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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
OF THE STATE OF CALIFORNIA

In the Matter of:

THE COMMISSIONER OF FINANCIAL  
PROTECTION AND INNOVATION,

Complainant,

v.

C-QUADRANT, LLC;  
GPA ENTERPRISES, LLC;  
GREEN BUD INITIATIVES, LLC, also known  
as GBI MARKETING;  
JEREMY TAYLOR JOHNSON;  
ANTHONY TODD JOHNSON; and  
MICHAEL GREGORY

Respondents.

STATEMENT IN SUPPORT OF ORDER  
LEVYING ADMINISTRATIVE PENALTIES  
AND CLAIM FOR ANCILLARY RELIEF

Christopher Schultz, the Acting Commissioner of the Department of Financial Protection and Innovation (Department) brings this action in the public interest and alleges and charges as follows:

**I.**

**STATEMENT OF FACTS**

1. At all relevant times, C-Quadrant, LLC (C-Quadrant), a limited liability company formed in California on January 3, 2018, maintained principal places of business at 3443 South

1 Sheffield Road, Santa Ana, California 92704, 20800 Spence Road, Salinas, California 93908, and  
2 25600 Encinal Road, Salinas, California 93908.

3 2. At all relevant times, GPA Enterprises, LLC (GPA Enterprises), a limited liability  
4 company formed in California on October 18, 2017, maintained a principal place of business at  
5 43264 Business Park Drive, Suite 105, Temecula, California 92590.

6 3. At all relevant times, Green Bud Initiatives, LLC, also known as GBI Marketing  
7 (Green Bud Initiatives), a limited liability company formed in California on February 1, 2018,  
8 maintained a principal place of business at 43264 Business Park Drive, Suite 105, Temecula,  
9 California 92590.

10 4. At all relevant times, Jeremy Taylor Johnson (Jeremy Johnson) was a control person  
11 and managing member of Green Bud Initiatives, LLC, C-Quadrant, and GPA Enterprises.

12 5. At all relevant times, Anthony Todd Johnson (Todd Johnson) was a control person and  
13 managing member of Green Bud Initiatives, C-Quadrant, and GPA Enterprises.

14 6. At all relevant times, Michael Gregory was a control person, managing member, and  
15 chief executive officer of C-Quadrant.

16 7. C-Quadrant, GPA Enterprises, Green Bud Initiatives, Jeremy Johnson, Todd Johnson,  
17 and Michael Gregory are collectively referred to as Respondents.

18 **Violations of Corporations Code Section 25110**  
19 **(Unqualified, Non-Exempt Offer and Sale of Securities)**

20 8. Beginning in or about January 2018 and continuing until at least January 2019,  
21 Respondents and their agents offered and sold securities, in the form of limited liability company  
22 membership units, promissory notes, and/or investment contracts, in GPA Enterprises and C-  
23 Quadrant.

24 9. Respondents and their agents represented to members of the public that money  
25 invested in GPA Enterprises and C-Quadrant would be part of a common enterprise, where investor  
26 funds would be pooled, and that investors could expect a profit as a result of their investment.  
27 Investors expectation of profits were interwoven with and dependent upon the success of the  
28 managing members of both GPA Enterprises and C-Quadrant.

1           10.     The purported purpose of the securities offering in GPA Enterprises and C-Quadrant  
2 was to raise money from members of the public to operate a Cannabidiol (CBD) extraction business  
3 under the name C-Quadrant, located in Salinas, California.

4           11.     The securities in GPA Enterprises and C-Quadrant were offered or sold in this state in  
5 issuer transactions. The Department of Financial Protection and Innovation has not issued a permit or  
6 other form of qualification authorizing any person to offer or sell these securities in this state.

7           12.     Through general solicitations, in the form of telephone cold-calls, advertising on the  
8 Internet, and an investor recruitment network, Respondents and their agents offered and sold  
9 securities to investors and potential investors.

10          13.     Jeremy and Todd Johnson purchased lead lists and supervised an in-house sales team  
11 that cold-called prospective investors for the offerings in GPA Enterprises and C-Quadrant.

12          14.     Jeremy and Todd Johnson also solicited potential investors online using Green Bud  
13 Initiative's website, among other Internet sites.

14          15.     Respondents had no substantive, pre-existing business or personal relationship with  
15 investors or potential investors who were offered and sold securities.

16          16.     Jeremy and Todd Johnson personally communicated with prospective investors about  
17 the offerings, including during telephone calls and tours of C-Quadrant's CBD extraction facility.

18          17.     Michael Gregory also led tours of C-Quadrant's CBD extraction facility for  
19 prospective investors.

20          18.     Solicitation materials sent to prospective investors included private placement  
21 memoranda with questionnaires regarding whether potential investors were "accredited," as defined  
22 by federal Regulation D, Rule 501. But Jeremy Johnson, Todd Johnson, and Michael Gregory did not  
23 take any steps to verify the accreditation status of potential investors or that all purchasers were, in  
24 fact, accredited.

25          19.     Based on the records of GPA Enterprises that are available to the Department, at least  
26 26 non-accredited investors invested in the GPA Enterprises offering, which invested in C-Quadrant.

27          20.     Additionally, GPA Enterprises, which invested in C-Quadrant, was non-accredited as  
28 GPA Enterprises was formed for the sole purpose of investing in C-Quadrant and not all of the

1 investors in GPA Enterprises were accredited investors.

2 21. None of the investors or prospective investors in GPA Enterprises or C-Quadrant,  
3 prior to the sale of the securities, were furnished with audited financial statements of the issuer.

4 22. Solicitation materials, such as private placement memoranda, for the securities  
5 offerings represented that the securities had not be registered, or qualified, under federal securities  
6 laws or California's Corporate Securities Law of 1968 (Corporations Code section 25000 et seq.)  
7 (CSL), and were being offered in reliance on exemptions to the registration and qualification  
8 requirements. Specifically, the solicitation materials represented that the securities were exempt from  
9 the securities registration and qualification requirements pursuant to Regulation D, Rule 506, or  
10 comparable exemptions found in the CSL.

11 23. However, the exemptions found at federal Regulation D, Rule 506 and the comparable  
12 exemptions under the CSL are not available to the securities offerings in GPA Enterprises and C-  
13 Quadrant as a result of the acts and omissions set forth in paragraphs 12-15 and 18-21, above.

14 24. From the unqualified and non-exempt securities offering in GPA Enterprises,  
15 Respondents and their agents sold securities to at least 85 investors residing in California and  
16 elsewhere. Securities were sold to these investors in 86 separate transactions. From the offer and sale  
17 of these securities, Respondents raised at least \$6,810,000.00 from investors.

18 25. From the unqualified and non-exempt securities offering in C-Quadrant, Respondents  
19 and their agents sold securities to at least 38 investors, including GPA Enterprises, residing in  
20 California and elsewhere. Securities were sold to these investors in 40 separate transactions. From the  
21 offer and sale of these securities, Respondents raised at least \$11,818,000.00 from investors.

22 26. On or about February 4, 2019, the Commissioner issued an administrative desist and  
23 refrain order (2019 Desist and Refrain Order) to Jeremy Johnson, Todd Johnson, GPA Enterprises,  
24 Green Bud Initiatives, and others, ordering them to desist and refrain from the further offer or sale of  
25 the securities in violation of Corporations Code section 25110. The 2019 Desist and Refrain Order  
26 was served on the parties named in the order. The parties named in the order, including Jeremy  
27 Johnson, Todd Johnson, GPA Enterprises, and Green Bud Initiatives, did not request a hearing to  
28 challenge the 2019 Desist and Refrain Order. Therefore, the 2019 Desist and Refrain Order is now

1 final.

2 27. Some investors in GPA Enterprises and C-Quadrant received a refund of their  
3 principal investment and other investors have not been refunded despite requesting that their  
4 investments be liquidated and their principal investment be returned.

5 28. Corporations Code section 25110 prohibits the offer or sale of unqualified, non-  
6 exempt securities in issuer transactions in the State of California. The securities offered and sold by  
7 C-Quadrant, GPA Enterprises, Green Bud Initiatives, Jeremy Johnson, Todd Johnson, and Michael  
8 Gregory are subject to qualification under the CSL. These securities were offered or sold in this state  
9 in issuer transactions. The Department has not issued a permit or other form of qualification  
10 authorizing any person to offer or sell these securities in this state. The offer or sale of these securities  
11 is not exempt.

12 **Violations of Corporations Code Section 25401**  
13 **(Misrepresentations and Omissions of Material Facts)**

14 29. Respondents and their agents provided potential investors with solicitation materials,  
15 including private placement memoranda. Also, Respondents and their agents made verbal sales  
16 pitches to investors.

17 30. In connection with the offers and sales of securities, Respondents made, or caused to  
18 be made, misrepresentations of material fact to investors and potential investors, including that:

19 a. Sales commissions for selling securities to investors would only be paid to  
20 registered brokers. When, in facts, sales commissions were paid to unregistered and unlicensed  
21 salespeople. Specifically, the GPA Enterprises and C-Quadrant private placement memoranda  
22 represented that a portion of investor money raised in GPA Enterprises and C-Quadrant could be paid  
23 as “Brokerage Commissions” to brokers registered with the Financial Industry Regulatory Authority  
24 (FINRA). However, investor money was paid as a sales commission to individuals who were not  
25 brokers registered with FINRA. Respondents utilized unregistered brokers to offer and sale securities  
26 in contradiction to statements made to investors and potential investors;

27 b. Jeremy and Todd Johnson would not be paid compensation from investor  
28 funds. However, Jeremy and Todd Johnson were paid compensation from investor funds.

1 Specifically, the GPA Enterprises private placement memoranda represented that “[t]here is no  
2 accrued compensation that is due any member of Management” and that Jeremy and Todd Johnson  
3 would receive a salary of “\$0.00.” Also, the GPA Enterprises private placement memoranda stated  
4 “MANAGING PARTNERS WILL RECEIVE COMPENSATION BASED SOLELY ON  
5 OWNERSHIP OF BUSINESS.” Despite these representations made to investors and potential  
6 investors, Jeremy and Todd Johnson transferred over \$1 million in funds to themselves and others as  
7 compensation;

8 c. Money invested in GPA Enterprises, which would be fed into C-Quadrant,  
9 would be placed in an escrow account, established by C-Quadrant, for the protection of investor  
10 money until a minimum amount of money was raised from investors. However, C-Quadrant did not  
11 establish an escrow account and therefore money invested in GPA Enterprises was not placed in an  
12 escrow account. The GPA Enterprises private placement memoranda stated “C-Quadrant, LLC has  
13 established an Investment Holding Account . . . into which the minimum offering proceeds will be  
14 placed. At least 10 of [GPA Enterprise’s] Units must be sold for \$500,000 before such proceeds will  
15 be released from the escrow account and utilized by C-Quadrant.” Despite these representations made  
16 to investors and potential investors, C-Quadrant did not establish an escrow account to hold investor  
17 funds.

18 d. C-Quadrant had a business or research relationship with a prominent university  
19 in California. In fact, there was no business or research relationship between C-Quadrant and the  
20 California university. For example, a video provided to investors and potential investors stated: “We  
21 have a group of [California university] medical scientists and doctors that are going to be renting . . .  
22 a portion of the space in our facility to develop a case study . . . They want to be near our technology.  
23 They need our technology to get the job done . . . And they would like to share brain science with us  
24 and kind of collaborate on some of the findings.” Despite these representations made to investors and  
25 potential investors, C-Quadrant did not have a business or research relationship with the California  
26 university.

27 e. Michael Gregory, a managing member and chief executive officer of C-  
28 Quadrant, had a masters in business administration, also known as an MBA. In fact, Michael Gregory

1 did not have an MBA.

2 f. In communications with investors and potential investors, it was represented  
3 that C-Quadrant owned the property where its CBD extraction facility was to be located. But Michael  
4 Gregory and Jeremy and Todd Johnson failed to disclose that they had collateralized C-Quadrant's  
5 property and that Michael Gregory had used the loan proceeds to pay off investors in an unrelated  
6 entity. Further, in or about December 2018 and February 2019, Michael Gregory prepared investor  
7 updates reporting that C-Quadrant entered into a "business loan" to facilitate C-Quadrant's  
8 development. When, in fact, Michael Gregory had used some loan proceeds to pay off investors in an  
9 entity that was unrelated to C-Quadrant.

10 g. Michael Gregory made a capital contribution of \$500,000.00 to C-Quadrant. In  
11 fact, Michael Gregory did not make such a capital contribution. For example, C-Quadrant's original  
12 operating agreement, which was written by Michael Gregory, and distributed to investors and  
13 potential investors, represented that Michael Gregory made a \$500,000.00 capital contribution to C-  
14 Quadrant. Despite this representation made to investors and potential investors, Michael Gregory had  
15 not made a \$500,000.00 capital contribution to C-Quadrant.

16 31. In connection with the offers and sales of securities, Respondents made, or caused to  
17 be made, omissions of material fact to investors and potential investors, including that:

18 a. Money invested in C-Quadrant would be loaned by C-Quadrant to unrelated  
19 entities and used to pay investors in those unrelated entities. Once the unrelated entities obtained  
20 sufficient funds, the entities repaid the loan made by C-Quadrant. Investors and potential investors in  
21 GPA Enterprises and C-Quadrant were told that their investment funds would be used to operate the  
22 C-Quadrant CBD extraction business. It was not disclosed to investors and potential investors in  
23 GPA Enterprises and C-Quadrant that their investment funds would be used for the purpose of  
24 loaning money to unrelated entities so that those entities could pay their investors.

25 b. The private placement memoranda for GPA and C-Quadrant contained  
26 glowing biographies of Jeremy Johnson but failed to disclose that he had filed for Bankruptcy in  
27 2012 under Chapter 7 of the Bankruptcy Code. For example, the private placement memoranda  
28 described Jeremy Johnson as a "highly skilled sales leaders and entrepreneur" and a "seasoned expert

1 running profitable call centers and internet start-ups.” Despite providing these descriptions in a  
2 biography, Jeremy Johnson’s 2012 bankruptcy was not disclosed.

3 32. CSL section 25401 prohibits the offer or sale of securities in this state by means of  
4 written or oral communications that include untrue statements of material fact or omit materials facts  
5 necessary in order to make the statements made, in light of the circumstances under which they were  
6 made, not misleading. The omissions and misrepresentations of Respondents are material facts  
7 necessary in order to make the statements made, in the light of the circumstances under which they  
8 were made, not misleading.

9 **Corporations Code Section 25403**

10 **(Inducement or Substantial Assistance in Violation of the CSL)**

11 33. Jeremy and Todd Johnson, directly and indirectly exercised day-to-day control over  
12 GPA Enterprises, and, directly and indirectly, controlled and conducted the securities offering of  
13 GPA Enterprises for the stated purpose of raising investor funds to invest in C-Quadrant’s CBD  
14 extraction facility.

15 34. Jeremy and Todd Johnson, together with Michael Gregory, directly and indirectly  
16 exercised day-to-day control over C-Quadrant, and, directly and indirectly, controlled and conducted  
17 the securities offerings in C-Quadrant for the stated purpose of raising investor funds to invest in C-  
18 Quadrant’s CBD extraction facility.

19 35. Jeremy Johnson was responsible for approving C-Quadrant’s private placement  
20 memoranda which was distributed to investors and potential investors.

21 36. Both Todd Johnson and Michael Gregory reviewed and approved C-Quadrant’s  
22 private placement memoranda.

23 37. Jeremy Johnson prepared and approved the GPA Enterprises private placement  
24 memoranda.

25 38. The private placement memoranda for C-Quadrant and GPA Enterprises were created  
26 and used for the purpose of soliciting investors.

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1 39. The private placement memoranda for each offering stated that the business of GPA  
2 Enterprises and C-Quadrant would be substantially dependent on the management teams of both the  
3 issuer company or C-Quadrant’s extraction facility.

4 40. As stated above, Jeremy and Todd Johnson purchased lead lists and supervised an in-  
5 house sales team that cold-called prospective investors for the offerings in GPA Enterprises and C-  
6 Quadrant.

7 41. Also, as stated above, Michael Gregory and Jeremy and Todd Johnson personally  
8 communicated with investors and prospective investors.

9 42. Pursuant to section 25403 of the CSL, any person who controls or induces another  
10 person to violate a provision of the CSL, or any person who provides substantial assistance to another  
11 person in violation of the CSL, shall be liable for the violations.

12 **II.**

13 **ORDER LEVYING ADMINISTRATIVE PENALTIES**

14 **(For Violations of Corporations Code Sections 25110 and 25401)**

15 43. Complainant re-alleges and incorporates by reference paragraphs 1 to 43 of this  
16 Statement in Support as though fully set forth herein.

17 44. CSL section 25252 authorizes the Commissioner to issue an order levying  
18 administrative penalties against any person for willful violations of any provision of this division.  
19 Specifically, CSL section 25252 provides, in relevant part:

20 The commissioner may, after appropriate notice and opportunity for hearing, by  
21 orders, levy administrative penalties as follows:

22 (a) Any person subject to this division, other than a broker-dealer or investment  
23 adviser, who willfully violates any provision of this division . . . is liable for  
24 administrative penalties of not more than one thousand dollars (\$1,000) for the first  
25 violation, and not more than two thousand five hundred dollars (\$2,500) for each  
subsequent violation.

26 (Corp. Code, § 25252, subd. (a).)

27 45. Based on the foregoing findings of acts, as set forth fully above in paragraphs 1 to 43,  
28 Respondents willfully violated the following provisions:

1 a. CSL section 25110, by offering and selling securities to at least 123 investors  
2 residing in California and elsewhere, in at least 126 transactions.

3 b. CSL section 25401 by making untrue statements or omissions in the offer and  
4 sale of securities to at least 123 investors residing in California and elsewhere, in at least 126  
5 transactions.

6 WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252, the  
7 Commissioner prays for an order levying administrative penalties, individually, jointly and severally,  
8 against Respondents, as follows:

9 a. That pursuant to Corporations Code section 25252, the Commissioner levy  
10 administrative penalties of \$1,000.00 for the first violation of Corporations Code section 25110 and  
11 \$2,500.00 for each subsequent violation, as listed below, for a total amount of \$313,500.00 or  
12 according to proof:

- 13 i. First violation: \$1,000.00 for the first sale of a security; and
- 14 ii. Additional violations: \$2,500.00 for the remaining 125 sales of  
15 securities.

16 b. That pursuant to Corporations Code section 25252, the Commissioner levy  
17 administrative penalties of \$1,000.00 for the first violation of Corporations Code section 25401 and  
18 \$2,500.00 for each subsequent violations, as listed below, for a total amount of \$2,833,500.00, or  
19 according to proof:

- 20 i. First violation of \$1,000.00 for the misrepresentation in paragraph 30a;
- 21 ii. Additional violations:
  - 22 A. \$2,500.00 for the misrepresentation in paragraph 30a, made in  
23 the 125 remaining transactions;
  - 24 B. \$2,500.00 for the misrepresentation in paragraph 30b, made in  
25 the 126 transactions;
  - 26 C. \$2,500.00 for the misrepresentation in paragraph 30c, made in  
27 the 126 transactions;

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- 1 D. \$2,500.00 for the misrepresentation in paragraph 30d, made in
- 2 the 126 transactions;
- 3 E. \$2,500.00 for the misrepresentation in paragraph 30e, made in
- 4 the 126 transactions;
- 5 F. \$2,500.00 for the misrepresentation in paragraph 30f, made in
- 6 the 126 transactions;
- 7 G. \$2,500.00 for the misrepresentation in paragraph 30g, made in
- 8 the 126 transactions;
- 9 H. \$2,500.00 for the omission in paragraph 31a, made in the 126
- 10 transactions; and
- 11 I. \$2,500.00 for the omission in paragraph 31b, made in the 126
- 12 transactions.

13 The total amount of administrative penalties for violations of CSL sections 25110 and 25401 is  
14 \$3,147,000.00, or according to proof.

15 **III.**

16 **CLAIM FOR ANCILLARY RELIEF**

17 **(For Violations of Corporations Code Sections 25110 and 25401)**

18 46. Complainant re-alleges and incorporates by reference paragraphs 1 to 43 of this  
19 Statement in Support as though fully set forth herein.

20 47. Corporations Code section 25532 authorizes the Commissioner to seek ancillary  
21 relief for violations of any provision of the CSL. Corporations Code section 25532 states:

22 (e) If the commissioner determines it is in the public interest, the commissioner may  
23 include in any administrative action brought under this division a claim for ancillary  
24 relief, including, but not limited to, a claim for restitution or disgorgement or  
25 damages on behalf of the persons injured by the act or practice constituting the  
subject matter of the action, and the administrative law judge shall have jurisdiction  
to award additional relief.

26 (Corp Code, § 25532, subd. (e).)

27 48. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1 to  
28 43, Respondents sold unqualified, non-exempt securities in an amount of at least \$18,628,000.00,

1 and made numerous material misrepresentations and omissions of fact, to at least 123 investors, in  
2 at least 126 transactions, in violation of Corporations Code sections 25110 and 25401.

3 49. Based on information available to the Department, it does not appear that all investor  
4 funds have been returned.

5 WHEREFORE, good cause showing, and the Commissioner having determined that this  
6 action is in the public interest, for the protection of investors and consistent with the purposes,  
7 policies, and provisions of the CSL, based on numerous violations described above, the  
8 Commissioner hereby prays for an order of ancillary relief pursuant to Corporation Code section  
9 25254, individually, jointly and severally against Respondents for restitution and/or disgorgement,  
10 consisting of the investors' principal investment in an amount of at least \$18,628,000.00 and legal  
11 interest accumulated on the investment principal, or according to proof.

12 Dated: November 15, 2021

CHRISTOPHER SCHULTZ  
Acting Commissioner  
Department of Financial Protection and Innovation

By \_\_\_\_\_  
ALEXANDER M. CALERO  
Senior Counsel

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