

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-17-2257-19-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND CHARGE COSTS

11 **INTRODUCTION**

12 On October 3, 2018, the Securities Administrator of the State of Washington issued Statement of
13 Charges and Notice of Intent to Issue an Order to Cease and Desist, Impose Fines, and Charge Costs, S-17-
14 2257-18-SC01, (“Statement of Charges”), against the Respondents AlderEgo Holdings, Inc., Carfield
15 Family, Inc. d/b/a AlderEgo Wholesale, and Jonathan R. Carfield. The Statement of Charges, together
16 with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for
17 Hearing”), and an Application for Adjudicative Hearing (“Application for Hearing”), was served on the
18 Respondents on December 6, 2018.

19 The Notice of Opportunity for Hearing advised the Respondents that a written application for an
20 administrative hearing on the Statement of Charges must be received within twenty days from the date of
21 receipt of the notice. The Statement of Charges advised the Respondents that if a hearing was not
22 requested, the Securities Administrator intends to adopt the “Tentative Findings of Fact” and “Conclusions

1 of Law,” as set forth in the Statement of Charges, as final, and enter a final order against the Respondents
2 to cease and desist from violations of the Securities Act, and to impose the fines and recover costs.

3 The Respondents AlderEgo Holdings, Inc., Carfield Family, Inc. d/b/a AlderEgo Wholesale, and
4 Jonathan R. Carfield failed to request an administrative hearing within twenty days of receipt of the
5 Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing
6 provided or otherwise. The Securities Administrator therefore will adopt as final the findings of fact and
7 conclusions of law as set forth in the Statement of Charges and enter a final order against the Respondents
8 to cease and desist from violation of the Securities Act, and to impose the fines and recover costs.

9 **FINDINGS OF FACT**

10 **Respondents**

11 1. Carfield Family, Inc. d/b/a AlderEgo Wholesale (“AlderEgo Wholesale”) was
12 incorporated in Washington in February 2014. AlderEgo Wholesale had a principal place of business in
13 Tacoma, Washington. In July 2017, AlderEgo Wholesale was administratively dissolved by the
14 Washington Secretary of State.

15 2. AlderEgo Holdings, Inc. (“AlderEgo Holdings”) was incorporated in Washington in
16 March 2016. AlderEgo Holdings had a principal place of business in Tacoma, Washington. In August
17 2018, AlderEgo Holdings was administratively dissolved by the Washington Secretary of State.

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

1 **Other Related Party**

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

4 **Introduction**

5 5. Between December 2015 and March 2016, Carfield solicited five investors to invest in his
6 marijuana businesses. Two investors invested a total of \$150,000, and three investors agreed to provide
7 consideration in the form of two Washington State issued marijuana licenses¹ and the membership
8 interests in their limited liability company. The investments were in the form of a promissory note with
9 AlderEgo Wholesale and stock in AlderEgo Holdings. Carfield represented to two investors that their
10 funds would be used to purchase inventory for the marijuana businesses. To date, the investors that
11 invested \$150,000 have requested back their principal from Carfield. Carfield has stopped responding to
12 the investors’ requests for repayment, although he continues to operate another marijuana business using
13 the “AlderEgo” name.

14 **Carfield’s Marijuana Businesses**

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

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21 _____
22 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.

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

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

Offer and Sale of Investments

AlderEgo Wholesale Promissory Note

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

10. In December 2015, the investor agreed to invest \$50,000 in AlderEgo Wholesale. The investor sent two checks, totaling \$50,000, to Carfield. Carfield provided the investor with an unsecured promissory note, issued by Carfield Family, Inc. (dba AlderEgo Wholesale), with a one-year maturity date. The note had an interest rate of 60% per annum, and interest payments of \$2,500 were due monthly.

1 11. Carfield did not provide the investor with any disclosure documents prior to his
2 investment. Carfield failed to provide the investor with material information regarding the company,
3 including the operational history, litigation history, and financial statements. Carfield also failed to
4 disclose the general and specific risks of the investment, including inadequate capitalization, competition,
5 and regulatory risks.

6 12. The investor received monthly payments on the promissory note for the months of January
7 through March 2016. In April 2016, Carfield defaulted on the monthly payment. After the default,
8 Carfield offered to convert the note into a convertible promissory note with AlderEgo Holdings (with a
9 15% per annum interest rate). Carfield told the investor that he believed that the value of AlderEgo
10 Holdings would grow three to five times over the next six months to one year. Carfield failed to provide
11 a reasonable basis for the projected valuation of AlderEgo Holdings.

12 13. The investor was not interested in the proposed conversion of the promissory note.
13 Between June and July 2016, Carfield made two more payments to the investor (totaling \$7,500) from a
14 bank account in the name of AlderEgo Holdings Inc. Carfield has made no further payments on the note,
15 and the investor is currently owed \$65,000 principal and interest. Carfield has stopped responding to the
16 investor's requests for repayment.

17 *AlderEgo Holdings Stock*

18 14. Carfield intended to raise \$500,000 from an offering of AlderEgo Holdings common
19 stock. The purchase price of the stock was \$1 per share. Between approximately February and March
20 2016, Carfield solicited four Washington residents to invest in the stock. Carfield raised \$100,000 from
21 one investor and three investors agreed to provide non-cash consideration.

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

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

16 17. In March 2016, the Lakewood investor decided to invest \$100,000 in AlderEgo Holdings
17 stock. The investor wanted his brother to own half of the stock with him. On March 13, 2016, the
18 investor and his brother signed a subscription agreement for the purchase of 100,000 shares of stock. The
19 investor provided two cashier’s checks, totaling \$100,000, to Carfield. Carfield told the investor that his
20 funds would be used to purchase inventory for the marijuana business. In approximately July 2016, the
21 investor 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
7 stock purchase. They did not complete the formal transfer of the membership interests and marijuana
8 licenses to Carfield. In December 2016, the Lakewood investor requested the return of his investment
9 funds, but Carfield represented that he did not have the funds to repay him. Carfield stopped responding
10 to the 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
15 Washington during the relevant period, nor has it filed a claim of exemption from registration.

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

18 **CONCLUSIONS OF LAW**

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

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

4 3. Jonathan R. Carfield violated RCW 21.20.040 by offering and selling securities while not
5 registered as a securities salesperson or broker-dealer in the State of Washington.

6 4. AlderEgo Holdings, Inc., Carfield Family, Inc. d/b/a AlderEgo Wholesale, and Jonathan R.
7 Carfield have each violated RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, they
8 each made misstatements of material fact or omitted to state material facts necessary in order to make the
9 statements made, in light of the circumstances under which they were made, not misleading.

10 **FINAL ORDER**

11 Based upon the foregoing and finding it in the public interest:

12
13 IT IS HEREBY ORDERED that the Respondent AlderEgo Holdings, Inc. shall cease and desist
14 from violation of RCW 21.20.140, the securities registration section of the Securities Act of
15 Washington.

16 IT IS FURTHER ORDERED that the Respondent Jonathan R. Carfield shall cease and desist
17 from violation of RCW 21.20.040, the securities salesperson and broker-dealer registration section of the
18 Securities Act of Washington.

19 IT IS FURTHER ORDERED that the Respondents AlderEgo Holdings, Inc., Carfield Family,
20 Inc. d/b/a AlderEgo Wholesale, and Jonathan R. Carfield shall each cease and desist from violation of
21 RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

1 IT IS FURTHER ORDERED that the Respondents AlderEgo Holdings, Inc. and Jonathan R.
2 Carfield shall each be liable for and shall pay a fine of \$20,000; and Carfield Family, Inc. d/b/a
3 AlderEgo Wholesale shall be liable for and shall pay a fine of \$10,000.

4 IT IS FURTHER ORDERED that the Respondents AlderEgo Holdings, Inc., Carfield Family,
5 Inc. d/b/a AlderEgo Wholesale, and Jonathan R. Carfield shall be jointly and severally liable for
6 investigative costs of \$5,000.

7 **AUTHORITY AND PROCEDURE**

8 This Final Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the
9 provisions of RCW 21.20.440 and RCW 34.05. The Respondents have the right to petition the superior
10 court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements
11 for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW
12 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed, the clerk shall treat
13 the order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded,
14 enforced, or satisfied in like manner.

15 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE**

16 DATED AND ENTERED this 17th day of January, 2019.


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21 William M. Beatty
22 Securities Administrator

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Approved by:

Presented by:



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