

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation
6 of the Securities Act of Washington by:

7 AlderEgo Holdings, Inc.;
8 Carfield Family, Inc. d/b/a AlderEgo Wholesale;
9 Jonathan R. Carfield,

10 Respondents.

Order Number S-17-2257-18-SC01

11 **STATEMENT OF CHARGES AND**
12 **NOTICE OF INTENT TO ISSUE AN**
13 **ORDER TO CEASE AND DESIST,**
14 **IMPOSE FINES, AND CHARGE**
15 **COSTS**

16 THE STATE OF WASHINGTON TO:

17 AlderEgo Holdings, Inc.
18 Carfield Family, Inc. d/b/a AlderEgo Wholesale
19 Jonathan R. Carfield

20 **STATEMENT OF CHARGES**

21 Please take notice that the Securities Administrator of the State of Washington has reason to believe
22 that the Respondents AlderEgo Holdings, Inc., Carfield Family, Inc. d/b/a AlderEgo Wholesale and
23 Jonathan R. Carfield have each violated the Securities Act of Washington and that their violations justify
24 the entry of an order of the Securities Administrator against each to cease and desist from such violations
25 pursuant to RCW 21.20.390, to impose fines pursuant to RCW 21.20.395, and to recover costs pursuant to
RCW 21.20.390. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Carfield Family, Inc. d/b/a AlderEgo Wholesale (“AlderEgo Wholesale”) was incorporated
in Washington in February 2014. AlderEgo Wholesale had a principal place of business in Tacoma,

1 Washington. In July 2017, AlderEgo Wholesale was administratively dissolved by the Washington
2 Secretary of State.

3 2. AlderEgo Holdings, Inc. (“AlderEgo Holdings”) was incorporated in Washington in March
4 2016. AlderEgo Holdings had a principal place of business in Tacoma, Washington. In August 2018,
5 AlderEgo Holdings was administratively dissolved by the Washington Secretary of State.

6 3. Jonathan R. Carfield (“Carfield”) (CRD No. 3025582) was a resident of Tacoma,
7 Washington. Carfield was the co-founder and Vice President of AlderEgo Wholesale, and the co-founder
8 and President of AlderEgo Holdings. Between March 1998 and September 1999, Carfield was employed
9 as an analyst at Piper Jaffray Inc.

10 **Other Related Party**

11 4. AlderEgo Group Ltd. (“AlderEgo Group”) is a limited company with corporate offices in
12 Hong Kong and China. Carfield is the founder and CEO of AlderEgo Group.

13 **Introduction**

14 5. Between December 2015 and March 2016, Carfield solicited five investors to invest in his
15 marijuana businesses. Two investors invested a total of \$150,000, and three investors agreed to provide
16 consideration in the form of two Washington State issued marijuana licenses¹ and the membership interests
17 in their limited liability company. The investments were in the form of a promissory note with AlderEgo
18 Wholesale and stock in AlderEgo Holdings. Carfield represented to two investors that their funds would
19 be used to purchase inventory for the marijuana businesses. To date, the investors that invested \$150,000
20 have requested back their principal from Carfield. Carfield has stopped responding to the investors’
21

22
23 ¹ The Washington State Liquor and Cannabis Board has the authority to issue licenses for the production, processing and
retailing of marijuana in Washington State.

1 requests for repayment, although he continues to operate another marijuana business using the “AlderEgo”
2 name.

3 **Carfield’s Marijuana Businesses**

4 6. In February 2014, Carfield co-founded AlderEgo Wholesale. AlderEgo Wholesale was a
5 distributor of marijuana paraphernalia, accessories, and cannabis-infused products to businesses in
6 Washington and Oregon. AlderEgo Wholesale also sold marijuana paraphernalia and accessories out of a
7 convenience store that Carfield operated near Eatonville, Washington. AlderEgo Wholesale conducted
8 business until at least January 2016.

9 7. In March 2016, Carfield co-founded AlderEgo Holdings, which conducted business using
10 the trade names LGH Brands and Live Give Heal. AlderEgo Holdings was a distributor of marijuana
11 paraphernalia, accessories, and cannabis-infused products. AlderEgo Holdings also partnered with owners
12 of Washington State issued marijuana licenses for the production and processing of marijuana. AlderEgo
13 Holdings ceased operations after approximately October 2016.

14 8. Beginning in at least 2018, Carfield has operated the AlderEgo Group. The AlderEgo Group
15 is primarily engaged in sourcing and manufacturing marijuana paraphernalia with partners in China. The
16 AlderEgo Group also provides consulting services for medical and recreational cannabis businesses.

17 **Offer and Sale of Investments**

18 *AlderEgo Wholesale Promissory Note*

19 9. In approximately December 2015, Carfield solicited his friend, a Colorado resident, to
20 invest in AlderEgo Wholesale. Carfield told the investor that his marijuana business was going well, and
21 that he needed funds to purchase inventory from China. Carfield represented that he needed to stock up on
22 inventory because the factories in China would be closed for approximately a month during the Chinese
23 New Year.

1 Carfield solicited four Washington residents to invest in the stock. Carfield raised \$100,000 from one
2 investor and three investors agreed to provide non-cash consideration.

3 15. In approximately February 2016, Carfield solicited three investors that he met through a
4 friend. The three investors were managing members of a limited liability company and they owned two
5 Washington State issued marijuana licenses (a processor license and a producer-processor license). In
6 February 2016, the three investors agreed to purchase AlderEgo Holdings stock, with consideration in the
7 form of their LLC membership interests and two marijuana licenses. On February 15, 2016, a license
8 purchase agreement was signed between Carfield and the three investors for the purchase of 100,000 shares
9 of stock. The shares were divided among the investors and each investor was individually listed as an
10 investor on the books and records of AlderEgo Holdings.

11 16. In approximately March 2016, Carfield solicited another investor that owned a restaurant in
12 Lakewood, Washington where Carfield frequently dined (hereinafter "Lakewood investor"). Carfield told
13 the investor that he was working with a company in Canada to launch an initial public offering ("IPO") of
14 the stock by 2017. Carfield told the investor that AlderEgo Holdings would manage several subsidiary
15 companies and would receive profits made by the subsidiaries. Carfield told the investor that AlderEgo
16 Holdings was making so much money that he was doing the investor a favor by letting him invest, and that
17 Carfield would be able to return the investor's funds when he needed them back.

18 17. In March 2016, the Lakewood investor decided to invest \$100,000 in AlderEgo Holdings
19 stock. The investor wanted his brother to own half of the stock with him. On March 13, 2016, the investor
20 and his brother signed a subscription agreement for the purchase of 100,000 shares of stock. The investor
21 provided two cashier's checks, totaling \$100,000, to Carfield. Carfield told the investor that his funds
22 would be used to purchase inventory for the marijuana business. In approximately July 2016, the investor
23 and his brother each received a stock certificate for 50,000 shares of stock.

1 18. Carfield failed to provide all investors with material information regarding the company,
2 including the operational history and financial statements. Carfield failed to disclose the specific risks of
3 the investment, including inadequate capitalization, competition, and regulatory risks. Further, Carfield
4 failed to disclose to investors that funds in the AlderEgo Holdings bank account would be used to make
5 payments to an investor in AlderEgo Wholesale.

6 19. The three investors in the marijuana industry decided that they wanted to rescind their stock
7 purchase. They did not complete the formal transfer of the membership interests and marijuana licenses
8 to Carfield. In December 2016, the Lakewood investor requested the return of his investment funds, but
9 Carfield represented that he did not have the funds to repay him. Carfield stopped responding to the
10 investor's communications regarding the return of his funds.

11 **Registration Status**

12 20. Jonathan R. Carfield has never been registered as a securities salesperson or broker-dealer
13 in the State of Washington.

14 21. AlderEgo Holdings, Inc. was not registered to offer and sell stock in the State of Washington
15 during the relevant period, nor has it filed a claim of exemption from registration.

16 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

17 **CONCLUSIONS OF LAW**

18 1. The offer and/or sale of the stock and promissory note, as described above, constitutes the
19 offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

20 2. AlderEgo Holdings, Inc. violated RCW 21.20.140 because, as set forth in the Tentative
21 Findings of Fact, they offered and/or sold securities for which no registration is on file with the Securities
22 Administrator, and for which no valid claim of exemption exists.

1 Inc., Carfield Family, Inc. d/b/a AlderEgo Wholesale, and Jonathan R. Carfield shall be liable for and pay
2 the Securities Division the costs, fees and other expenses incurred in the administrative investigation and
3 hearing of this matter in an amount not less than \$5,000.

4 **AUTHORITY AND PROCEDURE**

5 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
6 21.20.395, and is subject to the provisions of RCW 34.05. The Respondents may each make a written request
7 for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
8 HEARING accompanying this Statement of Charges.

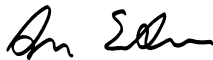
9 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
10 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist order as to
11 that Respondent, and impose the fines and costs sought.

12 Signed and Entered this 3rd day of October, 2018.

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14 _____
15 William M. Beatty
16 Securities Administrator

17 Approved by:

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19 _____
20 Suzanne Sarason
21 Chief of Enforcement

Presented by:

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23 _____
24 Bridgett Fisher
25 Financial Legal Examiner

Reviewed by:

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1 Robert Kondrat
2 Financial Legal Examiner Supervisor

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