

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

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

5 Douglas Charles Anderson;
Jonathan Davis

6 Respondents.

Order No. S-18-2410-20-FO01

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

7 **THE STATE OF WASHINGTON TO:**

Jonathan Davis

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9 On July 23, 2020, the Securities Administrator of the State of Washington issued Statement of
10 Charges and Notice of Intent to Order Cease and Desist, to Impose Fines, and to Charge Costs, Order No.
11 S-18-2410-20-SC01 (“Statement of Charges”), against Respondents Douglas Charles Anderson and
12 Jonathan Davis. The Statement of Charges, together with a Notice of Opportunity for Hearing (“Notice”)
13 and an Application for Adjudicative Hearing (“Application”), were served on Respondent Jonathan Davis,
14 on August 7, 2020. The Notice advised Respondent Jonathan Davis that the Application must be received
15 within twenty days from the date of service. Respondent Jonathan Davis failed to request an administrative
16 hearing within twenty days of service.

17 The Securities Administrator therefore adopts as final the following Findings of Fact and
18 Conclusions of Law as set forth in the Statement of Charges and enters a final order against Respondent
19 Jonathan Davis to cease and desist from violations of the Securities Act.

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1 **FINDINGS OF FACT**

2 **Respondents**

3 1. Douglas Anderson (“Anderson”) is a resident of Bellevue, Washington. From September 2014
4 to January 2016, Anderson served as a director and senior vice president of Diego Pellicer Worldwide, Inc.
5 His responsibilities included pitching the company to potential investors.

6 2. Jonathan Davis (“Davis”) is a resident of Renton, Washington. As detailed further below,
7 Davis assisted Anderson in the offer and sale of interests in Diego Pellicer Inc. and Diego Pellicer Worldwide,
8 Inc.

9 **Related Persons**

10 3. Diego Pellicer, Inc. (“Diego WA”) is a Washington corporation formed on December 5, 2012,
11 with its principal place of business in Seattle, Washington. Until late 2019, Diego WA operated as a marijuana
12 retailer in the SoDo neighborhood of Seattle.

13 4. Diego Pellicer Worldwide, Inc. (“Diego Worldwide”) is a Delaware corporation. Diego
14 Worldwide’s current headquarters is Reno, Nevada, but at the times relevant to this action, its headquarters
15 was in Los Angeles, California or Santa Monica, California. Diego Worldwide’s business model involved
16 leasing commercial properties and then subleasing them to marijuana retailers, with the lease contract
17 containing an option to acquire those retailers if marijuana was federally legalized. Diego also licensed its
18 intellectual property to those retailers so that they could operate under the Diego Pellicer brand, which the
19 company sought to establish as a high-end luxury brand for marijuana and related products. Diego Worldwide
20 trades over-the-counter under the ticker symbol DPWW.

21 5. Ron Throgmartin (“Throgmartin”) is a Georgia resident. Throgmartin served as CEO of Diego
22 Worldwide from September 2014 to October 2019.

1 **Nature of the Conduct**

2 **Overview**

3 6. From approximately March 2015 to at least December 2015, Anderson and Davis worked
4 together to solicit investments in Diego WA and Diego Worldwide via Craigslist. Davis, with Anderson's
5 knowledge, posted advertisements on Craigslist soliciting investments, then forwarded inquiries to Anderson,
6 who discussed the investments with the inquirer. During this time, Anderson was aware that this offering
7 method was inconsistent with securities laws and the exemptions on which Diego WA sought to rely for
8 raising capital.

9 7. In December 2015, Anderson offered the opportunity to run Diego WA to A.C., who then
10 resided in Florida. In exchange for the opportunity to run Diego WA, Anderson solicited A.C. to purchase
11 several hundred thousand shares of Diego Worldwide stock. In connection with the offer and sale of Diego
12 Worldwide stock, Anderson made several false or misleading statements about Diego WA's retail operations.
13 In particular, Anderson (a) provided A.C. with misleading revenue projections; (b) misled A.C. into thinking
14 that Diego WA had a 49% stake in an existing medical marijuana retailer, and (c) failed to disclose that as
15 operator of Diego WA, A.C. would be paying approximately a 500% rent markup to Diego Worldwide.

16 **Background**

17 8. Diego WA was founded in 2012 in response to Washington State's legalization of recreational
18 marijuana. Diego WA's intent was to establish itself as a high-end luxury marijuana retailer.

19 9. Diego Worldwide was founded in 2013, in part to enable non-Washington residents to invest
20 in the Diego Pellicer brand without directly investing in a marijuana retailer. As noted above, Diego WA was
21 formed in December 2012 shortly after the passage of the ballot initiative legalizing recreational marijuana,
22 but the implementing rules, which effectively prohibited non-Washington residents from investing in
23 marijuana producers and retailers, were not finalized until late 2013. In September 2014, largely in response

1 to these rules, Diego Worldwide offered Diego WA investors the opportunity to exchange their Diego WA
2 promissory notes for Diego Worldwide preferred stock with a warrant for additional stock.

3 **Initial Transaction with Davis**

4 10. In approximately July 2014, Anderson contracted with Davis to perform work on Anderson's
5 home. As part of Davis's compensation for the work, Anderson offered Davis 50,000 shares of his personal
6 stock in Diego Worldwide. In exchange, Davis agreed to pay \$10,000 and perform \$40,000 of work on
7 Anderson's home. After this transaction, Anderson and Davis began working together to solicit investments
8 in the Diego entities.

9 11. From approximately March 2015 to December 2015, Anderson knowingly violated the
10 Securities Act of Washington's registration provisions in offering interests in Diego WA. Anderson was aware
11 that securities laws, and the exemption on which Diego WA sought to rely, prohibited general advertisements
12 of investments in Diego WA, but despite this knowledge, Anderson worked with Davis to solicit investments
13 through Craigslist. Davis posted Craigslist ads and forward emails from interested parties to Anderson, who
14 would call to pitch them on investing.

15 12. Anderson spoke to at least three potential investors located through Craigslist. For instance, in
16 approximately late October 2015, Davis posted a Craigslist ad with the subject line "Seeking Angel Investor
17 for 502 Store."¹ Davis received at least one inquiry from a potential investor which included the investor's
18 phone number, and forwarded the inquiry to Anderson and urged Anderson to call the potential investor.
19 Anderson testified before the Securities Division that he "ha[d] no idea" what the Craigslist posting referred
20 to, but his cell phone records reflect a call to the number that Davis forwarded to him shortly after. Anderson
21 also sent offering materials to one person located through Craigslist, who expressed interest in investing
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¹ "502" refers to Initiative 502, the Washington ballot initiative which legalized recreational marijuana.

1 \$200,000. The Securities Division has sought further records from Anderson to determine the extent of his
2 offering activity, but Anderson has claimed that he is no longer able to access the email account which would
3 contain correspondence with Davis, such as forwarded emails from potential investors.

4 **Transaction with A.C.**

5 13. In approximately December 2015, Anderson offered the opportunity to run Diego WA to A.C.,
6 who was then a Florida resident, but conditioned the opportunity on A.C. purchasing a significant number of
7 shares in Diego Worldwide. The specific numbers changed throughout the discussions, but ultimately, A.C.
8 paid \$150,000 for 500,000 shares.

9 14. In offering the shares in Diego Worldwide, Anderson provided A.C. with a document
10 containing unsubstantiated revenue projections, and failed to disclose a reasonable basis for these projections.
11 According to A.C., the store's actual revenue was roughly half of the projections in the pro forma, largely due
12 to the location of the store.

13 15. Anderson also misrepresented the status of Diego WA's efforts to obtain a marijuana license.
14 For instance, Anderson told A.C. that Diego WA had "a 49% stake medical dispensary operation selected,
15 which is currently operating two locations (with two licenses), which we believe at least one of which are
16 capable of converting to recreational." Anderson also told A.C. that a proposed subscription agreement would
17 "secure[] his exclusive first rights to the two dispensary licenses discussed." In reality, Diego WA did not
18 have any formal contractual relationship with the dispensary operation referenced, and was ultimately unable
19 to reach an agreement for its licenses.

20 16. Anderson further failed to disclose the enormous markup that A.C. would be paying to Diego
21 Worldwide to rent the retail location. According to A.C., Diego Worldwide paid approximately \$6,000 per
22 month in rent for the retail location, then subleased the location to Diego WA for \$30,000 per month—a 500%
23 markup. Although Anderson disclosed the amount of rent in the pro forma, he did not inform A.C. about the

1 500% markup, which deprived A.C. of the opportunity to evaluate the extent to which Diego Worldwide
2 would be extracting profit from his efforts.

3 **Registration Status**

4 17. Diego WA is not and has never been registered to sell its securities in the State of Washington,
5 and although it filed for an exemption from registration under Rule 506(b), the exemption is invalid due to
6 Anderson and Davis's general solicitation through Craigslist.

7 18. Neither Anderson nor Davis is, or has ever been, registered as a securities salesperson or
8 broker-dealer in the State of Washington.

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

10 **CONCLUSIONS OF LAW**

11 1. The offer of the Diego WA interest via Craigslist, as described above, constitutes the offer
12 and/or sale of a security as defined in RCW 21.20.005(14) and (17).

13 2. Davis has violated RCW 21.20.140, because, as set forth in the Tentative Findings of Fact, he
14 offered and/or sold Diego WA interests for which no registration is on file with the Securities Administrator.

15 3. Davis has violated RCW 21.20.040 by offering and/or selling Diego WA interests while not
16 being registered as a securities salesperson or broker-dealer in the state of Washington.

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

18 **FINAL ORDER**

19 IT IS HEREBY ORDERED that Respondent Jonathan Davis, and his agents and employees, shall
20 each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140,
21 the securities registration section of the Securities Act of Washington.

1 IT IS FURTHER ORDERED that Respondent Jonathan Davis, and his agents and employees, shall
2 each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.040,
3 the registration section of the Securities Act of Washington.

4 **AUTHORITY AND PROCEDURE**

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


12 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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14 SIGNED and ENTERED this 30th day of September, 2020.

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18 _____
William M. Beatty
Securities Administrator

19 Approved by:

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Suzanne Sarason
Chief of Enforcement

23 Presented by:



Adam N. Yeaton
Financial Legal Examiner

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Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor