

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

ORAG, LLC, Stephen Caldwell, and
Evan Pilavis

S-21-0024

FINAL ORDER TO CEASE AND DESIST,
ORDER DENYING USE OF EXEMPTIONS,
AND ORDER ASSESSING CIVIL
PENALTIES, ENTERED BY DEFAULT

Respondents.

On August 10, 2022, the Director of the Oregon Department of Consumer and Business Services for the State of Oregon (the “Director”), through the Division of Financial Regulation (the “Division”), properly served Respondents, ORAG, LLC (“ORAG” or the “Company”), Stephen Caldwell (“Caldwell”), and Evan Pilavis (“Pilavis”), an Order to Cease and Desist, Proposed Order Denying Use of Exemptions, Proposed Order Assessing Civil Penalties, and Notice of Right to a Hearing (“Notice Order”) via regular and certified United States mail at their last known addresses.

On September 7, 2022, pursuant to ORS 63.731(2)(c) and (e), the Director, through the Division, served a copy of the Notice Order via regular and certified United States mail on the Oregon Secretary of State as an agent for service of process for Respondents at 255 Capitol Street NE, Ste 151, Salem, OR 97310.

The Notice Order offered Respondents an opportunity for a hearing, if requested in writing within 20 days of service. The Notice Order further informed Respondents that if a hearing was not conducted because it did not timely request a hearing or otherwise defaulted, then the designated portion of the Division’s file, which includes all materials Respondents submitted, would automatically become part of the contested case record to prove a *prima facie* case. Respondents have not made a written request for a contested hearing, and the time to do so

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1 has expired.

2 After considering the relevant portions of the Division’s file in this matter, the Director
3 finds that the record proves a *prima facie* case. Now, therefore, the Director makes the following
4 Findings of Fact and Conclusions of Law and issues the following Orders.

5 FINDINGS OF FACT

6 The Director FINDS that:

7 **OVERVIEW**

8 1. This case arises from a scheme by the Respondents to defraud investors in
9 connection with an unauthorized marijuana grow operation run by ORAG and managed by
10 Caldwell and Pilavis in the Portland, Oregon metro area.

11 2. From 2015 to 2016, ORAG raised a total of \$864,965 from investors through the
12 sale of LLC membership interests in the Company. The sales described in this Order total
13 \$225,000. Under the terms of ORAG’s operating agreement, the members were entitled to
14 receive, among other things, periodic distributions of free cash flow from the Company,
15 disbursement of profits and dividends upon its dissolution, and the right to vote in proportion
16 to their percentage of interest.

17 3. The membership interests were typically offered and sold by Caldwell, Pilavis,
18 and other unlicensed salespersons. In making those sales, Caldwell and Pilavis made a
19 number of materially false and misleading statements and omissions including:

20 A. Providing investors with a business plan, which was prepared by
21 Pilavis, that contained statements relating to financial projections, expected harvesting times,
22 Caldwell and Pilavis’ backgrounds, and ORAG’s licensing status under the marijuana laws;

23 B. Telling investors that they would receive their original investment plus
24 a fixed percentage rate of return within two years of their investment, or before then;

25 C. Telling investors that: 1) ORAG already possessed a medical
26 marijuana license and planned to expand its existing operation in order to take advantage of

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1 the new recreational grow laws, and that its application for a recreational producer license
2 was pending; or; 2) ORAG had applied for medical and recreational marijuana licenses; or 3)
3 ORAG already possessed medical and recreational marijuana licenses.

4 D. Telling investors that their funds would only be used to pay operating
5 expenses and to purchase equipment, including: starts, racks, air conditioning, pots, fans,
6 lights, oil extraction tools, planting devices, and similar items without disclosing the other
7 potential uses of those funds; and

8 E. Not disclosing the factors that made an investment in ORAG
9 speculative or risky, including: that ORAG may not obtain a marijuana license or
10 authorization, that the financial projections could be incorrect (eg difficulties with harvest,
11 financial problems), that the investor funds could be used for other purposes, and the risks
12 associated with the fact that ORAG's operations were illegal under federal law.

13 4. In reality, none of the Respondents were authorized or licensed to grow or sell
14 marijuana.

15 5. Of the \$864,965¹ that ORAG raised from investors, \$445,553 was used for
16 legitimate business expenses, such as operating costs and equipment; whereas, Caldwell used
17 \$151,810, and Pilvas \$229,935, on personal expenses.

18 6. Although ORAG did attempt to grow and produce marijuana, the Company did
19 not record any successful harvests and encountered financial difficulty.

20 7. The investors did not receive their initial investment back or the promised return
21 from ORAG.

22 THE RESPONDENTS

23 8. ORAG was an Oregon member-managed limited liability company that was
24 formed on September 1, 2015 and administratively dissolved on November 13, 2016. ORAG
25 was organized to grow medical and recreational marijuana. Its principal place of business
26 _____

¹ This figure includes investors not described in this Order.



1 was located at 880 Causey Loop, Apt #B10, Happy Valley, Oregon 97086. ORAG also
2 operated facilities located at 1616 SE Woodward Avenue, Portland, Oregon 97204 and
3 16828 NW Mason Court, Portland, Oregon.

4 9. At all times material, Caldwell was an Oregon resident and conducted ORAG
5 business from Oregon. He served as ORAG’s Member Manager from September 1, 2015
6 through February 26, 2016.

7 10. On November 2, 2015, Caldwell signed a pre-indictment plea agreement issued
8 by the US Attorney’s Office for the District of Oregon wherein he would plead guilty to one
9 count of wire fraud in connection with a scheme related to the marketing and sales of curb
10 making machines.

11 11. On August 12, 2016, Caldwell pleaded guilty and was sentenced to one year and
12 one day in prison and ordered to pay full restitution to the victims in that case.

13 12. At all times material, Pilavis was an Oregon resident and conducted ORAG
14 business from Oregon. He served as ORAG’s Financial Controller/General Counsel from
15 September 2, 2015 through February 26, 2016 and, on February 26, 2016, he became its
16 Member Manager. Pilavis also served as the managing member of ORAG, USA, LLC.

17 **RELATED ENTITIES**

18 13. ORAG USA, LLC (“ORAG USA”) was an Oregon limited liability company that
19 was formed on July 22, 2016, with its principal place of business located at 226 West
20 Historic Columbia River Highway, Troutdale, Oregon, 97060. ORAG USA operated as the
21 successor entity to ORAG and was administratively dissolved on September 21, 2017.

22 14. Electronics USA, LLC (“Electronics USA”) was an Oregon limited liability
23 company Pilavis formed in connection with ORAG, and it operated from the same principal
24 place of business. Electronics USA administratively dissolved on July 20, 2017.

25 15. Caldwell and Pilavis used Electronics USA to, among other things, buy lights
26 using money from ORAG.

1 **ORAG’S BEGINNING AND STRUCTURE**

2 16. Caldwell conceptualized the idea for ORAG and started growing marijuana under
3 the Company’s name in 2015 on property that he located and leased in Portland. He also
4 purchased equipment and hired staff for the Company.

5 17. Shortly thereafter, Caldwell recruited Pilavis to join ORAG as a partner and
6 control person. Pilavis had moved from Florida to Oregon to work with Caldwell on a
7 different business venture.

8 18. Caldwell told Pilavis that he had access to medical marijuana cards that could be
9 used by ORAG to grow marijuana.

10 19. Caldwell planned to build ORAG’s website and handle its marketing.

11 20. All of ORAG’s members entered into and signed the Company’s operating
12 agreement (“Operating Agreement”) that became effective on September 24, 2015, and was
13 later amended on February 1, 2016.

14 21. The Operating Agreement vested control and all rights and powers necessary for
15 the management of the Company solely in the Member Manager who was responsible for
16 day-to-day operations and business decisions. The Member Manager’s authority also
17 extended to the execution of all documents necessary to accomplish the purpose of the
18 Company. At all times material, Caldwell and Pilavis served as the sole managers of ORAG
19 and exercised ultimate control and authority over ORAG.

20 22. Pursuant to the Operating Agreement, members would receive, among other
21 things, periodic distributions of ORAG’s free cash flow, disbursements of the profits and
22 dividends of the Company upon its dissolution, and the right to vote in proportion to their
23 percentage interest.

24 23. Pilavis created and signed ORAG’s business plan (“Business Plan”), which was
25 dated September 1, 2015. The Business Plan stated that one of ORAG’s goals was “to
26 expand an existing medical [M]arijuana grow operation into a larger [M]arijuana grow

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1 facility utilizing a 10K square foot warehouse,” which would allow ORAG to “take
2 advantage of the new laws regulating [M]arijuana growth in the State of Oregon, including
3 the ability to enter the wide open concentrate and edible markets.”

4 24. According to the Business Plan, the new warehouse would accommodate 750
5 plants that would yield 487.50 pounds of crop per month and generate \$975,000 in cash flow.
6 The Business Plan also stated that, “Within 60 days, we will harvest our current crop of 100
7 plants, which should return approximately \$225,000-\$250,000; which will be reinvested in
8 the company. Within six months, we will be harvesting our goal of 325 plants per month.”

9 25. The “Ownership Background” section of the Business Plan touted the ORAG
10 team’s expertise in, among other things, creating and growing marijuana, entrepreneurship,
11 and management. It also stated that Pilavis had over 25 years experience in corporate and
12 compliance law.

13 26. Although the Business Plan was characterized as “preliminary,” it stated that the
14 figures contained in the plan are “accurate.”

15 27. The Business Plan included only Pilavis’ contact information. He and other
16 salespersons distributed the Business Plan to the investors before they invested.

17 28. Pilavis also put together additional marketing materials for ORAG that he
18 distributed to investors, which highlighted the lucrative investment opportunities available in
19 the marijuana industry. One such article was titled, “New Pot Sales Figures Show Staggering
20 Growth Continues.”

21 THE INVESTORS

22 29. From 2015 to 2016, ORAG sold approximately \$864,965 worth of membership
23 interests in the Company, and \$225,000 described herein, through Caldwell and Pilavis or
24 other salespersons. Both Caldwell and Pilavis solicited investors for ORAG, met with
25 investors, and discussed the status of the investments.

26 ///

JA and JD: Alvarado Group, Alvarado Investment Group

1
2 30. At all times material, “JA” was a Florida resident. He met Pilavis in 2010 or 2011
3 while working in the real estate industry. JA trusted Pilavis because of their prior
4 professional relationship. In 2015, Pilavis contacted JA regarding the opportunity to invest in
5 ORAG.

6 31. Upon receiving ORAG’s Business Plan and other investment information from
7 Pilavis, JA contacted “JD,” a friend and fellow Florida real estate professional, about ORAG.
8 JD also had prior business dealings with Pilavis.

9 32. In September 2015, Pilavis contacted JD directly to pitch the investment in
10 ORAG. Throughout the entire process, Pilavis served as JA and JD’s main contact person at
11 ORAG.

12 33. During the pitch, Pilavis told JA and JD that their investments would go toward
13 operating expenses and equipment, specifically, a self-planting device that could cut down on
14 manpower and automate the growing process.

15 34. Pilavis did not tell JA and JD that their investments could be used in other ways.

16 35. Pilavis told JA and JD that their investor funds were not authorized for Caldwell
17 and Pilavis’ personal expenses.

18 36. Before investing, JD and JA traveled to Portland where they met with Caldwell
19 and Pilavis who took them to the warehouse where ORAG’s grow operation was housed,
20 showed them around, and discussed the investment offering.

21 37. JD described Caldwell as the owner of ORAG and “the greatest salesperson
22 ever.”

23 38. Caldwell and Pilavis told JA and JD that they would receive a return on their
24 investment within two years.

25 39. Pilavis stated that the estimated yearly disbursements for JD’s eight percent
26 investment would be around \$900,000. He said the first crop was set to be harvested in

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1 March 2016. The projection was for \$950,000 of monthly revenue and a gross annual profit
2 of \$11,400,000.

3 40. According to Pilavis, ORAG was projected to make approximately \$24,000,000
4 in sales per year, and he told JA that he could expect approximately \$480,000 annually as a
5 return. Pilavis also told JA that ORAG would deliver a return on his investment within six to
6 eight months.

7 41. Pilavis explained to JD and that ORAG had already applied for medical and
8 recreational marijuana licenses.

9 42. Pilavis told JA that ORAG was a licensed marijuana grow operation.

10 43. In September 2015, JD's company, the Alvarado Group, invested \$80,000 for an
11 eight percent interest in ORAG. Upon information and belief, the Alvarado Group is a
12 Florida entity.

13 44. JD took out an \$80,000 loan against her home to make the investment, a home
14 that she owned free and clear before investing.

15 45. JD invested with ORAG due to the trust that Caldwell and Pilavis had developed
16 with her.

17 46. JA received a membership interest in ORAG as a finders fee. The purported value
18 of that interest was \$20,000.

19 47. The Alvarado Group, a fictitious business name registered by JA in Florida,
20 received a two percent interest in ORAG for its \$20,000 investment.

21 RH, MM: The Green Man Group, LLC

22 48. At all times material "RH" was a Florida resident. He met Pilavis in the mid-
23 2000s while working in the real estate industry.

24 49. In late 2015, Pilavis pitched the ORAG investment opportunity to RH. Pilavis was
25 RH's main contact person at ORAG, but Caldwell sometimes participated in conference calls
26 with him.



1 50. RH described Caldwell as the “mouthpiece” for ORAG who generated business
2 contacts and connections and engaged in Company marketing; whereas Pilavis served as the
3 day-to-day manager.

4 51. Shortly thereafter, RH mentioned the ORAG investment offering to his friend and
5 business partner, “MM,” who was, at all times material, a Florida resident and financial
6 professional.

7 52. Before investing, RH and MM traveled to Portland to visit the ORAG facilities
8 and met with Caldwell and Pilavis to further discuss the investment opportunity.

9 53. Caldwell and Pilavis explained to RH and MM that ORAG’s capital raise was for
10 operating expenses and not for salaries or personal disbursements.

11 54. Pilavis told MM that the investors’ money would specifically be used to purchase
12 equipment, including: starts, air conditioning, pots, fans, and lights. Neither Caldwell nor
13 Pilavis told RH and MM that their investments could be used in other ways.

14 55. MM understood from Caldwell and Pilavis that neither were authorized to
15 withdraw a salary from ORAG. Pilavis further stated to MM that he would not take any
16 money from the Company. When MM asked how he could live if he was not getting paid,
17 Pilavis answered that he had a savings account to live on.

18 56. Pilavis told RH and MM that, once ORAG was up and running, it could have 10
19 to 12 harvests a year with a total of \$6,000,000 to 9,000,000 in sales per year.

20 57. Caldwell and Pilavis told RH and MM that ORAG might be able to sell the crop
21 from its late 2015 harvest in time to use new plant starts in 2016 at the new facility.

22 58. According to Caldwell and Pilavis, RH and MM would receive a return on their
23 investment within one year.

24 59. Caldwell and Pilavis told RH that they had applied for medical and recreational
25 marijuana licenses.

26 60. Pilavis later told MM that ORAG had a medical marijuana license and was in the



1 process of acquiring a recreational license.

2 61. On October 27, 2015, RH and MM formed The Green Man Group, LLC, a
3 Florida limited liability company, for the purpose of investing in ORAG. At all times
4 material, RH was the seventy-five percent owner of the Green Man Group, LLC, and MM
5 owned twenty-five percent.

6 62. In November 2015, the Green Man Group, LLC invested \$100,000 for a ten
7 percent interest in ORAG.

8 MA: On the Horizons Investment, Inc.

9 63. At all times material, “MA” was a Florida resident and a real estate professional.
10 He met Pilavis through investor RH, and Pilavis pitched the ORAG investment to MA in
11 January 2016.

12 64. As part of the pitch, Pilavis told MA that his investment would specifically be
13 used for oil extraction equipment and sent him videos on how the extraction process worked.
14 Pilavis did not tell MA that his investment could be used in other ways.

15 65. MA understood from Pilavis that neither Caldwell nor Pilavis were paying
16 themselves a salary, or using ORAG’s funds for personal expenses.

17 66. Before MA invested, Pilavis provided ORAG’s current harvest projection and a
18 twelve-month plant production forecast, including projections for plants, harvests, yield,
19 gross and net income, profit, and costs. The projected profit for the year was listed as
20 \$13,321,200.

21 67. According to Pilavis, MA would start receiving payments in November 2016.

22 68. Pilavis told MA that it was easy to get a marijuana license. He also said that
23 ORAG had applied for recreational and medical marijuana licenses, but that the current grow
24 operation was being done under a third party’s license while ORAG awaited state approval.

25 69. The Business Plan that Respondents provided to MA included information
26 regarding Caldwell’s role with ORAG and his background and experience in



1 entrepreneurship and management. The Business Plan further states that, “Stephen brings
2 vision and management skills to achieve the goals set forth in the this venture.”

3 70. The Business Plan, and other communications from Pilavis to MA before he
4 invested, failed to disclose that Caldwell had signed a plea agreement with the US Attorney’s
5 Office on November 2, 2015 that would soon send him to prison for one year, making him
6 unavailable to conduct Company business.

7 71. On January 28, 2016, MA formed On the Horizon Investments, Inc., a Florida
8 corporation, to invest in ORAG. He served as its director and controlling shareholder. In
9 February 2016, On the Horizons Investments, LLC invested \$25,000, which represented a
10 two and a half percent interest in ORAG.

11 72. While Caldwell and Pilavis provided financial and harvest projections to JA, JD,
12 RH, MM, and MA (the “Investors”) before they invested, they did not disclose any factors
13 that could make an investment in ORAG speculative or risky, including: potential difficulties
14 with harvests, financial issues, the possibility that ORAG may not obtain or be approved for
15 a medical or recreational marijuana license, or difficulties due to the fact that the activity
16 underlying the operation was illegal under federal law.

17 73. None of the investors had any experience in the marijuana industry and relied
18 completely on the ORAG team to effectively manage the Company.

19 74. Caldwell and Pilavis told the Investors that they would hold monthly conferences
20 to provide updates on ORAG’s status.

21 SALES PROCESS

22 75. Upon the sale of the membership interests in ORAG, the Investors signed the
23 Operating Agreement on behalf of their respective entities. Caldwell and Pilavis signed on
24 behalf of ORAG in their capacities as the Member Manager and the Member Financial
25 Controller/General Counsel respectively. The packet that accompanied the Operating
26 Agreement included wiring instructions for the Investors’ funds to be sent to ORAG.



1 76. In February 2016, Pilavis directed MA to wire his investment into an account
2 belonging to Curb Tools, LLC, an entity unrelated to ORAG that was owned and operated by
3 Caldwell, while the other investors were directed to ORAG accounts.

4 77. Curb Tools, LLC was formed on October 16, 2014 and administratively dissolved
5 on December 17, 2015.

6 THE FALL OF ORAG

7 78. ORAG attempted to harvest its marijuana plants from late 2015 through 2016, but
8 was unable to produce a successful crop.

9 79. ORAG did not pay the promised returns to the Investors, and the Respondents
10 provided a number of excuses why they were unable to do so. For example, Pilavis told RH
11 that a storm went through Portland in late 2016 and killed ORAG's crop.

12 80. MA also received similar information from Pilavis regarding the storm. He
13 expressed concern to Pilavis that ORAG did not have insurance coverage or a disaster plan
14 for the business. It seemed to MA that Pilavis would always get sick when MA questioned
15 him about ORAG.

16 81. In October 2016, Pilavis told JD in an email that a hurricane or tornado had hit the
17 area and killed the entire crop. JD later learned from the electric company that ORAG's
18 power had actually been shut off because the bills had not been paid.

19 82. According to the US Department of Commerce, National Oceanic and
20 Atmospheric Administration's Storm Data, there were no hurricanes, tornados, typhoons,
21 tsunamis, or other natural disasters in the Portland area in the fall or winter of 2016.

22 83. Pilavis later acknowledged to government investigators that he lied to the
23 Investors about a natural disaster causing the power outage.

24 84. On or around December 2015 or January 2016, Pilavis told RH and MM that
25 Caldwell was going to prison for 11 months on a wire fraud charge.

26 85. JD first learned about Caldwell's wire fraud conviction from RH around October



1 or November of 2016.

2 86. Caldwell stepped down as ORAG’s Member Manager following his wire fraud
3 conviction, and Pilavis then assumed the role.

4 87. Pilavis continued to misrepresent ORAG’s marijuana license status. Around
5 August 2016, Pilavis told MM that ORAG’s marijuana license application was still pending.
6 He later admitted to government investigators that he sent the Investors a “stupid email”
7 stating that ORAG was licensed as a marijuana grower.

8 88. Long after RH invested, he learned from Pilavis that ORAG’s medical marijuana
9 “license” he told the Investors about consisted of several OMMP cards that Caldwell
10 acquired through friends of the electrician who worked on the Company’s building. Caldwell
11 did not apply for or acquire these cards through the Oregon Medical Marijuana Program
12 (“OMMP”).

13 89. The monthly conference call updates that Caldwell and Pilavis told Investors they
14 would have never occurred.

15 90. In mid-2016, ORAG fell four to five months behind on rent payments for one of
16 its facilities.

17 91. In May 2016, Caldwell and Pilavis formed Electronics USA to purchase lights
18 using money from ORAG. Electronics USA then proceeded to sell the same lights back to
19 ORAG with a significant markup. This process and the theses transactions were not disclosed
20 to the Investors.

21 92. On July 25, 2016, Pilavis, acting as ORAG’s Member Manager, executed the
22 ORAG, USA Operating Agreement. The Operating Agreement identified ORAG as having a
23 49 percent interest, with a new investor holding fifty-one percent.

24 93. This had the effect of transferring the Investors’ interests in ORAG to ORAG,
25 USA, which completely phased out ORAG.

26 94. The Investors were not told of, or offered he opportunity to vote on, the purchase

1 of the membership interest in ORAG USA before the purchase occurred.

2 95. The Investors were surprised and confused as to why they were not made aware
3 of these developments and given the opportunity to vote.

4 **FINANCIAL ANALYSIS**

5 96. Based on a referral from a federal agency, the Oregon Division of Financial
6 Regulation (“Division”), completed an investigation of the Respondents’ activities in soliciting
7 investments for ORAG. The information shared from a federal agency partner included a
8 financial analysis.

9 97. The financial analysis covered bank accounts associated with ORAG, Caldwell,
10 Pilavis, and other affiliated companies. The analysis concluded that, in 2015, ORAG received
11 \$230,000 from investors² and that \$89,812 was withdrawn for business purposes and
12 \$76,320 and \$42,781 was withdrawn for the personal use of Caldwell and Pilavis
13 respectively. The analysis also found that, in 2016, ORAG received \$634,956³ from investors
14 and that \$354,741 was withdrawn for business purposes and \$75,490 and \$187,154 was
15 withdrawn for the personal use of Caldwell and Pilavis respectively.

16 98. In connection with the investigation, Pilavis acknowledged purchasing a watch, a
17 firearm, truck parts, and expenses related to a trip to Aruba with ORAG’s funds in 2015 and
18 2016. He later admitted that he knew these expenses were not for ORAG.

19 99. Pilavis also admitted that he gave Caldwell \$10,000 from ORAG funds to pay
20 back his father for a debt unrelated to ORAG.

21 100. In recognizing ORAG’s failures, Pilavis acknowledged that money was wasted on
22 a lot of purchases. He also admitted that he did not have any experience as a compliance
23 officer despite the statement about his extensive compliance background in the Business
24 Plan.

25 101. Pilavis told investigators that he thought about writing a letter to the Investors

26 ² This figure includes investors not described in this Order.

³ This figure includes investors not described in this Order.





1 disclosing how he and Caldwell had used Electronics USA to purchase lights, but he never
2 did.

3 102. After investing, RH made several requests to Pilavis for ORAG's financial and
4 business records, as authorized by the Operating Agreement, but he never received them
5 from Pilavis.

6 **Registration and Licensing Status Under the Oregon Securities Law**

7 103. The Division searched its records of individuals or firms licensed as investment
8 advisers, investment adviser representatives, broker-dealers, and issuer or broker-dealer
9 salespersons in Oregon. This includes records that are kept and maintained by the Division as
10 well as records maintained for the Division by the Central Registration Depository (CRD)
11 and the Investment Adviser Registration Depository (IARD) and concluded that, at all times
12 material, neither Caldwell nor Pilavis were licensed as investment advisers, broker dealers,
13 investment adviser representatives, or salespersons.

14 104. The Division searched its records of securities that are registered pursuant to ORS
15 59.065, or are filed as a federal covered security pursuant to ORS 59.049, and did not find
16 any record that the securities of ORAG were ever registered, or filed as a federal covered
17 security.

18 **Marijuana Licensure Requirements**

19 105. The OMMP is responsible for the registration, regulation, and oversight of
20 medical marijuana in Oregon, including medical marijuana growers and grow sites. OMMP
21 growers are required to understand the regulations and comply with reporting and tracking
22 requirements.

23 106. Neither Caldwell, Pilavis, ORAG, nor its business addresses ever possessed
24 OMMP status as a patient, caregiver, grower, or medical dispensary, or were otherwise
25 authorized to grow under an OMMP designation.

26 107. Under Oregon's recreational marijuana program, persons growing marijuana must



1 be licensed through the Oregon Liquor Control Commission (“OLCC”). Starting on January
2 4, 2016, the OLCC allowed interested parties to submit an application for a recreational
3 marijuana license and started issuing licenses on April 29, 2016. Applicants who were found
4 to be growing marijuana prior to being issued a license were and are reported to local law
5 enforcement and banned from the state’s recreational marijuana program.

6 108. The OLCC has never received a recreational marijuana license application from
7 any of the Respondents, from any address associated with the Respondents, and has not
8 issued a license to any of the Respondents.

9 **Untrue and Misleading Statements and Omissions**

10 109. In connection with the sale of ORAG membership interests, Caldwell and Pilavis
11 told the investors, directly or indirectly, in the Business Plan that they would receive their
12 initial investment plus a fixed percentage rate of return within two years of their investment,
13 or before then. In connection with those statements, the Respondents did not disclose the
14 material risks that made their investment speculative or risky or that could lead to a reduction
15 on the promised returns or repayment. Those risks include, but are not limited to:

- 16 A. That ORAG might not be able to obtain an Oregon medical marijuana
17 registration or a recreational marijuana license;
- 18 B. The assumptions underlying their projections, or the tentative nature of
19 those projections; or
- 20 C. The risks related to the fact that ORAG’ business operations are illegal
21 under federal law.

22 110. Caldwell and Pilavis also provided investors, either orally or in writing, with
23 ORAG’s projected returns, disbursements, and harvest data. In connection with those
24 statements, the Respondents did not disclose the assumptions underlying their projections, or
25 the tentative nature of those projections.

26 111. Respondents disclosed some of the potential uses of funds to the Investors, but



1 they did not disclose the fact that the funds could be used in other ways or the circumstances
2 in which they could be used in other ways.

3 112. Respondents also told the investors either that ORAG already had a recreational
4 marijuana license, that it had applied for such a license, or that obtaining such a license was
5 easy.

6 113. Although the Business Plan disclosed portions of Caldwell’s background and role
7 with the Company, it did not disclose that he would soon be unavailable to work for an
8 extended period of time due to a criminal conviction.

9 CONCLUSIONS OF LAW

10 The Director CONCLUDES that:

11 114. The membership interests in ORAG are “securities,” as defined by ORS
12 59.015(19)(a), to wit: an “investment contract.”

13 **Unregistered Securities Sales**

14 115. By selling securities that were not registered under ORS 59.065, Respondents
15 violated ORS 59.055.

16 **Unlicensed Securities Sales**

17 116. Pilavis and Caldwell acted as a “salesperson,” as defined by ORS 59.055, in
18 representing an issuer of securities, ORAG, in effecting securities transactions.

19 117. By selling securities to Alvarado Group, Alvarado Investment Group, The Green
20 Man Group, LLC, and On the Horizon Investment, LLC, without being licensed to do so,
21 Caldwell and Pilavis violated ORS 59.165(1).

22 **Securities Fraud – Untrue Statements of Material Fact: Pilavis, ORAG**

23 118. In connection with the sale of the membership interests to Alvarado Group,
24 Alvarado Investment Group, The Green Man Group, LLC, and On the Horizon Investment,
25 LLC, Pilavis and ORAG directly and indirectly made untrue statements of material fact, in
26 violation of ORS 59.135(2), as more fully described above. In particular, Pilavis and ORAG



1 told the Investors, untruthfully, either that ORAG was licensed or registered as an Oregon
2 medical marijuana grower, or possessed an Oregon recreational marijuana producer license,
3 that it had applied for such license(s), or that obtaining such license(s) was easy.

4 **Securities Fraud – Omit to State a Material Fact: Pilavis, ORAG**

5 119. In connection with the sale of the membership interests to Alvarado Group,
6 Alvarado Investment Group, The Green Man Group, LLC, and On the Horizon Investment,
7 LLC, Pilavis and ORAG directly and indirectly omitted to state material facts necessary to
8 make the statement made in the context in which it was made not misleading, in violation of
9 ORS 59.135(2), as more fully described above. In particular:

10 A. Pilavis and ORAG told the Investors directly or indirectly in the
11 Business Plan, and in other discussions, that they would receive their original investment
12 plus a fixed percentage rate of return within two years of their investment, or before then. In
13 connection with those statements, the Respondents did not disclose the material risks that
14 made their investment speculative or risky or could lead to a reduction on the promised
15 payment or non payment. Those risks include, but are not limited to: 1) that ORAG might not
16 be able to obtain an Oregon recreational marijuana license, 2) the assumptions underlying
17 their projections, or the tentative nature of those projections, and 3) the risks related to the
18 fact that ORAG's business operations were illegal under federal law;

19 B. Pilavis and ORAG told the Investors that their funds would only be
20 used to pay for ORAG's operating expenses and equipment, but did not disclose the other
21 potential uses for the funds; and

22 C. Pilavis had never served as a compliance officer even though the
23 Background section of the Business Plan implied otherwise.

24 120. In connection with the sale of the membership interests to On the Horizon
25 Investment, LLC, Pilavis and ORAG directly and indirectly omitted to state material facts
26 necessary to make the statement made in the context in which it was made not misleading, in



1 violation of ORS 59.135(2), as more fully described above, as to Caldwell’s criminal charge,
2 plea agreement, and sentencing.

3 **Securities Fraud – Aiding and Abetting Liability: Caldwell**

4 121. Caldwell aided and abetted ORAG and Pilavis’ violations of ORS 59.135(2), as
5 stated above in Paragraphs 117 and 118, in connection with the sale of securities to Alvarado
6 Group, Alvarado Investment Group, and The Green Man Group, LLC, and On the Horizon
7 Investment, LLC.

8 **Securities Fraud– Untrue Statement of a Material Fact: Caldwell, ORAG**

9 122. In connection with the sale of the membership interests to The Green Man Group,
10 LLC, Caldwell and ORAG made untrue statements of material fact in violation of ORS
11 59.135(2). In particular, Caldwell and ORAG told The Green Man Group, LLC, untruthfully,
12 either that ORAG was licensed or registered as an Oregon medical marijuana grower, or
13 possessed an Oregon recreational marijuana producer license, or had applied for the licenses.

14 **Securities Fraud– Omit to State a Material Fact: Caldwell, ORAG**

15 123. In connection with the sale of the membership interests to Alvarado Group,
16 Alvarado Investment Group, and the Green Man Group, Caldwell and ORAG directly and
17 indirectly omitted to state material facts necessary to make the statement made in the context
18 in which they were made not misleading, in violation of ORS 59.135(2). In particular,
19 Caldwell and ORAG told Alvarado Group, Alvarado Investment Group, and The Green Man
20 Group that they would receive their original investment plus a fixed percentage rate of return
21 within two years of their investment, or before then. Caldwell and ORAG did not disclose the
22 material risks that made their investment speculative or risky or could lead to a reduction on
23 the promised returns or repayment. Those risks include, but are not limited to: 1) that ORAG
24 might not be able to obtain an Oregon recreational marijuana license; 2) the assumptions
25 underlying their projections, or the tentative nature of those projections; and 3) the risks
26 related to the fact that ORAG’ business operations were illegal under federal law.

ORDER

NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

124. In accordance with ORS 59.245(4), Respondents, and any and all agents, authorized representatives, and entities owned or controlled by Respondents, their successors and assigns, are hereby ORDERED to CEASE AND DESIST from violating ORS 59.055, ORS 59.165(1), and ORS 59.135(2).

125. As authorized by ORS 59.045(2), the Director hereby DENIES Respondents and any and all agents, authorized representatives, and entities owned, operated or controlled by Respondents, their successors and assigns, the use of any exemptions that would otherwise be available under ORS 59.025 and ORS 59.035 concerning securities and transactions exempt from the registration requirements of the Oregon Securities Law.

126. As authorized by ORS 59.995(1), the Director hereby ORDERS ORAG and Pilavis, jointly and severally, to pay CIVIL PENALTIES totaling \$55,000 for the following violations:

A. \$5,000 for violating ORS 59.055; and

B. \$50,000 for violating ORS 59.135(2), as more particularly described in Paragraphs 118 through 120.

127. As authorized by ORS 59.995(1), the Director hereby ORDERS Pilavis to pay an additional \$5,000 for the violation of ORS 59.165(1).

128. As authorized by ORS 59.995(1), the Director hereby ORDERS ORAG and Caldwell, jointly and severally, to pay CIVIL PENALTIES totaling \$55,000 for the following violations:

A. \$5,000 for violating ORS 59.055; and

B. \$50,000 for violating ORS 59.135(2), as more particularly described in Paragraphs 122 and 123.

129. As authorized by ORS 59.995(1), the Director hereby ORDERS Caldwell to pay

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 an additional \$5,000 for the violation of ORS 59.165(1).

2 130. This is a “Final Order” under ORS 183.310(6)(b). Subject to this provision, the entry
3 of this Order does not limit further remedies that may be available to the Director under Oregon
4 law.

5
6 SO ORDERED this 10th day of October, 2022.

7
8 Andrew Stolfi, Director
9 Department of Consumer and Business Services

10
11 /s/ Dorothy Bean
12 Dorothy Bean, Chief of Enforcement
13 Division of Financial Regulation

14 **NOTICE OF RIGHT TO JUDICIAL APPEAL**

15 You are entitled to judicial review of this order in accordance with ORS 183.482. You may
16 request judicial review by filing a petition with the Court of Appeals in Salem, Oregon,
17 within 60 days from the date this order is served. Note that under ORS 59.295(2), in the
18 absence of a timely demand for a hearing, no person shall be entitled to judicial review of
19 the order.

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