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

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13 **SECURITIES AND EXCHANGE**
14 **COMMISSION,**

15 **Plaintiff,**

16 **vs.**

17 **ADAM E. LEVIN,**

18 **Defendant.**
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Case No. 2:23-cv-08081

COMPLAINT

1 Plaintiff Securities and Exchange Commission (“SEC” or “Commission”) files
2 this complaint against Defendant Adam E. Levin (“Levin”) and alleges:

3 **JURISDICTION**

4 1. The Court has jurisdiction over this action under Sections 20(b),
5 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
6 §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27(a) of
7 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e) & 78aa(a).

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

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

18 **SUMMARY**

19 4. This securities fraud enforcement action involves a scheme to conceal
20 paid promotion of a securities offering from at least April 2020 through August 2021.

21 5. Specifically, Levin, on behalf of his company, Hightimes Holding
22 Corporation (“Hightimes”), entered into a sham agreement with a Canadian entity
23 (“Entity 1”) to pay shares of stock and a percentage of investor funds raised in
24 exchange for promotional articles authored by William Mikula (“Mikula”) in which
25 Mikula would tout Hightimes’ securities offering under Regulation A (“Reg A”).
26 These articles, as Levin knew, falsely stated that they were based on independent
27 research and represented to would-be investors that neither the newsletter publishing
28 the articles nor the authors received any compensation for their recommendation. In

1 fact, Levin paid Mikula—through Entity 1 to conceal Mikula’s receipt of funds—at
2 least \$150,000 in cash and provided about \$100,000 in lavish entertainment and
3 travel for Mikula and his associates.

4 6. In addition, Levin violated the registration provisions of the federal
5 securities laws. He continued the Hightimes securities offering after Hightimes was
6 no longer eligible for the Reg A exemption and no other registration exemption
7 applied. He also falsely represented to investors that they were purchasing Hightimes
8 common stock for a price of \$1 per share, when in fact they were purchasing for \$11
9 per share.

10 7. Through his conduct, Levin violated the antifraud provisions of
11 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, 15 U.S.C. § 78j(b) and
12 17 C.F.R. § 240.10b-5, and the antifraud provisions of Section 17(a) of the Securities
13 Act, 15 U.S.C. § 77q(a). Levin also violated the registration provisions of Sections
14 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c).

15 8. The SEC seeks permanent injunctions against future violations of
16 Exchange Act Section 10(b) and Rule 10b-5 thereunder and Securities Act Sections
17 5(a) and 5(c) and 17(a), a civil penalty against Levin, and an order barring Levin
18 from serving as an officer or director of a public company.

19 THE DEFENDANT

20 9. **Adam Levin**, age 44, is a resident of Venice, California. Levin founded
21 Hightimes in 2017 and has served as the Executive Chairman of the Board since that
22 time. Levin was also chief executive officer (“CEO”) of Hightimes from 2017 to
23 2019.

24 RELATED ENTITIES AND INDIVIDUALS

25 10. **Hightimes Holding Corporation** (“Hightimes”) is a Delaware
26 corporation with its principal place of business in Los Angeles, California.
27 Hightimes was founded by Levin in 2017 for the purpose of acquiring the High
28 Times brand, a Cannabis related publication and platform. Hightimes received

1 qualifications from the Commission to conduct a Reg A offering in March 2018.
2 Palm Beach Venture promoted Hightimes between at least April 2020 and at least
3 August 2021.

4 11. **Jonathan William Mikula, a/k/a/ William Mikula**, is a resident of
5 Georgia, who, from at least 2019 through late 2021, was chief analyst and author of
6 Palm Beach Venture, a newsletter published by Palm Beach Research Group. Mikula
7 has been twice enjoined by federal courts, including this Court, from violating the
8 federal securities laws: *SEC v. Phoenixsurf.com, et al.*, Case No. 2:07-cv-04765-JSL,
9 ECF No. 6 (C.D. Cal. Aug. 14, 2007); *SEC v. Mikula*, Case No. 1:08-cv-03097-BBM,
10 ECF No. 95 (N.D. Ga. Sept. 24, 2009). In connection with false statements he made
11 to the SEC in the 2007 case, Mikula pled guilty to providing false information to a
12 federal agency, in violation of 18 U.S.C. § 1001. *United States v. Mikula*, Case No.
13 2:10-cr-00649-DSF, ECF No. 18 (C.D. Cal. Jan. 19, 2011). The SEC filed an action
14 in this Court in 2022 against Mikula and others arising out of the some of the same
15 conduct at issue in this action. *SEC v. Mikula*, 2:22-cv-07096-SB-E.

16 12. **Christian Fernandez a/k/a Christian Crockwell** is a Mexican citizen
17 residing in Georgia. Fernandez funneled a portion of the payments to Mikula in
18 exchange for Mikula's Hightimes promotion. Fernandez is a defendant in the SEC's
19 action against Mikula.

20 13. **Amit Raj Beri a/k/a Raj Beri** is an Australian national residing in
21 Florida. Beri is a defendant in the SEC's action against Mikula. Like Fernandez, Beri
22 acted as a middleman between Hightimes and Mikula with respect to the promotion.

23 14. **Palm Beach Research Group** is operated by Common Sense
24 Publishing, LLC, a subsidiary of Market Wise, Inc., a U.S. public company. Palm
25 Beach Research Group publishes Palm Beach Venture, a subscription-based
26 newsletter that focuses on opportunities for investors to invest in securities offered
27 under Reg A. Mikula was one of two attributed authors of the Palm Beach Venture
28 newsletter.

THE ALLEGATIONS

A. The Hightimes Offering

15. Hightimes engaged in a securities offering between March 2018 and December 2022.

16. Hightimes was initially qualified to conduct a Reg A offering in March 2018.

17. The offering permitted Hightimes to offer shares of common stock at a price of \$11 per share.

18. By at least June 2020, Hightimes was delinquent in filing updated audited financial statements with the Commission as required to continue relying on the Reg A exemption.

19. Because Hightimes failed to file the updated audited financial statements as required, Reg A was not available to any sales made in the offering after June 2020.

20. From June 2020 through December 2022, Hightimes continued to offer and sell approximately \$13 million in Hightimes securities.

21. Neither Reg A nor any other exemption from registration was available for the transactions that occurred between June 2020 and December 2022.

22. Levin was a necessary participant and substantial factor in Hightimes' securities offering, including that portion of the offering conducted after June 2020.

B. The Hightimes Promotion

23. In early 2020, Levin and Mikula discussed the possible promotion of Hightimes through Palm Beach Venture.

24. Mikula introduced Levin to Beri who, acting at Mikula's behest, began advising Levin on how to secure Mikula's promotion.

25. Beri directed Levin to enter into a consulting agreement with Entity 1, a Canadian entity controlled by Individual 1.

26. The agreement ostensibly provided that Entity 1 would perform

1 “marketing services” for Hightimes.

2 27. An initial draft of the agreement set the compensation terms at 5% of the
3 monies raised through the Palm Beach promotion, half in cash and half in stock, to a
4 maximum of \$3 million.

5 28. While the final agreement did not include a reference to Palm Beach, the
6 parties understood that the contract required Hightimes to pay Entity 1 5% of investor
7 funds raised from the commencement of the Palm Beach promotion to the close of
8 the offering.

9 29. Levin negotiated the terms of the agreement with Beri on Hightimes’
10 behalf.

11 30. The agreement with Entity 1 was a sham and a means of concealing
12 payment to Mikula for the promotion.

13 31. Hightimes and Levin had no expectation that Entity 1 or Individual 1
14 would provide services under the contact, and in fact they did not provide any
15 services.

16 32. On April 6, 2020, two days after Hightimes executed the contract with
17 Entity 1, Palm Beach circulated an article to its subscribers touting Hightimes.

18 33. The article contained an “important note” falsely claiming that Palm
19 Beach and its affiliates were not compensated for recommending Hightimes.

20 34. Mikula shared the article with Levin before it was circulated to
21 prospective investors, and Levin failed to raise any issue about the disclaimer.

22 35. Beri advised Levin that it was necessary to lavishly entertain Mikula and
23 his associates in exchange for the Palm Beach promotion.

24 36. In the interest of securing the Palm Beach promotion, and during the
25 pendency of the promotion, Hightimes and Levin expended approximately \$100,000
26 in investor funds to entertain Mikula and his associates, including Fernandez.

27 37. These lavish entertainment expenses included meals and bottle service at
28 clubs, yacht rentals to host Mikula, the engagement of entertainers, and other such

1 expenses.

2 38. Much of this entertainment took place in Miami and Las Vegas, where
3 Mikula enticed Levin to join him with promises of filming promotional videos for
4 Hightimes.

5 39. On at least one occasion, Fernandez, Mikula's close associate and
6 business partner, explicitly told Levin that the more entertainment Hightimes
7 provided for Mikula, the more promotional efforts Mikula would provide.

8 40. A September 2020 Palm Beach promotional article on Hightimes
9 contained the additional disclaimer that "Palm Beach Research Group writers and
10 publications do not take compensation in any form for covering those securities or
11 commodities." This statement was false considering the extensive and lavish
12 entertainment that Levin bestowed on Mikula in exchange for the promotion.

13 41. During the pendency of the Palm Beach promotion, Levin regularly
14 corresponded with the inflow of investors from the successful promotion and made
15 no efforts to alert them that it was a paid-for-promotion.

16 42. Between April 2020 and June 2020, Hightimes raised \$6 million through
17 the Palm Beach promotion.

18 43. Following a meeting among Levin, Mikula, and Fernandez in late
19 summer 2020 in Las Vegas, Hightimes paid Entity 1 \$150,000, that is, 2.5% of the \$6
20 million raised through the Hightimes promotion as contemplated in the sham
21 agreement between Hightimes and Entity 1.

22 44. Entity 1 provided no meaningful consulting services to Hightimes to
23 warrant these funds.

24 45. Entity 1 paid Mikula his portion of the \$150,000 payment in two
25 tranches:

26 (a) First, Entity 1 disbursed part of Mikula's share directly to an
27 entity owned by Mikula in payments of \$14,980, \$5,976 and \$6,054 in October 2020.

28 (b) Second, Entity 1 disbursed part of Mikula's share to Fernandez,

1 who in turn funneled the money to Mikula. In October 2020, Entity 1 disbursed about
2 \$21,790 to Fernandez, who in turn paid Mikula half that amount, about \$10,985, in
3 cash. In January 2021, Entity 1 disbursed about \$19,980 to Fernandez, who again
4 paid half of that amount, about \$9,990, to Mikula in cash.

5 46. The payments were paid through the Canadian entity and other offshore
6 accounts to conceal from investors that payments from Hightimes would go to
7 Mikula.

8 47. Levin knew, or was reckless in not knowing, that Hightimes' payment to
9 Entity 1 was to compensate Mikula for his promotional articles.

10 48. Levin's conduct regarding the sham agreement and the payment to
11 Entity 1 was also unreasonable and therefore negligent.

12 **C. Material Misrepresentations to Investors**

13 49. Levin also made material misrepresentations and omissions about the
14 price that investors were paying for Hightimes' common stock.

15 50. Hightimes initially received qualification to offer shares at \$11 per share.
16 At Mikula's urging, and to initially secure the promotion by Palm Beach, Hightimes
17 and Levin falsely stated that Hightimes had changed its share price from \$11 per
18 share to \$1 per share.

19 51. Palm Beach's promotional materials, as well as Hightimes investor
20 website, falsely stated that investors were purchasing shares at \$1.

21 52. In response to questions from investors, Levin falsely assured investors
22 that they were purchasing at \$1 per share.

23 53. In fact, Hightimes investors purchased, and continue to hold, at \$11 per
24 share.

25 54. Levin knew, or was reckless in not knowing, that his statements to
26 investors about the share price were false.

27 55. In addition, Levin's conduct when assuring investors that they were
28 purchasing Hightimes stock at \$1 per share was unreasonable and therefore negligent.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

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

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4 56. The SEC realleges and incorporates by reference paragraphs 1 through
5 55 above.

6 57. Levin—with Mikula, Fernandez, and Beri—carried out a scheme to
7 defraud through the combination of their deceptive statements and actions concerning
8 the Hightimes offering. Throughout the promotional campaign, defendants concealed
9 the compensation paid to Mikula, through Fernandez, Beri, and others, in exchange
10 for Mikula’s promotion of the Hightimes offering.

11 58. In addition, Levin misled and deceived investors by misrepresenting the
12 share price of Hightimes’ common stock.

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

21 60. Levin, with scienter, employed devices, schemes, or artifices to defraud;
22 made untrue statements of material facts or omitted to state material facts necessary
23 in order to make the statements made, in the light of the circumstances under which
24 they were made, not misleading; and engaged in acts, practices, or courses of
25 business which operated or would operate as a fraud or deceit upon other persons,
26 including purchasers and sellers of securities by the conduct described in detail
27 above.

28 61. By engaging in the conduct described above, Levin violated, and unless

1 restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act,
2 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

3 **SECOND CLAIM FOR RELIEF**

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

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

6 62. The SEC realleges and incorporates by reference paragraphs 1 through
7 55 above.

8 63. In the offer or sale of the Hightimes securities, Levin—with Mikula,
9 Fernandez, and Beri—carried out a scheme to defraud, through the combination of
10 their deceptive statements and actions concerning the Hightimes offering. Throughout
11 the promotional campaign, Levin concealed the compensation paid to Mikula,
12 through Fernandez, Beri, and others, in exchange for Mikula’s promotion of the
13 Hightimes offering.

14 64. In addition, Levin misled and deceived investors by misrepresenting the
15 share price of Hightimes’ common stock.

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

25 66. Levin, with scienter, employed devices, schemes, or artifices to defraud;
26 with scienter and/or negligence, obtained money or property by means of untrue
27 statements of a material fact or by omitting to state a material fact necessary in order
28 to make the statements made, in light of the circumstances under which they were

1 made, not misleading; and with scienter and/or negligence, engaged in transactions,
2 practices, or courses of business which operated or would operate as a fraud or deceit
3 upon the purchaser.

4 67. By reason of the foregoing, Levin violated, and unless restrained and
5 enjoined will continue to violate, Sections 17(a) of the Securities Act, 15 U.S.C.
6 § 77q(a).

7 **THIRD CLAIM FOR RELIEF**

8 **Unregistered Offer and Sale of Securities**

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

10 68. The SEC realleges and incorporates by reference paragraphs 1 through
11 55 above.

12 69. As set forth above, Hightimes was no longer eligible for the Reg A
13 exemption at least as of June 2020 when it failed to file required financial statements.
14 Between June 2020 and December 2022, Hightimes and Levin offered and sold
15 approximately \$13 million in Hightimes securities to investors in interstate
16 commerce, without filing a registration statement with the SEC, and without
17 qualifying for any exemption from registration.

18 70. By engaging in the conduct described above, Levin, directly or
19 indirectly, singly and in concert with others, has made use of the means or
20 instruments of transportation or communication in interstate commerce, or of the
21 mails, to offer to sell or to sell securities, or carried or caused to be carried through
22 the mails or in interstate commerce, by means or instruments of transportation,
23 securities for the purpose of sale or for delivery after sale, when no registration
24 statement had been filed or was in effect as to such securities, and when no
25 exemption from registration was applicable.

26 71. By engaging in the conduct described above, Levin has violated, and
27 unless restrained and enjoined, are reasonably likely to continue to violate, Sections
28 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Levin committed the alleged violations.

II.

Issue judgment, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Levin and his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with him, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating 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.

III.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Levin and his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with him, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. §77q(a).

IV.

Issue judgment, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Levin and his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with him, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c).

V.

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

1 **VI.**

2 Enter an order against Levin, pursuant to Section 20(e) of the Securities Act,
3 15 U.S.C. § 77t(e), and Sections 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2),
4 prohibiting him from acting as an officer or director of any issuer that has a class of
5 securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78ℓ or
6 that is required to file reports pursuant to Section 15(d) of the Exchange Act,
7 15 U.S.C. § 78o(d).

8 **VII.**

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

13 **VIII.**

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

16 Dated: September 27, 2023

17 */s/ Charles E. Canter*

18 _____
Charles E. Canter

19 Sarah S. Nilson

20 Yolanda Ochoa

21 Attorneys for Plaintiff

22 Securities and Exchange Commission
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