

**IN THE DISTRICT COURT
OF LANCASTER COUNTY, NEBRASKA**

**STATE OF NEBRASKA ex rel.
KELLY LAMMERS, Director of
the Nebraska Department of
Banking and Finance,**

Plaintiff,

v.

**JESSE HILL, Individually and
in his corporate and
representative capacity; FIRST
SOJO CAPITAL GROUP, LLC,
a limited liability company; JT
EQUITY TRADING, LLC, a
limited liability company,
OUTLIER FUND GP LLC, a
limited liability company;
OUTLIER FUND I, LP, a
limited partnership; OUTLIER
FUND II, LP, a limited
partnership, and TABITHA
HILL, an individual,**

Defendants.

Case No. CI 22- _____

**COMPLAINT FOR
INJUNCTIVE AND OTHER
RELIEF; PRAECIPE FOR
SUMMONS**

COMES NOW, the State of Nebraska, ex rel. Kelly Lammers, Director of the Nebraska Department of Banking and Finance, and states the following:

I. INTRODUCTION

1. This case arises out of violations of the Securities Act of Nebraska, Neb. Rev. Stat. § 8-1101 et seq. (the “Act”).
2. Plaintiff, State of Nebraska ex rel. Kelly Lammers, Director of Banking and Finance of the State of Nebraska, by and through counsel, pursuant to Neb. Rev. Stat. §§ 8-1116 and 25-1081 et seq., seeks an order from this Court restraining and enjoining Defendants and persons acting in concert with them from any further act or practice in violation of the Act.
3. For the protection of the Defendants’ investors and to prevent the diversion or dissipation of investor funds, Plaintiff further seeks an order immediately freezing all assets under the ownership, direction, custody, or control of Defendants until all assets have been properly accounted for, and for the appointing of a receiver.
4. Plaintiff further seeks other appropriate relief under the Act, including but not limited to rescission, restitution, disgorgement, or any other appropriate remedy provided under the Act, or in equity.

II. THE PARTIES

5. Plaintiff is the Director of the Nebraska Department of Banking and Finance (“Department”) and in that capacity is charged with administering the Act, pursuant to Neb. Rev. Stat. § 8-1120.
6. Defendant, Jesse Hill, is an individual who resides at 8600 Martell Road, Hickman, Nebraska 68372. Jesse Hill (CRD

Number 6085813) is a registered investment adviser representative with the Department.

7. Defendant, First SOJO Capital Group, LLC (Central Registration Depository (“CRD”) Number 300731), is a domestic limited liability company with a purported principal place of business at 741 Sunset Boulevard, Palmyra, Nebraska 68418. First SOJO Capital Group, LLC is a registered investment adviser with the Department.
8. JT Equity Trading, LLC, is a domestic limited liability company with a purported principal place of business at 741 Sunset Boulevard, Palmyra, Nebraska 68418.
9. Outlier Fund GP, LLC, is a domestic limited liability company with a purported principal place of business at 741 Sunset Boulevard, Palmyra, Nebraska 68418.
10. Outlier Fund I, LP, is a foreign limited partnership organized in the State of Delaware with a principal place of business at 8600 Martell Road, Hickman, Nebraska 68372.
11. Outlier Fund II, LP, is a foreign limited partnership organized in the State of Delaware with a principal place of business at 8600 Martell Road, Hickman, Nebraska 68372.
12. Defendant, Tabitha Hill, is an individual who resides at 8600 Martell Road, Hickman, Nebraska 68372, and is the spouse of Defendant Jesse Hill. Tabitha Hill is named as a party to this lawsuit as an interested party as Plaintiff seeks relief against property in which Tabitha Hill may have a legal interest. At the time of this Complaint, no wrongdoing is alleged against Tabitha Hill. Notwithstanding the foregoing, Tabitha Hill may have inadvertently received money or

property from the wrongful conduct alleged in this Complaint that could be subject to the equitable remedies prayed for in this Complaint.

III. JURISDICTION AND VENUE

13. The Court has jurisdiction over this action pursuant to Neb. Rev. Stat. § 8-1116.
14. Venue is proper under Neb. Rev. Stat. § 25-403.01 because the Defendants' acts, omissions, and transactions constituting the violations of the Act occurred in Lancaster County, Nebraska. Further, at least one defendant resides or is domiciled in Lancaster County, Nebraska.

IV. FACTUAL ALLEGATIONS

15. On November 2, 2022, Aaron Marshbanks ("Marshbanks"), a real estate investor from Lincoln, Nebraska, died.
16. Shortly after his death, numerous bankers from across the state began contacting the Nebraska Department of Banking and Finance ("Department"), reporting that they had been victims of a fraud scheme perpetrated by Marshbanks, Jesse Hill ("Hill") and Hill's organization, First SOJO Capital Group, LLC ("First SOJO").
17. Based on these complaints, the Department launched an investigation per its authority under Neb. Rev. Stat. § 8-1115 and made the factual determinations set forth hereafter.
18. On or about April 30, 2018, the Department received a referral from the Atlanta office of the United States Securities & Exchange Commission ("SEC") concerning the

actions of Hill and his Nebraska limited liability company, JT Equity Trading, LLC (“JT Equity”).

19. The SEC informed the Department that JT Equity was operating as an unregistered hedge fund, prompting an investigation.
20. The Department discovered that Hill had sold over \$4,000,000.00 in unregistered securities to forty-seven investors and had acted as an unregistered investment advisor through JT Equity.
21. The investigation led to Hill entering into a Consent Order with the Department on October 11, 2018, where he agreed to pay a fine for his violations, return all funds to investors, not establish any new pooled investment vehicles for ninety (90) days after the funds were returned, and to comply with the Securities Act of Nebraska.
22. JT Equity eventually refunded all its investors their funds plus profits apart from one investor who arranged a separate repayment agreement.
23. As a result of a dispute between JT Equity and another party, JT Equity’s funds were tied up in litigation until February 11, 2021.
24. On May 20, 2019, Hill organized First SOJO as a limited liability company with the Nebraska Secretary of State. Hill is the sole member and manager of this organization.
25. On June 23, 2021, First SOJO filed with the Department seeking registration as an investment advisor and Hill as an

investment advisor representative. These registrations were approved in November of 2021.

26. In its application, First SOJO indicated that it would act as an investment advisor for two private funds: Outlier Fund I, LP, and Outlier Fund II, LP (“Outlier Funds”, collectively). Both Outlier Funds would share a general partner, Outlier GP, LLC, which was entirely controlled and managed by Hill.
27. Investors who wished to invest with First SOJO would purchase limited partnership interests in Outlier I, and/or in Outlier II. First SOJO would conduct the trading on behalf of the Outlier Funds. Profits and losses would be allocated among the partners in each partnership. First SOJO would receive a fee for its services.
28. First SOJO indicated to the Department that Charles Schwab & Co (“Schwab”) was the prime broker for Outlier Funds. Investor’s funds would be deposited into Schwab accounts where Hill and First SOJO would then use the funds to trade securities.
29. Additionally, First SOJO indicated to the Department that Piedmont Fund Services, Inc. (“Piedmont”) would serve as the Outlier Funds’ administrator. Piedmont would perform administrative work including providing account statements and allocating profits and losses between the limited partners. Piedmont, as a fund administrator would never hold investor funds, nor would it play any role in investment decisions.
30. Based on the above information, the Department approved Hill and First SOJO’s applications in November of 2021.

31. Under this structure, First SOJO did not advise individual clients or hold client funds, apart from the Outlier Funds. Any change to its business structure would have required it to amend its filings with the Department.
32. As of January 12, 2022, First SOJO reported to the Department that Outlier I managed \$4,202,947.00 and Outlier II managed an additional \$458,618.00 of investor money.
33. Before his death, Marshbanks operated a real estate business in Lincoln and Omaha, Nebraska through various limited liability companies (“Marshbanks’ entities”).
34. Marshbanks had previously invested in JT Equity. Pursuant to the 2018 Consent Order, Hill refunded Marshbanks and one of his entities—CESH, LLC—a total of \$963,540.50 as of March 22, 2021. The refund represented Marshbanks’ entire investment with profits from the trading,
35. Between March 11, 2021, and September 23, 2022, Marshbanks and Hill made fraudulent statements with at least fourteen banks, securing over \$20,000,000.00 in loans.
36. In some cases, Marshbanks sought a loan in his personal capacity. In these cases, Marshbanks would sign a “Commercial Pledge and Security Agreement” or similar document which granted banks a security interest in his securities account at JT Equity or First SOJO.
37. In other cases, Marshbanks would seek a loan on behalf of a Marshbanks entity. When seeking a loan for a Marshbanks entity, Marshbanks would execute a “Commercial Pledge and Security Agreement” or similar document, which granted

banks a security interest in of the entity's securities accounts at JT Equity or First SOJO.

38. Marshbanks, Hill, and the bank's loan officer would then sign a control agreement which imposed obligations upon JT Equity and/or First SOJO related to the accounts that were pledged as collateral for the loan
39. As part of this loan application process, Marshbanks presented banks with purported account statements showing the value of Marshbanks' or a Marshbanks entity's accounts at JT Equity or "First SOJO Capital Group, LP."
40. The account statements presented for First SOJO contained Piedmont's logo. However, these account statements were falsified as they were not prepared by Piedmont as the administrator of First SOJO. Piedmont terminated its service arrangement with First SOJO on April 1, 2022, after the first quarter of 2022.
41. All of the account statements presented after January 1, 2021, were falsified by Hill and Marshbanks.
42. Following the March 22, 2021, refund pursuant to the 2018 Consent Order, JT Equity never held any funds for Marshbanks or one of his entities. The JT Equity accounts that Marshbanks and Hill gave banks security interests in, did not exist.
43. The account statements for Marshbanks' securities accounts made reference to First SOJO Capital Group, LP. However, Hill's only registered organization is First SOJO Capital Group, LCC. There is no evidence that First SOJO Capital Group, LP exists.

44. First SOJO did not hold any client accounts outside of the funds invested in the Outlier Funds.
45. First SOJO never had accounts for Marshbanks or the Marshbanks entities seeking loans.
46. Despite the absence of any existing Marshbanks accounts, Hill signed at least twenty-two control agreements representing to banks that the accounts were real, under his control, and could be given as collateral for a loan.
47. Between November 15, 2021, and December 31, 2021, First SOJO sold interests in Outlier I to twenty-four investors, raising \$4,045,000.00. All these funds were deposited into Outlier I's account at Cornhusker Bank. \$3,945,000.00, was forwarded to Schwab.
48. During that same time, First SOJO sold interest in Outlier II to five investors, raising \$450,000.00. Of that, \$425,000.00 was forwarded to Schwab.
49. In January 2022, First SOJO, as the investment manager for Outlier, began a highly aggressive options trading strategy. This strategy ultimately failed and by the end of the month, Outlier I was valued at \$281,513.02, representing approximately 90% loss in value.
50. Outlier II experienced similar results with the aggressive strategy resulting in a loss of approximately 90% of its value. By January 31, Outlier II was only valued at \$40,499.19.
51. Losses continued in February of 2022 with Outlier I ending the month at \$79,370.39, a nearly 98% loss of its initial

investment, and Outlier II ending the month at \$28,384.98, a 94% loss of its initial investment.

52. On March 17, 2022, Chronicle Holdings, LCC (“Chronicle”) a Marshbanks entity, made two transfers worth \$2,000,000.00 and \$200,000.00 into Outlier I and II, respectively. First SOJO did not provide the Department with a subscription agreement for Chronicle.
53. Between February 28, 2022, and September 30, 2022, Outlier I’s Schwab account grew by \$165,000.00 because of trading and further investment. During that same period, Outlier II lost \$14,000.00 from trading. Chronicle should have been allocated profits from Outlier I and losses from Outlier II based on its March investment. However, on September 20, 2022, Outlier I transferred Chronicle exactly \$ 2,000,000.00 and Outlier II transferred Chronicle exactly \$200,000.00. Both Outlier funds failed to distribute Chronicle its share of profits and losses.
54. Outlier I received an additional \$1,475,000.00 in investments from five individuals. The Department is currently investigating the circumstances behind these apparent investments.
55. After First SOJO’s catastrophic losses at the beginning of 2022, Piedmont resigned as the fund’s administrator on April 1, 2022, citing concerns over the investment strategy.
56. On November 18, 2022, the Department served a subpoena on Hill and First SOJO.

57. Under the Department's subpoena, First SOJO was required to produce all account statements sent to the funds' investors.
58. Under 48 NAC § 7.012.02D investment advisors to pooled investment vehicles, such as the Outlier Funds, are required to send quarterly statements to investors informing them of the funds' assets and the value of each investor's interest.
59. First SOJO and Hill admitted that they had not sent any statements to investors after Piedmont resigned.
60. As mentioned in paragraphs 54, Outlier I received a \$1,475,000.00 investment.
61. As mentioned in paragraphs 52, Outlier I and II received additional investments from Chronicle totaling \$2,200,000.00.
62. In response to the Department's subpoena, Hill and First SOJO failed to disclose both the additional \$1,475,000.00 investments and Chronicle's \$2,200,000.00 in transfers; therefore, Hill and First SOJO provided false information to the Department in their response to a subpoena.
63. Between March 10, 2020, and April 1, 2021, Marshbanks and several Marshbanks entities wired over \$10,000,000.00 to Hill's personal brokerage account at Schwab that is not connected to the Outlier Funds.
64. Hill used the Marshbanks' money in his personal Schwab account for trading and generated over \$3,000,000.00 in profits between March 10, 2020, and October 1, 2021.

65. Hill also received funds from at least one JT Equity investor that also went into his personal account at Schwab and used those funds to trade in options.
66. Between December 29, 2020, and November 23, 2021, over \$11,000,000.00 was distributed from Hill's Schwab account to Marshbanks and Marshbanks' entities. An investigation is underway to determine the purpose of these transfers.
67. Hill pooled money from multiple investors in his personal account and used it to invest in securities. As a result, Hill created a private fund in his personal accounts, prior to the investors in JT Equity being repaid. Hill repeated the exact same conduct which led to the issuance of the 2018 Consent Order. Hill therefore violated the Consent Order.
68. As of December 14, 2022, First SOJO's net capital was \$9,295.65.
69. Under 48 NAC 7.008 investment advisors must have a minimum net capital of \$25,000.00 or maintain a surety bond in the amount of \$25,000.00. Investment advisors are required to provide notice to the Department by the next business day if they fail to meet the minimum net capital requirements and to file required reports and information.
70. First SOJO has not provided the Department with any surety bond. First SOJO has not provided notice to the Department of its failure to meet net capital requirements or submitted the required reports or information.
71. First SOJO's net capital is currently less than \$25,000.00 and is facing multiple lawsuits seeking millions of dollars in

damages; First SOJO does not have sufficient assets to pay its liabilities is insolvent.

72. Since Marshbanks' death, fifteen banks have filed claims against Marshbanks and/or Marshbanks' entities, claiming to be owed over \$40,000,000.00.
73. Many of these banks are claiming that their loans were secured by Marshbanks' accounts at JT Equity and/or First SOJO.
74. As of this Complaint, two banks have commenced litigation against Hill and First SOJO:
 - a. On December 5, 2022, Nebraska Bank of Commerce filed a complaint against an entity controlled by Marshbanks, Hill and First SOJO.
 - b. Also on December 5, 2022, i3 Bank filed a complaint against First SOJO, First SOJO Capital Group, LP, and Journey Capital, LLC, a Marshbanks entity.
 - c. The next day, Midstates Bank N.A. filed a complaint against a separate Marshbanks entity, Hill, and First SOJO in Iowa.
 - d. On December 8, 2022, Access Bank filed a complaint against Open Hand Ventures LLC, a Marshbanks entity, and First SOJO.
 - e. On December 16, 2022, First Nebraska Bank filed a complaint against Saige Enterprises LLC, a Marshbanks entity, First SOJO and Hill.

75. Both First SOJO and Hill failed to prepare and maintain account statements for the Outlier Funds investors. It is therefore impossible for the Department to determine the proper distribution of the money in the Outlier Funds' accounts to investors. The balance of the accounts belongs to investors, but the proportions cannot be calculated at this time.
76. Hill has represented to investors that the Outlier Funds have had profitable trading. In one instance, he represented to an investor on December 6, 2022, that said investor would receive all of his original investment plus a 13% return in January 2023.

V. VIOLATIONS OF THE SECURITIES ACT

77. Paragraphs 1 through 76 are re-alleged as if set forth fully herein.
78. Defendants have engaged in acts or practices constituting violations of the Securities Act of Nebraska, including, but not limited to, the following:
 - a. Hill, First SOJO, and JT Equity executed over twenty fraudulent control agreements to secure nonexistent securities accounts. Each fraudulent control agreement constitutes a violation of Neb. Rev. Stat. §§ 8-1102(2)(a) and (b).
 - b. Hill entered into a Consent Order with the Department in 2018 in which he agreed to not start a new private fund until 90 days after he refunded all the investors. Hill started a new private fund when he had a previous investor, Marshbanks, and

Marshbanks' entities send him money, placing it in a personal Schwab account, and trading it on behalf of the investors. This occurred prior to any refund of any investor money, constituting a violation of Neb. Rev. Stat. § 8-1117.

- c. Hill has lied to his investors concerning the value of their account in violation of Neb. Rev. Stat. § 8-1102(2)(d) and 48 NAC 12.006.16. In some cases, Hill has promised investors they will receive their investment returned (in one case promising a 13% return).
- d. First SOJO and Hill's failure to send quarterly statements to the investors in Outlier Fund I and Outlier Fund II constituted a violation of Neb. Rev. Stat. § 8-1102(5) and 48 NAC 07.012.
- e. The Net Capital Rule under Neb. Rev. Stat. § 8-1103(4)(b)(v) and 48 NAC 7.008 requires First SOJO to maintain a net capital of \$25,000.00. As of December 14, 2022, First SOJO's net assets were \$9,295.65, constituting a violation of the act.

79. The Department reserves the right to amend this Complaint to add additional violations as discovery yields sufficient evidence to support new violations not otherwise pleaded herein.

VI. RELIEF REQUESTED

80. Pursuant to Neb. Rev. Stat. § 8-1116, the Court has the authority to invoke its equitable powers under the law and issue an order of rescission, restitution, or disgorgement, an

order freezing assets, an order requiring an accounting, or a writ of attachment or writ of general or specific execution, directed to any person who has engaged in or is engaging in any act constituting a violation of any provision of the Act, any rule and regulation adopted and promulgated under the Act, or any order of the Director of the Nebraska Department of Banking and Finance issued thereunder. Plaintiff respectfully requests the Court:

- a. Plaintiff requests the Court enter an order freezing Defendants' assets as authorized under Neb. Rev. Stat. § 8-1116;
 - b. Enter an order rescinding all transactions of Defendants in violation of the law;
 - c. Order Defendants to pay restitution in an amount to fully compensate all injured parties; and
 - d. Order the disgorgement of all income, profits, or assets improperly obtained, or otherwise received in violation of the Act,
 - e. Plaintiff requests costs, pre-judgment interest, and post-judgment interest as allowed by law.
81. Plaintiff further requests this Court enter an order freezing all assets held by or under the ownership, direction, custody, or control of the Defendants until Defendants' client funds have been accounted for, subject to the continuing jurisdiction, direction, and supervision of this Court. Such asset freeze should specifically apply to all accounts or property held by or under the control of Defendants, wherever located, including, but not limited to, the following:

- a. First SOJO Capital Group, LLC, Acct. XXX4688 at Cornhusker Bank
 - b. JT Equity Trading, LLC, Acct XXX3310 at Cornhusker Bank
 - c. Outlier Fund GP LLC Acct XXXX4699 at Cornhusker Bank.
 - d. Outlier Fund I, LP, Acct XXXX4710 at Cornhusker Bank
 - e. Outlier Fund II, LP, Acct XXXX4721 at Cornhusker Bank
 - f. Jesse T Hill & Tabitha S. Hill, Acct XXXX0099 at Wells Fargo Bank
 - g. Jesse T. Hill & Tabitha S. Hill, Acct XXXX1803 at Wells Fargo Bank
 - h. Jesse T. Hill, Acct XXX6714 at Charles Schwab.
 - i. Real estate located at 8600 Martell Road, Hickman, Nebraska 68372
82. Pursuant to Neb. Rev. Stat. § 8-1116, this Court has the authority to issue a permanent or temporary injunction, restraining order, or writ of mandamus, and to appoint a receiver or conservator for the Defendants' assets. Plaintiff respectfully requests the Court:

- a. Enter an immediate temporary injunction, and permanent injunction, enjoining Defendants from further violating of the Securities Act of Nebraska, Neb. Rev. Stat. § 8-1101 *et seq.*, and any regulation, rule, or order promulgated pursuant thereto.
 - b. Plaintiff requests this Court enter an order appointing a receiver, without bond, over all assets held by or under the control of Defendants including, but not limited to, proceeds of business activities, business premises, books, records, financial accounts, and real and personal property, and order that an accounting be made.
83. Plaintiff requests all other appropriate relief under the Act, or in equity as deemed appropriate from facts of the case.

WHEREFORE, Plaintiff respectfully requests this Court grant the relief requested herein, plus costs and interest as allowed by law, and all other proper relief consistent with the Securities Act of Nebraska, Neb. Rev. Stat. § 8-1101 *et seq.*

DATED this 28th day of December 2022.

**STATE OF NEBRASKA, KELLY
LAMMERS, as Director of the
Nebraska Department of Banking
and Finance, Plaintiff.**

By: DOUGLAS J. PETERSON, #18146
Attorney General

By: /s/ Erik W. Fern
Erik W. Fern, #23733
Assistant Attorney General

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Attorneys for State of Nebraska

PRAECIPE FOR SUMMONS

Please issue summons, to be served by Lancaster County Sheriff, along with a copy of the Complaint to:

Jesse Hill
8600 Martell Road
Hickman, Nebraska 68372

Outlier Fund GP, LLC
c/o Jesse Hill, Registered Agent
8600 Martell Road
Hickman, Nebraska 68372

Tabitha Hill
8600 Martell Road
Hickman, Nebraska 68372

Outlier Fund I, LP
c/o Jesse Hill, RA for Partner
8600 Martell Road
Hickman, Nebraska 68372

First SOJO Capital Group, LLC
c/o Jesse Hill, Registered Agent
8600 Martell Road
Hickman, Nebraska 68372

Outlier Fund II, LP
c/o Jesse Hill, RA for Partner
8600 Martell Road
Hickman, Nebraska 68372

JT Equity Trading, LLC
c/o Jesse Hill, Registered Agent
8600 Martell Road
Hickman, Nebraska 68372

Or wherever they may be found within the county.

Dated this 28th day of December 2022.

By: /s/ Erik W. Fern
Erik W. Fern, #23733
Assistant Attorney General