroup director in its Wyoming corporate filings.  
16 Gaffney is a founder and CEO of Tommy’s Pizza Ventures, Inc. Gaffney and his  
17 prior company, Health Sciences Group, Inc., for which he was the president and  
18 CEO, were sued by the SEC in 2013 for engaging in a fraudulent scheme involving a  
19 company’s stock; the scheme involved illicit kickbacks to encourage the purchase of  
20 the stock and phony agreements to mask those kickbacks. *SEC v. Gaffney, et al.*,  
21 Case No.: 13-cv-61765-RNS (S.D. Fl.). Gaffney settled to fraud violations of the  
22 federal securities laws, and the district court entered a final judgment permanently  
23 enjoining him from violating Section 17(a) of the Securities Act and Section 10(b) of  
24 the Exchange Act and Rule 10b-5(a) thereunder. Gaffney was also charged by  
25 information in 2012 by the U.S. Attorney’s Office for the Southern District of Florida  
26 for violations of mail fraud regarding related conduct to the 2013 SEC case, and  
27 entered a guilty plea on August 8, 2013. *See U.S. v. Thomas Gaffney*, Case No. 12-  
28 60224-CR-Dimitrouleas. He was sentenced to time served, followed by three years

1 of supervised release with a special condition of eight months of home confinement,  
2 among other things.

3 17. **Lisa Gordon (“Gordon”)**, age 60, resides in Woodland Hills, Los  
4 Angeles County, California. VerdeGroup listed Gordon as its “Investor Relations”  
5 contact. She is listed as the “Treasurer or Fiscal Agent” on VerdeGroup’s Wyoming  
6 corporate filing. She has never held any securities licenses and has never been  
7 associated with an entity registered with the SEC.

### 8 **RELIEF DEFENDANTS**

9 18. **Tommy’s Pizza Ventures, Inc. (“Tommy’s Pizza”)** is a Florida  
10 corporation with its principal place of business in Indian Harbour Beach, Florida.  
11 Tommy’s Pizza claims to run a casual chain of pizza parlors. Tommy’s Pizza and its  
12 securities have never been registered with the SEC in any capacity.

13 19. **Cynthia Gaffney (“Cynthia Gaffney”)**, age 55, resides in Satellite  
14 Beach, Florida. Cynthia Gaffney is Thomas Gaffney’s wife and is a founder and the  
15 president of Tommy’s Pizza. She and Gaffney are the sole signatories on the  
16 Tommy’s Pizza bank account.

### 17 **THE ALLEGATIONS**

#### 18 **A. VerdeGroup’s Offering**

19 20. From January 2018 through July 2019, VerdeGroup raised  
20 approximately \$612,765 from approximately 27 investors from several states  
21 including Florida and Nevada, in an unregistered securities offering of promissory  
22 notes. Investors sent checks payable to a New York based company (“Company A”)  
23 or wired funds to a bank account in the name of Company A. Investor funds were  
24 then sent from the Company A bank account to a bank account in the name of  
25 Tommy’s Pizza and controlled by Gaffney and Relief Defendant Cynthia Gaffney.

26 21. The offering was conducted using a Private Placement Memorandum  
27 (“PPM”) that offered \$25,000,000 in promissory notes at \$5,000 per unit with a  
28 minimum purchase of \$10,000.

1           22. The PPM stated that the notes provided a 12% annual rate of return that  
2 matured in 24 months and converted to equity at maturity.

3           23. The PPM specified that VerdeGroup is “an investment and business  
4 financing firm focused on the legal marijuana industry,” providing “high interest  
5 loans to marijuana and marijuana related business.” VerdeGroup also claimed in the  
6 PPM that it “invests in equity positions with legal marijuana companies” and that it  
7 “anticipates ‘Going Public’ in 2019.” The PPM also stated that “the use of the  
8 proceeds is for growth and procurement of the business as described herein.” The  
9 PPM stated that over ninety percent of the proceeds from the offering will be used for  
10 “Investments” and “Working Capital.”

11           24. The term sheet provided to prospective investors (“Term Sheet”) stated  
12 that VerdeGroup would “use proceeds from this Offering ... in line with its business  
13 plan,” and that “proceeds from the sale of NOTES ... will be ... available for use by  
14 [VerdeGroup] at its discretion to place soft deposits on properties to tie up for  
15 acquisition.”

16           25. The PPM identifies “Thomas Lynch” as VerdeGroup’s president, but  
17 Gaffney directly and indirectly controlled VerdeGroup.

18           26. The PPM identified Gordon as “Investor Relations” and provided  
19 contact information, including an address in Tarzana, CA, a phone number, and an  
20 email address, [financialcatalyst@gmail.com](mailto:financialcatalyst@gmail.com).

21           27. The email address identified on the PPM – [financialcatalyst@gmail.com](mailto:financialcatalyst@gmail.com)  
22 – is the same email address VerdeGroup provided to the Wyoming Secretary of State.

23           28. Gordon used the email address: [financialcatalyst@gmail.com](mailto:financialcatalyst@gmail.com) to  
24 communicate with prospective and actual investors.

25           **B. General Solicitation of Investors**

26           29. The offering involved the general solicitation of investors and  
27 prospective investors.

28           30. To solicit investors, VerdeGroup and Gaffney purchased and placed

1 newspaper advertisements in several different states.

2 31. The advertisements directed potential investors to contact VerdeGroup at  
3 a certain phone number and to visit VerdeGroup's website at [verdegrouinvest.com](http://verdegrouinvest.com).

4 32. The advertisements repeated some of the information in the PPM.

5 33. For example, one advertisement placed in at least two different  
6 newspapers in different states stated that "OUR COMPANY IS OFFERING THE  
7 OPPORTUNITY FOR MAIN STREET PEOPLE TO INVEST IN THE LEGAL  
8 MARIJUANA INDUSTRY. OUR LEGAL MARIJUANA FUND IS NOW  
9 ACCEPTING NEW INVESTORS."

10 34. That same advertisement also stated: "12% GUARANTEED APR  
11 \$10,000 MIN. INVESTMENT."

12 35. VerdeGroup's website provided similar representations as the newspaper  
13 advertisements and instructions on how to invest in the offering.

14 36. For example, the website stated that "Our company is offering the  
15 opportunity for main street people to invest in legal marijuana industry. Our legal  
16 marijuana fund is now accepting new investors." It also stated that it was  
17 "Conducting Business in all legal states," it had a "12% Guaranteed APR," a  
18 "\$10,000 Minimum Investment," and that its "mission is to create wealth for our  
19 shareholders and investment partners by exclusively ... investing in a broad spectrum  
20 of both private and public legal marijuana companies throughout the U.S. and  
21 Canada." VerdeGroup's website touted VerdeGroup's bona fides: stating that it "has  
22 been a primary investor to legal marijuana wholesale cultivators, pharmaceutical  
23 companies, marijuana technology companies and marijuana retailers for more than 10  
24 years," that "Nobody knows the marijuana investment verticle [sic] better than we  
25 do."

26 37. The website repeated the details of the offering in the PPM:  
27 "VerdeGroup ... is offering 24 month Convertible Promissory Notes that Yield  
28 12%APR." It stated that the "minimum investment is \$10,000.00 and converts to

1 100,000 shares of stock. Prior to conversion you will earn 12% per year.”

2 38. The website also stated that “VerdeGroup intends to go public in 2019.”

3 39. The website provided the same phone number to inquire about investing  
4 as provided in the advertisements.

5 40. Gaffney is listed as the owner of VerdeGroup’s website.

6 41. On at least one occasion, on or about February 27, 2019, Gaffney –  
7 using the email address [tomgaffneypresents@yahoo.com](mailto:tomgaffneypresents@yahoo.com) – responded by email to a  
8 third party inquiry regarding information on the VerdeGroup website.

9 42. Gaffney used the following email address –  
10 [tomgaffneypresents@yahoo.com](mailto:tomgaffneypresents@yahoo.com) – to communicate on behalf of VerdeGroup.

11 43. Gaffney also drafted at least one update letter to investors that included  
12 solicitations for additional investment.

13 44. When some investors called the phone number identified on the  
14 newspaper advertisement and website and the phone number identified on the PPM,  
15 Gordon received the calls.

16 45. On or about March 21, 2018, Gordon emailed at least one prospective  
17 investor and investor from the email address identified in the PPM.

18 46. Gordon provided the Term Sheet and the PPM to several prospective  
19 investors, including, for example, on or about April 3, 2018 and October 4, 2018.

20 47. On or about April 3, 2018, Gordon encouraged at least one prospective  
21 investor to visit the VerdeGroup website.

22 48. Gordon personally communicated with investors and prospective  
23 investors about the offering, including during phone calls and emails.

24 49. Gordon personally communicated with existing investors for additional  
25 investments in VerdeGroup.

26 50. The offering constituted an offer and sale of securities, in the form of  
27 convertible to equity promissory notes, in that it involved an investment: (a) in a  
28 business enterprise; (b) that was offered broadly to the public; and (c) and



1 purportedly issued to raise money to invest in marijuana businesses, at high rates of  
2 return.

3 **C. The Fraud**

4 **1. VerdeGroup and Gaffney Misled and Deceived Investors**  
5 **Regarding Their Misappropriation of Investor Funds**

6 51. VerdeGroup and Gaffney misappropriated VerdeGroup investor funds.  
7 From January 2018 through July 2019, through its unregistered offering, VerdeGroup  
8 raised approximately \$612,765 from approximately 27 investors.

9 52. Pursuant to the PPM, the approximate \$612,765 was deposited in bank  
10 accounts in the name of Company A (the “Company A Account”).

11 53. Company A wired approximately \$467,110 from the Company A  
12 Account to an account in the name of Tommy’s Pizza (the “Tommy’s Pizza  
13 Account”).

14 54. Gaffney and Cynthia Gaffney are the only signatories on the Tommy’s  
15 Pizza Account.

16 55. The Indian Harbour Beach, Florida address associated with the  
17 Tommy’s Pizza Account is the same address attributed to Gaffney in VerdeGroup’s  
18 Wyoming corporate filing.

19 56. Gaffney and Cynthia Gaffney knowingly or recklessly spent these funds  
20 in ways that were contrary to the use of proceeds as set forth in the PPM.

21 57. Contrary to the representations in the PPM, Gaffney and Relief  
22 Defendant Cynthia Gaffney used the investor funds to finance the Tommy’s Pizza  
23 pizza parlor, and numerous other personal expenses, including Tiffany’s jewelry,  
24 Carnival Cruise Lines travel, and other daily expenses. This use of investor funds  
25 was not disclosed in the PPM.

26 58. In July 2019, when the last investor funds were transferred, the ending  
27 balance in the Tommy’s Pizza Account was \$50.

28 59. At least one check drawn on the Tommy’s Pizza Account, dated June 12,

1 2020, was written to “Lisa Gordon Ent.”.

2 60. Investors were not aware that VerdeGroup investor funds were being  
3 used (1) to pay Gaffney and Cynthia Gaffney’s personal expenses; and (2) to pay  
4 expenses of the Tommy’s Pizza pizza parlor.

5 61. Investors would have considered it important in making their decision to  
6 invest in VerdeGroup whether the funds raised from VerdeGroup investors were  
7 being used for purposes other than the stated purposes.

8 62. Relief defendants Tommy’s Pizza and Cynthia Gaffney each received  
9 money from VerdeGroup and Gaffney’s fraud.

10 63. Relief defendants Tommy’s Pizza and Cynthia Gaffney each had no  
11 legitimate claim to the money they received.

12 **2. VerdeGroup and Gaffney Misled and Deceived Investors**  
13 **Regarding Their Business Partners**

14 64. In connection with the offering, VerdeGroup represented that several  
15 marijuana business associations were “partners” on VerdeGroup’s website, where  
16 potential investors were directed to from the advertisements.

17 65. As of December 2018, the website included write-ups and logos of these  
18 associations, including the Marijuana Business Association (“MJBA”) and the  
19 National Cannabis Industry Association (“NCIA”).

20 66. In reality, and as VerdeGroup and Gaffney knew, or were reckless or  
21 negligent in not knowing, VerdeGroup had no business relationship with either the  
22 MJBA or the NCIA.

23 67. In or around February 27, 2019, the NCIA sent a cease and desist letter  
24 to the email address identified on VerdeGroup’s website –  
25 [info@verdegrouinvest.com](mailto:info@verdegrouinvest.com) – demanding its logo be removed from VerdeGroup’s  
26 website due to unauthorized use of the NCIA mark. Gaffney responded to the cease  
27 and desist letter via the email address [tomgaffneypresents@yahoo.com](mailto:tomgaffneypresents@yahoo.com) on behalf of  
28 VerdeGroup and removed the website’s reference to the NCIA.

1 68. As of February 2019, MJBA had no communications with VerdeGroup.

2 69. Investors and prospective investors would have considered it important  
3 in making their decision to invest in VerdeGroup whether the statements made about  
4 its affiliation with either the MBA or the NCIA were correct, in assessing the  
5 legitimacy of VerdeGroup and its prospects for generating a return on their  
6 investments.

7 **3. VerdeGroup and Gaffney Misled and Deceived Investors**  
8 **Regarding Their Plans to Take VerdeGroup “Public”**

9 70. In the PPM, VerdeGroup and Gaffney misrepresented that VerdeGroup  
10 “anticipates ‘Going Public’ in 2019.”

11 71. VerdeGroup’s website also stated that it “intends to go public in 2019.”

12 72. Upon information and belief, in a letter sent to investors titled a “CEO  
13 Mid-Year 2019 Letter to Shareholders,” VerdeGroup’s purported CEO Thomas  
14 Lynch wrote that “we are proud to announce that we will be going public sometime  
15 in the second quarter 2020” (the “Mid 2019 Letter”).

16 73. The Mid 2019 Letter also states that VerdeGroup has “already begun the  
17 process with the SEC” for a “Direct IPO” via an “S1 Registration Statement.”

18 74. The Mid 2019 Letter encouraged additional investment and added that a  
19 registered broker-dealer (“Brokerage Firm A”) had agreed to be VerdeGroup’s lead  
20 market maker.

21 75. VerdeGroup and Gaffney have continued to misrepresent their efforts to  
22 “go public.”

23 76. In March 2021, Gordon emailed investors another update letter allegedly  
24 from CEO Thomas Lynch (the “March 2021 Letter”).

25 77. The March 2021 Letter’s metadata reveals that Gaffney was the author.

26 78. The March 2021 Letter states that “[w]e have already began [sic] the  
27 process with the SEC last April 2020” and again refers to the “S1 Registration  
28 Statement” and Brokerage Firm A.

1           79. The March 2021 Letter claims that VerdeGroup needs to withhold  
2 investors' annual 12% returns to cover the cost of a "Forensic Peer Review Audit"  
3 that the "SEC requires" for companies going public.

4           80. No such requirement exists.

5           81. Nor is there a Form S-1 registration statement for VerdeGroup on file  
6 with the SEC.

7           82. In reality, and as VerdeGroup and Gaffney knew, or were reckless or  
8 negligent in not knowing, VerdeGroup was not going public in 2019 or 2020.

9           83. In reality, and as VerdeGroup and Gaffney knew, or were reckless or  
10 negligent in not knowing, VerdeGroup had begun no process with the SEC for a  
11 "Direct IPO" via an "S1 Registration Statement".

12           84. In reality, and as VerdeGroup and Gaffney knew, or were reckless or  
13 negligent in not knowing, VerdeGroup did not need funds to cover the cost of a  
14 "Forensic Review Audit" and the SEC did not require such an audit for companies  
15 going public.

16           85. In reality, and as VerdeGroup and Gaffney knew, or were reckless or  
17 negligent in not knowing, VerdeGroup had no agreement with Brokerage Firm A for  
18 the latter to be VerdeGroup's lead market maker.

19           86. Investors and prospective investors would have considered it important  
20 in making their decision to invest in VerdeGroup whether the statements made about  
21 it "going public," about the process with the SEC for a "Direct IPO," and its  
22 agreement with Brokerage Firm A were correct, in assessing the legitimacy of  
23 VerdeGroup and its prospects for generating a return on their investments.

24           87. Investors and prospective investors would have considered it important  
25 in making their decision to invest in or retain their investment in VerdeGroup  
26 whether the statement made about requiring funds to cover an SEC-required  
27 "Forensic Review Audit," was correct, in assessing the legitimacy of VerdeGroup  
28 and its prospects for generating a return on their investments.

1 88. VerdeGroup and Gaffney engaged in a fraudulent offering scheme.  
2 VerdeGroup and Gaffney solicited investors, directing them to send funds to the  
3 Company A Account, which were then directed to the Tommy's Pizza Account.  
4 From these accounts, approximately \$467,110 in investor funds was misappropriated  
5 for personal expenses and pizza parlor expenses, among other things.

6 **4. Lulling of investors and concealment of the scheme**

7 89. In or around February 19, 2019, one investor contacted Gordon to  
8 inquire as to VerdeGroup's plan for an initial public offering. On or about February  
9 19, 2019, Gordon emailed him and said it would be in December 2019.

10 90. In or around December 3, 2019, the same investor contacted Gordon,  
11 asking again if VerdeGroup would initiate its public offering of shares. On or about  
12 December 3, 2019, Gordon replied that VerdeGroup would go public in the second  
13 quarter of 2020.

14 91. In December 2019, the same investor and Gordon spoke telephonically  
15 and Gordon said that there were some problems but that VerdeGroup would still  
16 initiate its public offering.

17 92. In March 2021, Gordon told that same investor that he would not be  
18 receiving his annual payment and provided him the March 2021 Letter.

19 93. As explained above, the March 2021 Letter provides the purported  
20 progress of VerdeGroup's initial public offering process and encourages existing  
21 investors to invest more and to "Roll Over" their VerdeGroup shares to shares in  
22 another entity.

23 94. In or around October 2019, an elderly investor called Gordon and  
24 inquired about her annual return.

25 95. In response to that inquiry the investor received her annual return in the  
26 form of a check mailed from the same Indian Harbour Beach, Florida address  
27 associated with Gaffney in the Wyoming corporate filings and with the Tommy's  
28 Pizza Account.

1 96. After the investor received the check, Gordon called the investor and  
2 solicited an additional investment from the investor.

3 97. The investor made a second, additional investment of \$10,000 in  
4 response to Gordon's solicitation on or around November 2019.

5 98. As explained above, the March 2021 Letter claims that initial public  
6 offering process is ongoing "with the SEC", again refers to the "S1 Registration  
7 Statement" and Brokerage Firm A, and that VerdeGroup needs to withhold investors'  
8 annual return to cover the cost of a "Forensic Peer Review Audit" that the "SEC  
9 requires" for companies going public.

10 99. No such requirement exists.

11 100. Nor is there a Form S-1 registration statement for VerdeGroup on file  
12 with the SEC.

13 101. The March 2021 Letter also encourages existing investors to invest more  
14 and to "Roll Over" their VerdeGroup shares to shares in another entity.

15 102. VerdeGroup and Gaffney attempted to conceal Gaffney's role in the  
16 fraud.

17 103. Gaffney is not listed in the PPM, the Term Sheet, the newspaper  
18 advertisement, or the website.

19 104. Gaffney reviewed the PPM.

20 105. Gordon is identified in the PPM and Term Sheet as "Investor Relations."

21 106. Gordon responded to investor and prospective investor inquiries sent to  
22 the contact information on the PPM, newspaper advertisement, and website.

23 107. Gordon was the only individual who directly communicated with  
24 investors by phone and email.

25 108. The PPM directed investors to make payments to Company A, not  
26 Gaffney.

27 109. Gaffney admitted that he has known Gordon for over twenty-five years,  
28 reviewed the VerdeGroup offering documents, and sent returns to VerdeGroup

1 investors in the form of cashier's checks.

2 **D. Defendants' Misrepresentations Were Material and Made With**  
3 **Scienter**

4 110. All of the false and misleading statements in the PPM, the Mid 2019  
5 Letter, and the March 2021 Letter were material. A reasonable investor would have  
6 considered it important to know that VerdeGroup was not, and had no intention of,  
7 "going public," in 2019 or 2020, that VerdeGroup had not begun a "Direct IPO"

8 process with the SEC, and that VerdeGroup had no agreement with Brokerage Firm

9 A. In addition, a reasonable investor would have considered it important to know that  
10 VerdeGroup investor funds would be used for payment of Gaffney and Cynthia  
11 Gaffney's personal expenses, pizza parlor expenses, and other purposes not disclosed  
12 in the PPM.

13 111. Gaffney acted with scienter. Gaffney knew, or was reckless in not  
14 knowing, that VerdeGroup was not, and had no intention of, "going public," in 2019  
15 or 2020, that VerdeGroup had not begun a "Direct IPO" process with the SEC, and  
16 that VerdeGroup had no agreement with Brokerage Firm A. Moreover, he controlled  
17 one or more of the bank accounts that received VerdeGroup investor funds; thus, he  
18 knew, or was reckless in not knowing, that he was misappropriating VerdeGroup  
19 investor funds for his own personal expenses, Tommy's Pizza pizza parlor expenses,  
20 and other undisclosed purposes.

21 112. In addition, Gaffney and VerdeGroup failed to exercise reasonable care  
22 by, among other things, misappropriating investor funds and making materially  
23 misleading representations, and thus were negligent.

24 **E. Registration Violations: Sections 5(a) and 5(c) of the Securities Act**

25 113. The VerdeGroup offering was not registered with the SEC.

26 114. The PPM represented that the offering was relying on a Section 4(2)  
27 exemption and a Rule 506 exemption.

28 115. These exemptions did not apply.

1 116. Not all of the investors in the offering were accredited investors.

2 117. Although potential investors were sent a questionnaire as part of the  
3 offering process to “determine suitability” according to the PPM, at least for two  
4 investors, the information they provided on the questionnaire was not verified in any  
5 way, and at least one unaccredited investor was allowed to invest.

6 118. As described above, the offering involved the general solicitation of  
7 investors and prospective investors.

8 119. The offering was solicited via newspaper advertisement and  
9 VerdeGroup’s website.

10 120. At least one unaccredited investor was not furnished with financial  
11 statements, including an audited balance sheet.

12 121. VerdeGroup is liable for the registration violation because it offered and  
13 sold its promissory notes.

14 122. Gordon is liable under Section 5 of the Securities Act because she  
15 directly offered and sold securities by soliciting investors.

16 123. Gaffney is liable under Section 5 of the Securities Act because he  
17 directly and indirectly offered and sold VerdeGroup securities. Gaffney directly and  
18 indirectly, exercised day-to-day control over VerdeGroup, and Gaffney directly and  
19 indirectly, controlled and conducted the unregistered securities offerings by  
20 VerdeGroup, all for the stated purpose of raising investor funds to invest in the  
21 marijuana business. He was intricately involved in the offer and sale of the  
22 promissory notes. Those notes were marketed to investors through the VerdeGroup  
23 website Gaffney controlled. Gaffney was also VerdeGroup’s only director, he  
24 controlled its website, he drafted at least one update letter that included solicitations  
25 for additional investment, and he received proceeds of the offering.

26 **F. Violation of Section 15(a) of the Exchange Act**

27 124. Gordon acted as an unregistered broker for the offering.

28 125. Gordon was not registered with the SEC as a broker-dealer in



1 accordance with Section 15(b) of the Exchange Act, or associated with a registered  
2 broker-dealer.

3 126. Gordon was listed by VerdeGroup as its “Investor-Relations” contact on  
4 the PPM.

5 127. Gordon emailed and sent VerdeGroup offering documents to the  
6 investors and received the offering documents from them.

7 128. Gordon also actively and repeatedly solicited investors by email and on  
8 the phone to make both initial and additional investments in VerdeGroup.

9 129. Gordon encouraged investment in the offering by making general  
10 representations about VerdeGroup, including that it was “a good deal” and that it was  
11 “really taking off.”

12 130. On at least one occasion, on or about October 4, 2018, Gordon assisted  
13 one potential investor with completing the paperwork to invest in the offering.

14 131. On at least one occasion, Gordon handled VerdeGroup funds to make  
15 payments to investors. On or around July 10, 2020, a cashier’s check was issued  
16 listing Gordon as the remitter and a memo line stating that the check was for  
17 VerdeGroup 2020 annual payment.

18 **FIRST CLAIM FOR RELIEF**

19 **Unregistered Offer and Sale of Securities**

20 **Violations of Sections 5(a) and 5(c) of the Securities Act**

21 **(Against All Defendants)**

22 132. The SEC realleges and incorporates by reference paragraphs 1 through  
23 131 above.

24 133. The offering involved the offering of securities in the form of  
25 promissory notes which were convertible to equity.

26 134. The offering was not registered with the SEC.

27 135. Defendant VerdeGroup, as the issuer of the securities, directly offered  
28 and sold securities in the form of promissory notes through its PPM.

1 136. Defendant Gaffney, directly and indirectly offered and sold VerdeGroup  
2 notes, and was a necessary participant and substantial factor in VerdeGroup's  
3 offering and the sale of the notes because, among other things, he controlled  
4 VerdeGroup, controlled the website where offers were being made, was its only  
5 director, drafted at least one update letter, and received proceeds from the offering.

6 137. Defendant Gordon directly offered and sold securities in the form of  
7 promissory notes because she solicited investors through phone calls and emails.

8 138. By virtue of the foregoing, (a) without a registration statement in effect  
9 as to that security, Defendants, directly and indirectly, made use of the means and  
10 instruments of transportation or communications in interstate commerce and of the  
11 mails to sell securities through the use of means of a prospectus, and (b) made use of  
12 the means and instruments of transportation or communication in interstate commerce  
13 and of the mails to offer to sell through the use of a prospectus, securities as to which  
14 no registration statement had been filed.

15 139. By reason of the foregoing, Defendants directly or indirectly violated,  
16 and unless restrained and enjoined, will continue to violate, Section 5 of the  
17 Securities Act [15 U.S.C. § 77e].

18 **SECOND CLAIM FOR RELIEF**

19 **Fraud in the Offer or Sale of Securities**

20 **Violations of Section 17(a) of the Securities Act**

21 **(Against Defendants VerdeGroup and Gaffney)**

22 140. The SEC realleges and incorporates by reference paragraphs 1 through  
23 131 above.

24 141. In connection with the offer or sale of securities, VerdeGroup and  
25 Gaffney misled and deceived investors and prospective investors about (1) the use of  
26 VerdeGroup investor funds, (2) VerdeGroup's business partners; and (3)  
27 VerdeGroup's initial public offering. VerdeGroup and Gaffney knew the claims  
28 made regarding the use of funds, business partners, and initial public offering were

1 false. This information was material, and VerdeGroup and Gaffney obtained money  
2 by means of the fraud, as it received the investors' funds from the sales of the  
3 promissory notes.

4 142. In addition, VerdeGroup and Gaffney engaged in a scheme to defraud  
5 whereby they defrauded investors by making and/or disseminating false and  
6 misleading statements, misused investor funds by diverting substantially all of the  
7 funds to Tommy's Pizza and using them for Gaffney's personal expenses, and  
8 concealed Gaffney's role in the fraud by making Gordon and others the contact for  
9 investors.

10 143. By engaging in the conduct described above, VerdeGroup and Gaffney,  
11 directly or indirectly, in the offer or sale of securities, by use of the means or  
12 instruments of transportation or communication in interstate commerce or by use of  
13 the mails (a) employed devices, schemes, or artifices to defraud; (b) obtained money  
14 or property by means of untrue statements of a material fact or by omitting to state a  
15 material fact necessary in order to make the statements made, in light of the  
16 circumstances under which they were made, not misleading; and (c) engaged in  
17 transactions, practices, or courses of business which operated or would operate as a  
18 fraud or deceit upon the purchaser.

19 144. VerdeGroup and Gaffney, with scienter, employed devices, schemes, or  
20 artifices to defraud; and VerdeGroup and Gaffney, with scienter or negligence,  
21 obtained money or property by means of untrue statements of a material fact or by  
22 omitting to state a material fact necessary in order to make the statements made, in  
23 light of the circumstances under which they were made, not misleading; and  
24 VerdeGroup and Gaffney, with scienter or negligence, engaged in transactions,  
25 practices, or courses of business which operated or would operate as a fraud or deceit  
26 upon the purchaser.

27 145. VerdeGroup acted entirely through Gaffney's knowledge, recklessness  
28 and/or negligence which may be imputed to VerdeGroup.

1 146. By reason of the foregoing, VerdeGroup and Gaffney violated, and  
2 unless restrained and enjoined will continue to violate, Sections 17(a) of the  
3 Securities Act [15 U.S.C. § 77q(a)].

4 **THIRD CLAIM FOR RELIEF**

5 **Fraud in Connection with the Purchase or Sale of Securities**

6 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

7 **(Against Defendants VerdeGroup and Gaffney)**

8 147. The SEC realleges and incorporates by reference paragraphs 1 through  
9 131 above.

10 148. In connection with the purchase or sale of securities, VerdeGroup and  
11 Gaffney misled and deceived investors and prospective investors about (1) the use of  
12 VerdeGroup investor funds, (2) VerdeGroup's business partners; and  
13 (3) VerdeGroup's initial public offering.

14 149. Because Gaffney, as the director of VerdeGroup, directly and indirectly  
15 controlled the entity and exercised day-to-day control over the entity, Gaffney is the  
16 maker of these statements to investors, along with the entity.

17 150. By engaging in the conduct described above, VerdeGroup and Gaffney,  
18 directly or indirectly, in connection with the purchase or sale of securities, by the use  
19 of means or instrumentalities of interstate commerce, or the mails, employed devices,  
20 schemes, or artifices to defraud; made untrue statements of material facts or omitted  
21 to state material facts necessary in order to make the statements made, in the light of  
22 the circumstances under which they were made, not misleading; and engaged in acts,  
23 practices, or courses of business which operated or would operate as a fraud or deceit  
24 upon other persons, including purchasers and sellers of securities.

25 151. VerdeGroup and Gaffney, with scienter, employed devices, schemes, or  
26 artifices to defraud; made untrue statements of material facts or omitted to state  
27 material facts necessary in order to make the statements made, in the light of the  
28 circumstances under which they were made, not misleading; and engaged in acts,

1 practices, or courses of business which operated or would operate as a fraud or deceit  
2 upon other persons, including purchasers and sellers of securities by the conduct  
3 described in detail above.

4 152. VerdeGroup acted entirely through Gaffney's knowledge and/or  
5 recklessness, which may be imputed to VerdeGroup.

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

9 **FOURTH CLAIM FOR RELIEF**

10 **Unregistered Broker-Dealer**

11 **Violation of Section 15(a) of the Exchange Act**

12 **(against Defendant Gordon)**

13 154. The SEC re-alleges and incorporates by reference paragraphs 1 through  
14 131 above.

15 155. As alleged above, Gordon acted as an unregistered broker-dealer  
16 because she each actively solicited investors, and made recommendations and other  
17 representations, both orally and in writing, about the merits of investing in  
18 VerdeGroup.

19 156. By engaging in the conduct described above, Gordon made use of the  
20 mails and means or instrumentalities of interstate commerce to effect transactions in,  
21 and induced and attempted to induce the purchase or sale of, securities without being  
22 registered with the SEC in accordance with Section 15(b) of the Exchange Act [15  
23 U.S.C. § 78o(b)].

24 157. By engaging in the conduct described above, Gordon has violated, and  
25 unless restrained and enjoined, are reasonably likely to continue to violate, Section  
26 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

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1 **FIFTH CLAIM FOR RELIEF**

2 **Control Person Liability**

3 **Section 20(a) of the Exchange Act**

4 **(against Defendant Gaffney)**

5 158. The SEC re-alleges and incorporates by reference paragraphs 1 through  
6 131 above.

7 159. Pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], any  
8 person who, directly or indirectly controls an entity that is liable under any provision  
9 of the Exchange Act or any rule or regulation thereunder, shall also be jointly and  
10 severally liable with and to the same extent as that entity, unless the controlling  
11 person can establish that he acted in good faith and did not directly or indirectly  
12 induce the act or acts constituting the violation or cause of action.

13 160. As alleged above, VerdeGroup violated Section 10(b) of the Exchange  
14 Act and Rule 10b-5 thereunder.

15 161. Gaffney, as the director of VerdeGroup, directly and indirectly  
16 controlled the entity and exercised day-to-day control over the entity, including by  
17 controlling VerdeGroup's website, from which investors were solicited, drafting the  
18 letters to investors, and by receiving the proceeds of the investor funds. By reason of  
19 the foregoing, Gaffney is liable as a control person for VerdeGroup's violations of the  
20 Exchange Act and the rules and regulations thereunder.

21 **PRAYER FOR RELIEF**

22 WHEREFORE, the SEC respectfully requests that the Court:

23 **I.**

24 Issue findings of fact and conclusions of law that Defendants committed the  
25 alleged violations.

26 **II.**

27 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
28 Civil Procedure, permanently enjoining VerdeGroup and Gaffney, and their officers,

1 agents, servants, employees and attorneys, and those persons in active concert or  
2 participation with any of them, who receive actual notice of the judgment by personal  
3 service or otherwise, and each of them, from violating Section 10(b) of the Exchange  
4 Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and  
5 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a).]

6 **III.**

7 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
8 Civil Procedure, permanently enjoining VerdeGroup, Gaffney, and Gordon and their  
9 officers, agents, servants, employees and attorneys, and those persons in active  
10 concert or participation with any of them, who receive actual notice of the judgment  
11 by personal service or otherwise, and each of them, from violating Sections 5(a) and  
12 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

13 **IV.**

14 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
15 Civil Procedure, permanently enjoining Gordon and her officers, agents, servants,  
16 employees and attorneys, and those persons in active concert or participation with  
17 any of them, who receive actual notice of the judgment by personal service or  
18 otherwise, and each of them, from violating Section 15(a) of the Exchange Act [15  
19 U.S.C. § 78o(a)].

20 **V.**

21 Order Defendants to disgorge all funds received from their illegal conduct,  
22 together with prejudgment interest thereon, pursuant to Exchange Act Sections  
23 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(5) and 78u(d)(7)].

24 **VI.**

25 Order Relief Defendants to disgorge all funds improperly transferred from  
26 VerdeGroup and Gaffney's fraud.

27 ///

28 ///

1 **VII.**

2 Order Defendants to pay civil penalties under Section 21(d)(3) of the Exchange  
3 Act [15 U.S.C. § 78u(d)(3)] and Section 20(d) of the Securities Act [15 U.S.C. §  
4 77t(d)].

5 **VIII.**

6 Issue an order permanently enjoining Gaffney from directly or indirectly,  
7 including, but not limited to, through any entity owned or controlled by Gaffney,  
8 participating in the issuance, purchase, offer, or sale of any security in an unregistered  
9 offering by an issuer; provided, however, that such injunction shall not prevent  
10 Gaffney from purchasing or selling securities for his own personal account.

11 **IX.**

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

16 **X.**

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

19  
20 Dated: September 27, 2021

/s/ Michael R. Sew Hoy

Michael R. Sew Hoy

Jacob A. Regenstreif

Attorneys for Plaintiff

Securities and Exchange Commission



# Complaints and Other Initiating Documents

[2:21-cv-07663 Securities and Exchange Commission v. VerdeGroup Investment Partners, Inc. et al](#)

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

## Notice of Electronic Filing

The following transaction was entered by Sew Hoy, Michael on 9/27/2021 at 8:20 AM PDT and filed on 9/27/2021

**Case Name:** Securities and Exchange Commission v. VerdeGroup Investment Partners, Inc. et al

**Case Number:** [2:21-cv-07663](#)

**Filer:** Securities and Exchange Commission

**Document Number:** [1](#)

### Docket Text:

**COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Michael Raymond Sew Hoy added to party Securities and Exchange Commission(pty:pla))(Sew Hoy, Michael)**

**2:21-cv-07663 Notice has been electronically mailed to:**

Michael Raymond Sew Hoy [sewhoym@sec.gov](mailto:sewhoym@sec.gov), [irwinma@sec.gov](mailto:irwinma@sec.gov), [kassabguir@sec.gov](mailto:kassabguir@sec.gov)

**2:21-cv-07663 Notice has been delivered by First Class U. S. Mail or by other means BY THE FILER to :**

The following document(s) are associated with this transaction:

**Document description:**Main Document

**Original filename:**C:\fakepath\Verde Complaint - v11 (FINAL).pdf

**Electronic document Stamp:**

[STAMP cacdStamp\_ID=1020290914 [Date=9/27/2021] [FileNumber=32682745-0  
] [ac467fc9a5d53186c8d0d4f1875432658ca1e0ee5bd938bfa934e216eb34f6208c4  
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