

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

In the Matter of:

Case No. S-19-0086

GABRIEL JOHNSON AND
C2SQUARED INC.,

Respondents.

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

On February 20, 2020, the Director of the Department of Consumer and Business Services for the State of Oregon (“Director”), by and through the Division of Financial Regulation (“Division”), issued Notice of Administrative Order S-19-0086 (“Notice”) against Gabriel Johnson (“Johnson”) and C2Squared Inc. (“C2Squared”) (collectively, “Respondents”). The Notice provided notice that the Director issued an order to cease and desist, proposed to deny the use of exemptions, and proposed to assess civil penalties for violations of Oregon Revised Statutes (“ORS”) 59.005 to 59.505, 59.991 and 59.995 (the “Oregon Securities Law”) and the Oregon Administrative Rules (“OAR”) promulgated under those laws.

On February 21, 2020, the Division served the Notice on Respondents at C2squared’s address as registered with the Oregon Secretary of State: Gabriel Johnson, 1330 SW 3rd Ave #1204, Portland, Oregon 97201. On March 16, 2020, the Division served the Notice on Respondent Johnson in hand at the Washington County Courthouse, 145 NE 2nd Avenue, Hillsboro, Oregon 97124.

The Notice offered Respondents an opportunity for a hearing if requested within 20 days of service of the Notice. The Notice further informed Respondents that if a hearing were not conducted because Respondents did not timely request a hearing or otherwise defaulted, then the designated portion of the Division’s file and all materials submitted by Respondents in this case would automatically become part of the contested case record for

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1 the purpose of proving a prima facie case.

2 The Director did not receive from Respondents a request for a hearing and did not
3 conduct a hearing. The Director finds that the record in this proceeding proves a prima
4 facie case.

5 Now, therefore, after considering the relevant portions of the Division's file relating
6 to this matter, the Director finds and orders as follows.

7 **FINDINGS OF FACT**

8 The Director FINDS that:

9 1. On or about March 26, 2018, Respondent Johnson registered Respondent
10 C2Squared Inc. as a Domestic Business Corporation with the Oregon Secretary of State.¹
11 Johnson filed Articles of Incorporation in which he identified himself as the registered
12 agent and sole person forming C2Squared. The Articles of Incorporation indicated that
13 C2Squared had 100 shares of common stock.

14 2. At all relevant times, Johnson has been the sole individual operating
15 C2Squared.

16 **Investor TD**

17 3. In or about the fall of 2018, Johnson spoke to an individual identified herein as
18 TD.

19 4. Johnson informed TD that his company C2Squared provided television
20 streaming services to its customers. Johnson stated that he had approximately 400-500
21 active subscribed customers who paid monthly subscription fees. Johnson indicated that he
22 was seeking investors to help cover operating costs and who would be provided an
23 ownership interest in the company in exchange for their investments.

24 _____
25 ¹ The Secretary of State administratively dissolved C2Squared on May 23, 2019. ON March 11, 2020,
26 C2Squared, through Johnson, filed a Reinstatement Amendment with the Secretary of State and requested to be an active entity. On that filing, Johnson indicated his mailing address, which he also used as a registered agent of C2Squared, was 1330 SW 3rd Ave #1204, Portland, Oregon, the same address the Division served the Notice.





1 5. TD requested to view the company’s financial statements. Johnson promised to
2 provide the same immediately following TD’s investment.

3 6. On December 5, 2018, TD entered into a written contract with C2Squared (the
4 “Business Sale Agreement”), which Johnson and TD each signed.

5 7. Under the terms of the Business Sale Agreement, C2Squared agreed to sell TD
6 “10% of the shares” of the company for \$20,000. The Business Sale Agreement indicated
7 that TD could request access to company documents, including financial documents, and
8 that the company would permit him to inspect the same. Exhibit A to the Business Sale
9 Agreement permitted TD to pay his investment by cash or labor.

10 8. On December 7, 2018, TD invested \$10,000 in C2Squared. Johnson informed
11 TD that he held a 15% interest (rather than a 10% interest) in the company and that he
12 could serve as the company’s Chief Financial Officer (“CFO”). Reflecting this, Johnson
13 sent TD a certificate of Common Stock dated December 11, 2018, indicating that TD is the
14 registered holder of fifteen (15) shares of common stock, representing a 15% interest in the
15 company. Johnson also provided TD with a company email address.

16 9. Respondents never provided TD with any of the company’s financial
17 statements.

18 10. Although Johnson informed TD that TD was CFO of C2Squared, TD was
19 provided with no meaningful control, management, responsibility, decision-making
20 authority, or other official duties as CFO. Respondents filed no documents with the
21 Secretary of State to indicate TD held any position with C2Squared. However, TD was
22 permitted to view Respondents’ bank account. TD could not move money or otherwise
23 make any changes to the bank account.

24 11. When TD viewed Respondents’ bank account, he was able to determine that
25 C2Squared had approximately 50-70 clients, much less than the 400-500 paying
26 subscribers that Johnson represented prior to TD’s investment.



1 12. When TD confronted Johnson with this information, Johnson became upset and
2 “demoted” TD from CFO, the practical effect of which was to remove TD’s ability to view
3 Respondents’ bank account and to delete TD’s company email address.

4 13. Respondent promised but failed to make any interest, dividend, or principal
5 payments to TD.

6 14. Instead of using TD’s investment as promised to develop, operate, or improve
7 the business enterprise of C2Squared, Johnson deposited TD’s investment into his personal
8 bank account, commingled that investment with his personal funds, and used the
9 investment for personal expenses.

10 **Investor GF**

11 15. In or about November 2018, Johnson discussed the opportunity to invest in
12 C2Squared with an individual Oregon resident identified herein as GF.

13 16. Following that discussion, GF invested \$1,080 in C2Squared and provided
14 those funds to Johnson.

15 17. On November 2, 2018, GF invested an additional \$5,920 in C2Squared. GF
16 made out the investment check as payable to “C2 Squared, Inc.” The memo line of the
17 check indicated that it was for “10% C2 Squared Co. share” and also noted the previous
18 investment of \$1,080, for a total investment of \$7,000 by GF.

19 18. In exchange for the \$7,000 investment, Johnson agreed that GF would receive
20 a 10% interest in C2Squared.

21 19. On November 3, 2018, Johnson signed and deposited the check and added the
22 instructions: “Pay to the order of Gabriel Johnson.”

23 20. On December 11, 2018, Johnson signed a certificate of common stock that
24 indicated GF is the registered holder of 10 shares of common stock of C2Squared,
25 representing a 10% interest in the company. Johnson signed the stock certificate as
26 “President & CEO” of C2Squared.

1 21. Johnson told GF that Johnson would provide GF, as a shareholder, updates
2 regarding C2Squared's business activities and financial statements. Johnson also promised
3 the payment of regular dividend payments.

4 22. Johnson further agreed that GF's investment would convert from an investment
5 in C2Squared into a personal loan of Johnson payable to GF in the event that C2Squared
6 failed to pay dividends and return the principal investment to GF within a 2-year period.

7 23. Respondents promised but failed to make any interest, dividend, or principal
8 payments to GF.

9 24. At no time did Respondents provide GF the promised updates regarding
10 C2Squared's business activities or financial statements.

11 25. Instead of using GF's investment as promised to develop, operate, or improve
12 the business enterprise of C2Squared, Johnson deposited GF's investment into his personal
13 bank account, commingled that investment with his personal funds, and used the
14 investment for personal expenses.

15 **The Division's investigation**

16 26. On or about April 17, 2019, a Consumer Advocate with the Division sent a
17 letter to Johnson via certified mail. The Consumer Advocate requested a reply from
18 Johnson. On April 19, 2019, Johnson received the letter and signed the certified mailing
19 receipt.

20 27. On May 14, 2019, the Division Consumer Advocate sent an email to Johnson
21 and requested a response. After receiving no response, the Consumer Advocate sent
22 another email on June 6, 2019.

23 28. On June 6, 2019, Johnson acknowledged receipt of the emails and stated that
24 he would put together a response by June 10, 2019.

25 29. Respondents never submitted a response to the Division's inquiry.

26 30. On July 5, 2019, a Division Investigator issued a subpoena to C2Squared to

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1 request the production of specified documents.

2 31. On July 8, 2019, the Division Investigator emailed Johnson to provide a copy
3 of the subpoena and requested a response. Johnson replied that same day via email and
4 provided an alternative email address for communication.

5 32. On August 5, 2019, Johnson emailed the Division Investigator to state that he
6 had nearly finished assembling his response to the subpoena and that he would be done
7 that night.

8 33. Respondents never responded to the Division’s subpoena.

9 34. At no time was Johnson licensed as a salesperson under the Oregon Securities
10 Law.

11 35. At no time did Respondents register any securities with the Division.

12 **CONCLUSIONS OF LAW**

13 The Director CONCLUDES that:

14 36. Under ORS 59.015(19)(a), “security” means a note, stock, evidence of
15 indebtedness, investment contract, or, in general, any interest or instrument commonly
16 known as a “security.”

17 37. The investments made by TD and GF in C2Squared constitute securities under
18 ORS 59.015(19)(a), as those investments reflect a stock ownership and are instruments
19 commonly known as securities. The investments of TD and GF are also securities under
20 ORS 59.015(19)(a) because those investments constitute: investment contracts, as those
21 individuals invested money with the expectation of profits from the efforts of Respondents;
22 notes, as Respondents agreed to repay the principal plus interest to TD and GF; and
23 evidence of indebtedness, as Respondents acknowledged receipt of payments from TD and
24 GF and owing them principal and interest/dividend payments and, with respect to GF,
25 Johnson agreed to convert GF’s investment into a personal loan if such payments were not
26 made.

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1 38. Under ORS 59.055, it is unlawful for any person to offer or sell any security in
2 this state unless the security is registered, the security is exempt from registration, or the
3 security is a federal covered security.

4 39. By selling TD and GF securities that were not registered or exempt from
5 registration and that were not federal covered securities, Respondents violated ORS
6 59.055.

7 40. Under ORS 59.015(18)(a), “salesperson” means a person, other than a broker-
8 dealer, who represents or purports to represent a broker-dealer, issuer, or owner of
9 securities in effecting or attempting to effect in any manner transactions in securities.

10 41. Johnson acted as a “salesperson” when he sold the foregoing securities to
11 investors TD and GF while purporting to represent the issuer C2Squared under ORS
12 59.015(18)(a).

13 42. Under ORS 59.165(1), it is unlawful for any person to transact business in this
14 state as a salesperson unless the person is licensed under the Oregon Securities Law.

15 43. By transacting business in this state as a salesperson without being licensed
16 under the Oregon Securities Law, Johnson violated ORS 59.165(1).

17 44. Under ORS 165(3), it is unlawful for a broker-dealer or issuer or owner of
18 securities to employ a salesperson to act in this state unless the salesperson is licensed
19 under the Oregon Securities Law to the broker-dealer or issuer or owner of securities.

20 45. By employing Johnson as a salesperson without being licensed under the
21 Oregon Securities Law, C2Squared violated ORS 59.165(3).

22 46. Under ORS 59.135(2), it is unlawful for any person, directly or indirectly, in
23 connection with the purchase or sale of any security to make any untrue statement of a
24 material fact or to omit to state a material fact necessary in order to make the statements
25 made, in the light of the circumstances under which they are made, not misleading.

26 47. Respondents made untrue statements of a material fact in connection with the

1 purchase or sale of the foregoing securities by: (a) representing to investor TD that
2 C2Squared had approximately 400-500 active subscribed customers when in fact it had
3 approximately 50-70 subscribers; (b) promising and failing to deliver regular
4 dividend/interest payments in connection with TD and GF's investments; (c) promising
5 and failing to deliver regular business updates and financial records for C2Squared to TD
6 and GF; (d) and using the investments of TD and GF for personal expenses rather than
7 proper business purposes as promised. These untrue statements of material facts constitute
8 violations of ORS 59.135(2).

9 48. Under ORS 59.315(1), for the purpose of an investigation or proceeding under
10 the Oregon Securities Law, the Director may administer oaths and affirmations, subpoena
11 witnesses, compel their attendance, take evidence, and require the production of books,
12 papers, correspondence, memoranda, agreements or other documents or records which the
13 director deems relevant or material to the inquiry.

14 49. Under ORS 59.245(1), the Director may make such public or private
15 investigations within or outside this state as the Director deems necessary to determine
16 whether a person has violated or is about to violate any provision of the Oregon Securities
17 Law or any rule or order of the director, or to aid in the enforcement of the Oregon
18 Securities Law or in the formulation of rules and forms thereunder. Under ORS 59.245(2),
19 the Director may require or permit a person to file a statement in writing, under oath or
20 otherwise as the director determines, as to all the facts and circumstances concerning the
21 matter to be investigated.

22 50. Because Respondents failed to respond to the Division Consumer Advocate's
23 inquiries of April 17, May 14, and June 6, 2019, as well as the Division Investigator's
24 subpoena of July 5, 2019, despite acknowledging receipt of each, Respondents violated
25 ORS 59.315(1) and ORS 59.245(2).

26 51. Under ORS 59.245(4), if the Director has reason to believe that any person has

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1 engaged, is engaging, or is about to engage in any violation of the Oregon Securities Law,
2 the Director may issue an order, subject to ORS 59.295, directed to the person to cease and
3 desist from the violation or threatened violation.

4 52. Because the Director has reason to believe that Respondents violated ORS
5 59.055, 59.135(2), and 59.165(1), the Director may issue an order directed to Respondents
6 to cease and desist from that violation pursuant to ORS 59.245(4).

7 53. Under ORS 59.995(1)(a), any person who violates or who procures, aids, or
8 abets the violation of ORS 59.005 to 59.505, 59.710 to 59.830, 59.991 and 59.995, or any
9 rule or order of the Director shall be subject to a penalty of not more than \$20,000 for every
10 violation, which shall be paid to the General Fund of the State Treasury.

11 54. Because Respondents violated ORS 59.055, 59.135(3), and 59.165(3),
12 Respondents are subject to a penalty of not more than \$20,000 for each of those violations
13 pursuant to ORS 59.995(1)(a).

14 55. Under ORS 59.045(2), the Director may by order withdraw, condition, or deny
15 the use of any exemption by a person if the Director has reason to believe that the person
16 has engaged in or is about to engage in an act or practice constituting a violation of the
17 Oregon Securities Law or that the use of any exemption by that person would work a fraud
18 or imposition on purchasers.

19 56. Because the Director has reason to believe that Respondents have engaged in
20 the foregoing acts or practices that constitute violations of the Oregon Securities Law and
21 the use of exemptions by Respondents would work a fraud or imposition on purchasers,
22 the Director may deny Respondents the use of exemptions set forth in ORS 59.025 and
23 ORS 59.035, pursuant to ORS 59.045(2).

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ORDERS

The Director ISSUES the following ORDERS:

Order to Cease and Desist

57. Pursuant to ORS 59.245(4), the Director hereby ORDERS Respondents, and all entities owned or controlled by Respondents, their successors and assignees, to CEASE AND DESIST from violating ORS 59.055, 59.135(2), 59.165(1), ORS 59.315(1), and ORS 59.245(2), or any administrative rule adopted by the Director under those statutes.

Order Assessing Civil Penalties

58. Pursuant to the authority of ORS 59.995(1), the Director hereby ORDERS the assessment of \$80,000 in civil penalties against Respondents, jointly and severally, as follows:

- A. \$10,000 for failing to register securities, in violation of ORS 59.055;
- B. \$10,000 for Johnson transacting business as a securities salesperson without being licensed and for C2Squared employing Johnson as a salesperson without being licensed, in violation of ORS 59.165(1) and ORS 59.165(3), respectively;
- C. \$40,000 for making untrue statements of material fact, as described in Paragraphs 44 and 45, in violation of ORS 59.135(2); and
- D. \$20,000 for failing to respond to the Division’s investigation inquiries and subpoena, in violation of ORS 59.315(1) and ORS 59.245(2).

Order Denying Use of Exemptions

59. Pursuant to ORS 59.045(2), the Director hereby ORDERS to deny Respondents, and all entities owned or controlled by Respondents, their successors and assignees, the use of securities and transactions exemptions that would otherwise be available under ORS 59.025 and ORS 59.035.

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FINAL ORDER

60. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that provision, the entry of this Order does not limit other remedies that are available to the Director under Oregon law.

IT IS SO ORDERED.

Dated this 27th day of April, 2020.

ANDREW R. STOLFI, Acting Director
Department of Consumer and Business Services

/s/Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

NOTICE OF RIGHT TO JUDICIAL APPEAL

Judicial review of final orders in contested cases is governed by ORS 183.482. Respondent may request judicial review by filing a petition with the Court of Appeals in Salem, Oregon, within 60 days from the date this order is served. Note that under ORS 59.295(2), in the absence of a timely demand for a hearing, no person shall be entitled to judicial review of the order.

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