

COPY

1 XAVIER BECERRA
Attorney General of California
2 TANIA M. IBANEZ
Senior Assistant Attorney General
3 ELIZABETH S. KIM
Supervising Deputy Attorney General
4 JULIANNE MOSSLER
Deputy Attorney General
5 State Bar No. 243749
455 Golden Gate Avenue, Suite 11000
6 San Francisco, CA 94102-7004
Telephone: (415) 703-5746
7 Fax: (415) 703-5480
E-mail: Julianne.Mossler@doj.ca.gov
8 Attorneys for the People of the State of California

Exempt from Filing and Reporter
Fees -- Gov. Code § 6103

ENDORSED
FILED
ALAMEDA COUNTY

APR 17 2017

CLERK OF THE SUPERIOR COURT



9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 IN AND FOR THE COUNTY OF ALAMEDA

11 **RG 17856929**

12 PEOPLE OF THE STATE OF CALIFORNIA,
13
14 Plaintiffs,
15
16 v.
17
18 WOUNDED WARRIORS SUPPORT GROUP, A
CALIFORNIA NONPROFIT PUBLIC BENEFIT
CORPORATION; CENTRAL COAST EQUINE
19 RESCUE AND RETIREMENT, A CALIFORNIA
NONPROFIT PUBLIC BENEFIT CORPORATION;
MATTHEW G. GREGORY, INDIVIDUALLY AND
AS A DIRECTOR AND OFFICER OF WOUNDED
20 WARRIORS SUPPORT GROUP AND CENTRAL
COAST EQUINE RESCUE AND RETIREMENT;
DANELLA J. GREGORY, INDIVIDUALLY AND AS
A DIRECTOR AND OFFICER OF WOUNDED
21 WARRIORS SUPPORT GROUP AND CENTRAL
COAST EQUINE RESCUE AND RETIREMENT;
22 MATTHEW J. GREGORY, INDIVIDUALLY AND
AS A DIRECTOR AND OFFICER OF WOUNDED
23 WARRIORS SUPPORT GROUP AND CENTRAL
COAST EQUINE RESCUE AND RETIREMENT;
24 GINA D. GREGORY, INDIVIDUALLY;
GREGORY MOTORSPORTS; AND DOES 1
25 THROUGH 100, INCLUSIVE,

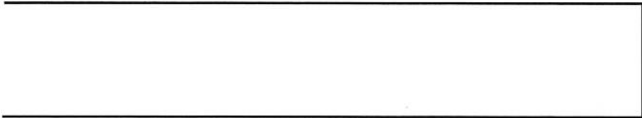
Case No.

**COMPLAINT FOR APPOINTMENT OF
A RECEIVER, INVOLUNTARY
DISSOLUTION, PERMANENT
INJUNCTION, DAMAGES, AND
PENALTIES**

- (1) APPOINTMENT OF A RECEIVER AND INVOLUNTARY DISSOLUTION (CORP. CODE, §§ 6510, 6511)
- (2) BREACH OF FIDUCIARY DUTY (BUS. & PROF. CODE, §17510.8; CORP. CODE, §§ 5231, 6215, 6320)
- (3) AIDING AND ABETTING A BREACH OF FIDUCIARY DUTY (GOV. CODE, § 12596)
- (4) DECEPTIVE AND MISLEADING SOLICITATIONS (BUS. & PROF. CODE, § 17510.8; CORP. CODE, § 6215; GOV. CODE, § 12599.6)
- (5) BREACH OF FIDUCIARY RELATIONSHIP (BUS. & PROF. CODE, § 17510.8)
- (6) SELF DEALING (CORP. CODE, § 5233)
- (7) UNJUST ENRICHMENT (CIV. CODE, § 2224)
- (8) OPERATION OF AN ILLEGAL RAFFLE (PEN. CODE, § 320.5)
- (9) FAILING TO COMPLY WITH

26 Defendants.

BY FAX



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Plaintiffs, the People of the State of California, file this Complaint, and complain and allege as follows:

PARTIES

1. Plaintiffs, the People of the State of California (People), are the true beneficiaries of the assets held by Wounded Warrior Support Group (WWSG) and Central Coast Equine Rescue and Retirement (CCERR), and include members of the class of charitable beneficiaries of WWSG and CCERR.

2. The Attorney General, Xavier Becerra, who brings this action on behalf of the People, is the Attorney General of the State of California, and has the primary responsibility for supervising charitable trusts, “for ensuring compliance with trusts and articles of incorporation, and for protecting assets held by charitable trusts and public benefit corporations.” (Gov. Code, § 12598.) The Attorney General may bring charitable trust enforcement actions under the provisions of the Supervision of Trustees and Fundraisers for Charitable Purposes Act (Gov. Code, § 12580 et seq.), the Nonprofit Corporation Law (Corp. Code, § 5000 et seq.), those provisions of the Business and Professions Code that prohibit unlawful, unfair, and fraudulent business practices (Bus. & Prof. Code, § 17200 et seq., and § 17510 et seq.), and Penal Code provisions on nonprofit raffles (Pen. Code, § 319 et seq.). Additionally, the Attorney General is entitled to recover all reasonable fees and actual costs incurred in this charitable trust enforcement action as set forth in section 12598, subdivision (b) of the Government Code, to be used for the Attorney General’s charitable trust enforcement responsibilities. (Gov. Code, § 12586.2.)

3. Defendant Wounded Warrior Support Group (WWSG) is a California nonprofit public benefit corporation with a charitable mission to support military veterans wounded in combat, and their families. WWSG has a Post Office Box address in Carmel-by-the-Sea, Monterey County, State of California. It has engaged in fundraising and raffle activities in Alameda County, and throughout the State of California. WWSG filed its articles with the

1 California Secretary of State on March 6, 2013, and received tax-exempt status from the IRS
2 under 26 U.S.C. section 501(c)(3) of the Internal Revenue Code on August 13, 2014, based on its
3 representation that it would operate as a charitable organization. WWSG's federal EIN is 46-
4 2415750. WWSG's Articles of Incorporation state that it is organized and will operate as a
5 nonprofit corporation, and its' specific charitable purpose is to "support military veterans injured
6 in combat and the families of such veterans." WWSG registered with the Registry on December
7 9, 2014. As required by law, WWSG is required to hold all its assets in trust on behalf of its
8 charitable beneficiaries. WWSG is run by the Gregory family; Defendants Matthew G. Gregory,
9 Danella J. Gregory, and Matthew J. Gregory are officers and directors of WWSG. All members
10 of the Gregory family operate raffles, and engage in fundraising for WWSG.

11 4. Central Coast Equine Rescue and Retirement (CCERR) is a California nonprofit
12 public benefit corporation with the charitable purposes to rescue abused or unwanted horses, and
13 educate the public about the proper care of horses and other animals, and about animal neglect
14 and overpopulation. CCERR has operations in Livermore, Alameda County, State of California,
15 and a Post Office Box address in Carmel-by-the-Sea, Monterey County, State of California.
16 CCERR boards and/or keeps its horses in Alameda County. CCERR's federal Employer
17 Identification Number (EIN) is 45-2996164. CCERR filed its articles of incorporation with the
18 California Secretary of State on August 1, 2011. On January 16, 2012, CCERR received tax-
19 exempt status from the IRS, under 26 U.S.C. section 501(c)(3) of the Internal Revenue Code,
20 based on its representation that it would operate as a charitable organization. CCERR's Articles
21 of Incorporation represent that it is organized and will operate as a nonprofit corporation, and that
22 its' specific charitable purposes are to: "(i) eliminate suffering and promote the welfare of
23 animals by operating a rescue and retirement program for unwanted or poorly maintained horses;
24 (ii) promote and encourage the public to undertake proper care of horses and other animals; (iii)
25 educate the public about related issues such as animal neglect and overpopulation; (iv) carry on
26 other charitable and educational activities associated with these goals as allowed by law."

27 Defendants Matthew G. Gregory, Danella J. Gregory, and Matthew J. Gregory are officers and
28 directors of CCERR, and Gina D. Gregory is the agent responsible for the day-to-day operations

1 of CCERR. Each year CCERR obtained a raffle permit, but never operated its own raffle.
2 Instead, CCERR allowed WWSG to conduct raffles using CCERR's permit in exchange for a
3 percentage of the proceeds from the sale of raffle tickets. CCERR receives all of its revenue
4 through raffles operated by WWSG.

5 5. In California, every charitable corporation, unincorporated association, and trustee
6 doing business or holding property for charitable or eleemosynary purposes must register with the
7 Attorney General's Registry of Charitable Trusts (Registry) within thirty days of receiving
8 property, and then submit annual reports with the Registry, including the filing of Form RRF-1
9 (Annual Registration Renewal Fee Report) and a copy of the IRS Form 990 filed with the Internal
10 Revenue Service. (Gov. Code, §§ 12582, 12582.1, 12585, 12586; Cal. Code Regs., tit. 11, §
11 301.)

12 6. In California, for an "eligible organization" to conduct raffles to support beneficial or
13 charitable purposes, the eligible nonprofit organization must be qualified to conduct business in
14 California for at least one year before conducting a raffle, and must be exempt under various
15 provisions of the Revenue and Taxation Code. (Pen. Code, § 320.5.) Moreover, an eligible
16 organization may not conduct a raffle unless it registers annually in advance with the Registry,
17 and provides an annual report that includes information such as the aggregate gross receipts from
18 raffles, the aggregate direct costs in operating the raffles, and the charitable or beneficial purposes
19 for which the proceeds of the raffles were used. (*Ibid.*, subd. (h).)

20 7. Since 2011, WWSG has operated an illegal raffle as its primary source of revenue. It
21 did so in violation of state laws governing raffles, without first registering with the Registry, and
22 without obtaining tax-exempt status from the IRS. WWSG was served with a cease and desist
23 order, and eventually had its raffle permit revoked and further raffle registration denied by the
24 Registry. Moreover, although WWSG advertised that raffle proceeds would support veterans
25 through a therapeutic equestrian program, no such program has ever existed. Instead, virtually all
26 of the money that donors gave to help injured veterans was used by members of the Gregory
27 family for personal expenses, hobbies, and for their for-profit business.

28 8. As nonprofit public benefit corporations, all of the assets of CCERR and WWSG are

1 held subject to a charitable trust. The Gregory family members are fiduciaries, and legally
2 required to put the interests of the charitable beneficiaries ahead of their own interests. Despite
3 this, the Gregory family diverted charitable assets away from CCERR and WWSG, and used the
4 money for personal benefit.

5 9. CCERR does no fundraising of its own, and relies entirely on funds provided by
6 WWSG to maintain its operations. CCERR registered with the Registry on March 9, 2012.
7 According to the 2014 and 2015 IRS Form 990-EZs filed with the IRS and provided to the
8 Registry, CCERR “relies on WWSG for all of its funding to pay its bills,” and CCERR “provides
9 and offers rescued horses to WWSG for the healing of physically & mentally wounded veterans.
10 We are working together.” As required by law, CCERR is to hold all its assets in trust on behalf
11 of its charitable beneficiaries.

12 10. On information and belief, defendant Matthew G. Gregory (dad Matthew) is a
13 resident of Fresno County, State of California. From 2011 to present, dad Matthew was and
14 continues to be an officer and director of CCERR, and owed and continues to owe fiduciary
15 duties of care and loyalty to CCERR, and its charitable beneficiaries. From 2013 to present, dad
16 Matthew was and continues to be an officer and director of WWSG, and owed and continues to
17 owe fiduciary duties of care and loyalty to WWSG, and its charitable beneficiaries. Dad Matthew
18 has personally profited from the unlawful and deceptive acts alleged in this Complaint.

19 11. On information and belief, defendant Danella J. Gregory (Danella) is a resident of
20 Fresno County, State of California. From 2011 to present, Danella was and continues to be an
21 officer and director of CCERR, and owed and continues to owe fiduciary duties of care and
22 loyalty to CCERR, and its charitable beneficiaries. From 2013 to present, Danella was and
23 continues to be an officer and director of WWSG, and owed and continues to owe fiduciary duties
24 of care and loyalty to WWSG, and its charitable beneficiaries. Danella has personally profited
25 from the unlawful and deceptive acts alleged in this Complaint.

26 12. On information and belief, defendant Matthew J. Gregory (son Matthew) is a resident
27 of Fresno County, State of California. From 2011 to present, son Matthew was and continues to
28 be an officer and director of CCERR, and owed and continues to owe fiduciary duties of care and

1 loyalty to CCERR and its charitable beneficiaries. From 2013 to present, son Matthew was and
2 continues to be an officer and director of WWSG, and owed and continues to owe fiduciary duties
3 of care and loyalty to WWSG, and its charitable beneficiaries. Son Matthew has personally
4 profited from the unlawful and deceptive acts alleged in this Complaint.

5 13. On information and belief, defendant Gina D. Gregory (Gina) is a resident of
6 Alameda County, State of California. From 2011 to present, Gina had and continues to have
7 responsibility for the day-to-day operations of CCERR. In that capacity, she receives and
8 manages charitable funds raised by WWSG and given to CCERR to support a therapeutic
9 equestrian program to benefit injured veterans. Gina also actively participates in fundraising on
10 behalf of WWSG. Gina has personally profited from the unlawful and deceptive acts alleged in
11 this Complaint.

12 14. Plaintiffs are informed and believe that defendant Gregory Motorsports is a business
13 entity located in Fresno County, State of California, and operated by dad Matthew. On
14 information and belief, Gregory Motorsports has provided, in exchange for valuable
15 consideration, one or more of the prize cars raffled off each year by WWSG since 2011. Gregory
16 Motorsports has directly profited from the unlawful and deceptive acts alleged in this Complaint.

17 15. Defendants DOES 1 through 100 are named as fictitious defendants who have
18 participated with or acted in concert with one or more of the defendants, or who have acted on
19 behalf of or as agents, servants or employees of one or more of the defendants, but whose true
20 names and capacities, whether individual, corporate, or otherwise, are presently unknown to
21 plaintiffs. Plaintiffs are informed and believe, and thereon allege, that defendants DOES 1
22 through 100 have directly or indirectly participated in and are responsible for the acts and
23 omissions that are more specifically described below, and plaintiffs' damages were proximately
24 caused by such defendants. Because plaintiffs are presently uninformed as to the true names and
25 capacities of defendants DOES 1 through 100, plaintiffs sue them by fictitious names, but will
26 seek leave to amend this Complaint when their true names and capacities are discovered.

27 JURISDICTION AND VENUE

28 16. At all times relevant, defendants and each of them transacted business in Alameda

1 County, and elsewhere in the state of California. Defendant CCERR operates its business in
2 Livermore, Alameda County, and defendant Gina is a resident of Alameda County. The
3 violations of law described in this Complaint were and are now being carried out, in part, in
4 Alameda County and throughout the State of California. This Court has jurisdiction under Article
5 VI, section 10, of the California Constitution, and section 393 of the Code of Civil Procedure.

6 **GENERAL ALLEGATIONS**

7 17. Whenever reference is made in this Complaint to any act of any corporate or other
8 business defendant, such allegation shall mean that said defendant and its owners, officers,
9 directors, agents, employees, or representatives did or authorized such acts while engaged in the
10 management, direction, or control of the affairs of defendants and while acting within the scope
11 and course of their duties. Whenever reference is made in this Complaint to any act of defendant,
12 such allegation shall mean that each defendant acted individually and jointly with the other
13 defendants named in that cause of action.

14 18. Whenever reference is made in this Complaint to any act of any individual defendant,
15 such allegation shall be deemed to mean that said defendant is and was acting (a) as a principal,
16 (b) under express or implied agency, and/or (c) with actual or ostensible authority to perform the
17 acts so alleged on behalf of every other defendant.

18 19. On information and belief, in or about 2011, years before it obtained tax-exempt
19 status from the IRS, or registered with the Registry, or had a permit to operate a raffle, WWSG
20 began soliciting charitable donations and operating an illegal raffle. The Gregory family told
21 potential donors that funds raised would support injured military veterans. In particular, the
22 Gregory family falsely told donors that funds raised would provide a therapeutic equestrian
23 program for injured veterans.

24 20. Plaintiffs are informed and believe and thereon allege that through internet
25 advertisements, their own websites (e.g., www.winwithacobra.com, www.winthisshelby.com,
26 www.wounded-warriors.net, www.wounded-warriors.org), and in-person solicitations, WWSG
27 and the Gregory family represented that the proceeds are used to support injured combat veterans
28 and their families by providing a therapeutic equestrian program, weekend family retreats, and

1 more. These representations are false.

2 21. WWSG's IRS Form 990 for the year 2014 reported that it received \$381,416.00 in
3 donations, and distributed \$93,855.00 to CCERR as a restricted grant for a therapeutic equestrian
4 program for wounded veterans. The balance of WWSG's donations in 2014 was used as follows:
5 \$56,580.00 for advertising, \$20,930.00 for office expenses, \$57,217.00 for conferences or
6 conventions, \$375.00 for insurance, and \$152,459.00 in cash was added to WWSG's bank
7 account.

8 22. CCERR's IRS Form 990 for the year 2014 shows that it received \$93,855.00 as a
9 grant from WWSG. As noted in the above paragraph, that grant was restricted for use in a
10 therapeutic equestrian program. But CCERR's 2014 Form 990 shows that it spent \$55,559.00 of
11 the restricted grant money for boarding, feed, and care of its horses, and kept \$38,296.00 in cash
12 in the bank. None of the restricted grant money that CCERR received from WWSG was used to
13 advertise a therapeutic equestrian program, hire qualified therapists to work with wounded
14 veterans, evaluate or train the rescue horses as therapy animals, purchase special equipment for
15 injured riders, rent arena time to allow wounded veterans to ride horses, or for any other purpose
16 related to a therapeutic equestrian program.

17 23. In its 2015 IRS Form 990, WWSG reported revenue of \$401,018.00. It claimed
18 \$184,779.00 in direct expenses (\$97,387.00 "automobile" and \$87,392.00 "other activity".) In
19 2015, WWSG gave CCERR a grant of \$108,689.00 to fund a therapeutic equestrian program,
20 leaving WWSG with \$107,550.00 in cash to bring its bank account balance up to \$284,184.00.

21 24. CCERR's IRS Form 990EZ for 2015 acknowledges that it received \$108,689.00 from
22 WWSG, and shows that it spent \$74,458.00 on boarding, feed, and care of its horses. At the end
23 of the year, CCERR still had \$72,527.00 cash in the bank, but none of it was used to fund a
24 therapeutic equestrian program.

25 25. None of the charitable donations received by CCERR or WWSG were used for a
26 therapeutic equestrian program or to support injured veterans. Instead, the bank statements of
27 CCERR and WWSG show that the money was used to pay for the Gregory family's personal
28 expenses such as: \$10,000.00 to pay off dad Matthew's Cabela's Hunting and Fishing credit

1 card, traffic school, purchases at Victoria's Secret, MyPillow, Inc., Nordstrom, Macy's, Dillard's,
2 Hot Topic, Marshall's, TJ Maxx, Guitar Center, JC Penny, La Mundial dressage boots,
3 Valentine's Day flowers, Stevens Creek Volkswagen, Dublin Volkswagen, Dublin Toyota,
4 Fresno Chrysler Jeep, Costco, Home Depot, Shelby American, various restaurants and hotels, car
5 show fees, tires and maintenance on personal vehicles, gasoline, groceries, dental services, and
6 assorted tack and equipment for Gina's show horse hobby. The Gregory family's use of
7 charitable funds for their personal benefit not only deceived the public but also diverted raffle
8 funds that should have gone to fund legitimate charitable programs benefitting veterans.

9 26. Plaintiffs are informed and believe and thereon allege that the Gregory family made
10 false and misleading statements in their filings with the IRS and the Registry. In addition to
11 falsely portraying that WWSG is an active, successful charity that provides direct support to
12 wounded veterans in the form of a therapeutic equestrian program, defendants dad Matthew,
13 Danella, and son Matthew failed to keep adequate books and records, which caused WWSG and
14 CCERR to file false and misleading reports about revenue and program expenses with the IRS
15 and the Registry.

16 27. WWSG's charitable solicitations to the public also contain multiple false and
17 misleading statements, including unattributed photographs, text, and quotes plagiarized from
18 other websites and the Washington Post to suggest to donors that WWSG, through CCERR, is
19 operating a therapeutic equestrian program for wounded veterans. (See e.g., [www.wounded-](http://www.wounded-warriors.org)
20 [warriors.org](http://www.wounded-warriors.org).) WWSG's website also includes the PATH International Certified Therapeutic
21 Riding Center logo to falsely suggest that WWSG is a PATH Center Member. In truth, neither
22 CCERR nor WWSG has ever operated a therapeutic equestrian program, and WWSG is not a
23 PATH Center Member. Defendants intentionally concealed or misrepresented this information in
24 advertisements and other communications with prospective donors to steer their donations to
25 WWSG and away from other competing organizations for their personal benefit.

26 28. Plaintiffs are informed and believe and thereon allege that dad Matthew engaged in
27 illegal self-dealing transactions. Dad Matthew owns and operates defendant Gregory Motorsports
28 which manufactures and provides a kit car, a replica Shelby Cobra, as the prize car raffled off by

1 WWSG at the end of each raffle cycle. On information and belief, withdrawals from WWSG's
2 accounts were used to purchase goods, services, and materials for defendant Gregory
3 Motorsports, including free advertising for defendant Gregory Motorsports. And in its 2015 IRS
4 Form 990, WWSG reported that it expended \$97,387.00 in exchange for a Shelby Cobra prize car
5 that, on information and belief, was purchased from defendant Gregory Motorsports.

6 29. Plaintiffs are informed and believe and thereon allege that defendants kept hundreds
7 of thousands of dollars in donations that should have been used to support rescue horses or
8 wounded combat veterans. Because defendants dad Matthew, Danella, and son Matthew failed to
9 keep or maintain any financial records for CCERR and WWSG, plaintiffs base their estimate on
10 CCERR's and WWSG's bank records and believe that the bank records represent only a portion
11 of the true money owed to CCERR, WWSG, and their charitable beneficiaries.

12 30. In August 2016, the Registry issued a cease and desist order to CCERR on the
13 grounds that it failed to file a raffle report for the 2015 raffle year in violation of Penal Code
14 section 320.5, subdivision (h)(6), and because its expenses exceeded revenue in violation of Penal
15 Code section 320.5, subdivision (b)(4)(A), for the years 2011 through 2014. The cease and desist
16 order applied to CCERR and all persons or entities acting on its behalf. The order also included
17 information and instructions for appealing the order. CCERR did not appeal the order.

18 31. In August 2016, the Registry issued a cease and desist order to WWSG on the
19 grounds that it was not eligible to operate a raffle in California under Penal Code section 320.5,
20 subdivision (c), and it was operating an illegal raffle on the internet in violation of Penal Code
21 section 320.5, subdivision (f)(2). The cease and desist order directed WWSG to cease and desist
22 from "all raffles and solicitations by any means." The order applied to WWSG and all persons or
23 entities acting on its behalf. The order included information, and instructions for appealing the
24 order. WWSG did not appeal the order.

25 32. Also in August 2016, the Registry issued letters to CCERR and WWSG revoking
26 their raffle registration for the period of September 1, 2015 to August 31, 2016, and denying their
27 applications for raffle registration for the year beginning on September 1, 2016. The letters
28 included information and instructions for appealing the revocations and denials. Neither CCERR

1 nor WWSG appealed the revocation or denial of their raffle permits. These letters, together with
2 the cease and desist orders described above, meant that CCERR and WWSG were required to
3 immediately stop all raffle activity. Nevertheless, WWSG created a new website and continued
4 selling raffle tickets online at www.wounded-warriors.org and the Gregory family continued
5 selling raffle tickets in-person at car shows throughout California, Arizona, and Nevada. In an
6 attempt to circumvent the cease and desist order, WWSG held its raffle drawing on January 1,
7 2017, in Chandler, Arizona.

8 33. The named individual defendants and defendants DOES 1 through 100 have breached
9 and continue to breach their fiduciary duty, violations of trust, and violations of law as alleged in
10 this Complaint. To preserve charitable assets and to prevent waste, dissipation and loss of
11 charitable assets in this State to the irreparable damage of plaintiffs, and to prevent further
12 misrepresentation to the People, the requested dissolution, injunctive relief and removal of
13 officers and directors should be granted.

14 34. Unless otherwise stated in this Complaint, the actions and omissions that form the
15 bases for the causes of action alleged in this Complaint occurred on or after August 1, 2011.
16 Unless otherwise stated in this Complaint, plaintiffs and the Attorney General did not have
17 knowledge or information of the facts and circumstances underlying these causes of action before
18 May 14, 2015, when WWSG and CCERR responded to the Attorney General's first document
19 demand in connection with the Attorney General's investigation of WWSG and CCERR.
20 Plaintiffs did not discover these complaints and circumstances before that date, and could not in
21 the exercise of reasonable diligence have discovered them before that date.

22 **FIRST CAUSE OF ACTION**
23 **INVOLUNTARY DISSOLUTION AND APPOINTMENT OF A RECEIVER**
24 **(AGAINST DEFENDANTS CENTRAL COAST EQUINE RESCUE AND RETIREMENT**
AND WOUNDED WARRIORS SUPPORT GROUP.)

25 35. Plaintiffs re-allege and incorporate by reference each of the allegations of paragraphs
26 1 through 34 of this Complaint.

27 36. The Attorney General seeks the involuntary dissolution of CCERR and WWSG under
28 sections 6510 and 6511 of the Corporations Code based on the conduct described in this

1 Complaint, including: (1) Mismanagement of the corporations; (2) Misapplication, and
2 misappropriation of charitable assets by their officers, directors, and agents; (3) Failure to
3 account for and protect the assets of the corporations; (4) Fraudulent abuse and usurpation of
4 corporate privileges and powers; (5) Persistent breach of fiduciary duties; and (6) The
5 continuing failure to carry out the charitable purposes of CCERR and WWSG.

6 37. The Attorney General also seeks the removal of dad Matthew, Danella, and son
7 Matthew as officers and/or directors of CCERR and WWSG, and the appointment of a receiver
8 under Corporations Code section 6513 to manage the affairs of CCERR and WWSG, and to
9 preserve their remaining assets pending resolution of this Complaint.

10 **SECOND CAUSE OF ACTION**
11 **BREACH OF FIDUCIARY DUTY**
12 **(AGAINST DEFENDANTS MATTHEW G. GRÉGORY, DANELLA J. GREGORY,**
13 **MATTHEW J. GREGORY, GINA D. GREGORY, AND DOES 1 THROUGH 100.)**

14 38. Plaintiffs re-allege and incorporate by reference each of the allegations of paragraphs
15 1 through 37 of this Complaint.

16 39. Dad Matthew, Danella, son Matthew, and DOES 1 through 50 (collectively referred
17 to as the OFFICER/DIRECTOR DEFENDANTS), were officers and/or directors of CCERR and
18 WWSG, and owed fiduciary duties of due care and loyalty to CCERR and WWSG. Plaintiffs are
19 further informed and believe, and thereon allege, that each of the OFFICER/DIRECTOR
20 DEFENDANTS breached their duties of care and loyalty to CCERR and WWSG by engaging in,
21 participating in, and facilitating unlawful actions, or omissions, including, but not limited to, the
22 acts or omissions described in this Complaint, in violation of common law trust principles and
23 state statutes (including, but not limited to, Corporations Code section 5231.)

24 40. Plaintiffs are informed and believe, and thereon allege, that by soliciting, accepting,
25 and spending charitable donations, Gina and DOES 51 through 100 acted as agents of the
26 OFFICER/DIRECTOR DEFENDANTS, and so owed fiduciary duties of due care and loyalty to
27 CCERR and WWSG. Plaintiffs are further informed and believe, and thereon allege, that Gina
28 and DOES 51 through 100 breached their duties of care and loyalty to CCERR and WWSG by
engaging in, participating in, aiding and abetting, and facilitating unlawful actions, or omissions,

1 including but not limited to, the acts or omissions described in this Complaint, in violation of
2 common law trust principles and state statutes (including, but not limited to, Corporations Code
3 section 5231.)

4 **A. Diversion of Restricted Charitable Donations.**

5 41. Corporations Code section 5231, subdivision (a), requires corporate directors to
6 perform their duties in good faith, in the best interests of the corporation, and “with such care,
7 including reasonable inquiry, as an ordinarily prudent person in a like position would use under
8 similar circumstances.”

9 42. Beginning in 2011, defendants started soliciting donations by telling the public that
10 the funds would be used to help injured veterans, and in particular, to support a therapeutic
11 equestrian program for injured veterans. But none of the money was used to aid any injured
12 veteran. Instead, in violation of Government Code § 12599.6, subdivisions (f)(2), and (4), the
13 donated funds were used to pay the Gregory family’s personal expenses like traffic school,
14 personal shopping, restaurants, groceries, auto repair, and credit card debt. Additionally, on
15 information and belief, a portion of the donated funds were used to advertise and purchase
16 equipment for defendant dad Matthew’s for-profit business, defendant Gregory Motorsports.

17 43. Further, the OFFICER/DIRECTOR DEFENDANTS and DOES 1 through 50, in their
18 capacity as officers and directors of WWSG, granted funds to CCERR for the restricted purpose
19 of supporting a therapeutic equestrian program. The Gregory family was aware of the restriction
20 when they received the restricted grant on behalf of CCERR, but none of the restricted funds were
21 used for a therapeutic equestrian program. Instead, all defendants, including defendant Gina and
22 Does 51-100, diverted the charitable funds to purchase personal items for the Gregory family
23 including clothing, lingerie, gasoline, food, and tack and equipment for Gina’s show horse hobby.

24 44. These acts were in bad faith, not in the best interests of the nonprofit corporations,
25 and were not done with such care as an ordinarily prudent person would use under similar
26 circumstances. These acts were also misrepresentations to the People of the purpose of WWSG
27 and CCERR and the nature or purpose or beneficiary of a solicitation.

28 ///

1 **B. Failing to Maintain Books and Records.**

2 45. CCERR and WWSG were required to keep adequate and correct books and records of
3 account, minutes of the proceedings of its members, board, and committees of the board. (Corp.
4 Code § 6320.) The OFFICER/DIRECTOR DEFENDANTS and Gina, in her capacity as agent,
5 violated Corporations Code section 6320, subdivision (a) because they kept no books, records, or
6 minutes for CCERR or WWSG.

7 46. The failure to keep books, records of account, or minutes also violates Corporations
8 Code section 5231, subdivision (a) because it was not in the best interests of the corporations, and
9 because it violated the Gregory family's obligation to act in good faith, and with the duty of care
10 that an ordinarily prudent person in a like position would use under similar circumstances.

11 47. Defendants' failure to keep adequate and correct books and records of accounts also
12 caused CCERR and WWSG to file false and misleading reports with the IRS and the Registry as
13 more fully described below.

14 **C. Causing WWSG to Solicit Donations through Raffles Before it had**
15 **Nonprofit Status, Registered with the Registry, and/or Obtained a Raffle**
16 **Permit.**

17 48. From 2011 through 2015, WWSG operated an annual raffle without obtaining a
18 permit from the Registry. During that time, defendants misled the public into believing that
19 WWSG was authorized to conduct a raffle for charity. WWSG could not obtain a raffle permit
20 during those years because it did not have tax-exempt status until August 13, 2014, and/or was
21 not an "eligible organization" as defined by Penal Code section 320.5, subdivision (c) because it
22 had not registered with the Registry until December 9, 2014. An "eligible organization" must be
23 qualified to conduct business in California for at least one year before conducting a raffle. (Pen.
24 Code, § 320.5, subd. (c).)

25 49. By selling raffle tickets, soliciting donations, and operating WWSG as a charity
26 before obtaining tax-exempt status, registering with the Registry, and by operating an illegal
27 raffle, defendants failed to act in the best interests of WWSG in violation of Corporations Code
28 section 5231, subdivision (a). By making material misrepresentations about WWSG's status as a
charity, soliciting donations, selling raffle tickets, operating without registering as a charity and

1 without obtaining a raffle permit, defendants violated Government Code section 12599.6,
2 subdivisions (f)(2), and (4), and caused WWSG to incur penalties under Government Code
3 section 12586.1, subdivisions (a) and (b).

4 **D. Causing CCERR and WWSG to Lose Their Raffle Permits.**

5 50. CCERR obtained a raffle permit every year from 2011 to 2016. CCERR never
6 conducted its own raffle, but instead allowed WWSG to use its permit. CCERR then reported
7 revenue generated and expenses incurred by WWSG to the Registry as though it had conducted
8 the raffle itself. In August 2016, the Registry revoked CCERR's 2016 raffle permit, and denied
9 its 2017 raffle application because the expenses it reported exceeded revenue for the raffles held
10 from 2011 through 2014 in violation of Penal Code § 320.5, subdivision (b)(4)(A), and because it
11 failed to file a raffle report for 2015 in violation of Penal Code § 320.5, subdivision (h)(6).

12 51. WWSG was operating an illegal raffle from 2011 through 2016, in part, by selling
13 raffle tickets on the internet in violation of Penal Code section 320.5, subdivision (f)(2). As a
14 result, in August 2016, the Registry revoked WWSG's 2016 raffle permit, and denied its 2017
15 raffle application.

16 52. An annual raffle is WWSG's primary means of generating revenue. Even though
17 CCERR obtains a raffle permit every year, it never runs its own raffle, and depends entirely on
18 WWSG's fundraising for financial support. The OFFICER/DIRECTOR DEFENDANTS and
19 DOES 1 through 50 violated Corporations Code section 5231, subdivision (a) and Penal Code
20 section 320.5, and caused both charities to lose their raffle permits by failing to file a required
21 raffle report, exceeding allowable expenses, and selling raffle tickets over the internet.

22 **E. Operating in Violation of Cease and Desist Orders and Revocation of Raffle
23 Registration.**

24 53. In August 2016, the Registry issued a cease and desist order to CCERR for failing to
25 file a raffle report for 2015, and because its expenses exceeded revenue for all raffles conducted
26 from 2011 to 2014.

27 54. In August 2016, the Registry issued a cease and desist order to WWSG for selling
28 raffle tickets over the internet in violation of Penal Code section 320.5, subdivision (f)(2).

1 55. The cease and desist orders instructed the organizations and all persons and entities
2 associated with them to “stop all raffle activities and solicitations by any means.” Although
3 WWSG briefly took down its website and stopped selling raffle tickets online, defendants
4 continued to solicit raffle ticket sales at car shows throughout California. These violations of the
5 Registry’s cease and desist order by defendants caused WWSG to incur penalties of \$20,000.00.

6 56. Despite having its’ raffle application denied, WWSG created a new website where it
7 offers raffle tickets for sale online, including in California, but lists its address at a UPS Store in
8 Arizona. It then conducted its raffle drawing on January 1, 2017, in Chandler, Arizona. WWSG
9 is still registered as an active California nonprofit public benefit corporation, and subject to the
10 laws of the State of California and orders issued by the Attorney General. The actions described
11 in this section violate the Registry’s cease and desist orders, and Corporations Code section 5231,
12 subdivision (a).

13 **F. False Reporting to the IRS, and the State of California, and Disseminating**
14 **False Information to Potential Donors and the Public.**

15 57. The OFFICER/DIRECTOR DEFENDANTS and DOES 1 through 50 caused CCERR
16 to file, with the IRS and the Registry, false and misleading returns (IRS Form 990EZ) and RRF-1
17 Forms for fiscal years 2011 to 2015. These defendants also disseminated this false and
18 misleading information to the donating public. These actions were improper, unfair, unlawful,
19 and likely to mislead the IRS, the Registry, potential donors, and the public in violation of
20 Government Code sections 12591.1, subdivision (b)(2), 12599.6, subdivision (f)(2), and
21 Corporations Code section 6215.

22 58. The OFFICER/DIRECTOR DEFENDANTS and DOES 1 through 50 also caused
23 WWSG to file, with the IRS and the Registry, false and misleading IRS Forms 990EZ and RRF-1
24 for the fiscal year ending December 31, 2013, and IRS Forms 990 and RRF-1 for fiscal years
25 ended December 31, 2014 and December 31, 2015. These defendants also disseminated this false
26 and misleading information to the public. These actions were improper, unfair, unlawful, and
27 likely to mislead the IRS, the Registry, potential donors, and the public in violation of
28 Government Code sections 12591.1, subdivision (b)(2), 12599.6, subdivision (f)(2), and

1 Corporations Code section 6215.

2 59. Each of CCERR's Form RRF-1 filed for fiscal years 2011 through 2015, and IRS
3 Form 990EZ for fiscal years 2011 through 2015, make material false statements about CCERR's
4 actual program expenses in violation of Government Code section 12591.1, subdivision (b)(2).
5 Such violations are subject to a penalty of \$1,000.00, per act, or a total of \$10,000.00.

6 60. Each of WWSG's Form RRF-1 filed for years 2013 through 2015, IRS Form 990EZ
7 for fiscal year 2013, and Form 990 for fiscal years 2014 and 2015, make material false statements
8 about WWSG's actual program expenses in violation of Government Code section 12591.1,
9 subdivision (b)(2). Such violations are subject to a penalty of \$1,000.00, per act, or a total of
10 \$6,000.00.

11 **G. Operating with the Intent to Deceive or Defraud.**

12 61. All defendants knowingly deceived and defrauded the public when they diverted
13 charitable donations to their personal use, when they solicited donations without tax-exempt
14 status and without registering with the Registry, when they continued to sell raffle tickets without
15 a permit and in violation of cease and desist orders, and when they filed false and fraudulent
16 reports and forms with the IRS and Registry. As a result, each defendant is liable for a penalty
17 not exceeding \$10,000.00 for each year. (Gov. Code, § 12591.1, subd. (a).)

18 **THIRD CAUSE OF ACTION**
19 **AIDING AND ABETTING A BREACH OF FIDUCIARY DUTY**
20 **(AGAINST DEFENDANTS GINA D. GREGORY, GREGORY MOTORSPORTS, MATTHEW G.**
21 **GREGORY, INDIVIDUALLY AND AS OWNER, DIRECTOR, AND OFFICER OF GREGORY**
22 **MOTORSPORTS, AND DOES 51 THROUGH 100.)**

23 62. Plaintiffs re-allege and incorporate by reference as though fully set forth each of the
24 allegations of paragraphs 1 through 61 of this Complaint.

25 63. Plaintiffs are informed and believe and thereon allege that Gina, Gregory
26 Motorsports, and dad Matthew as its owner, officer and/or director, and DOES 51 through 100
27 aided and abetted and/or participated in the breach of duty of the OFFICER/DIRECTOR
28 DEFENDANTS for the purpose of advancing their own interests or financial advantage. On
information and belief defendant Gregory Motorsports received payments for the kit car used by
WWSG as a raffle prize and free advertising at the expense of WWSG and CCERR. On

1 information and belief, Gina Gregory has used the funds of WWSG and CCERR to fund her
2 lifestyle, and used charitable funds to maintain her horses and purchase other equestrian related
3 props.

4 64. As a proximate result of the aiding and abetting and/or participating in the breach of
5 duty as alleged in this cause of action, CCERR, WWSG, and their charitable beneficiaries have
6 been damaged in an amount presently unknown to plaintiffs but believed to be in excess of
7 \$500,000.00.

8 65. In doing the acts alleged in this cause of action, Gina, Gregory Motorsports, dad
9 Matthew, and DOES 51 through 100 acted in callous disregard of the rights of CCERR, WWSG,
10 their charity beneficiaries, and their donors knowing that their conduct was substantially certain
11 to injure them.

12 **FOURTH CAUSE OF ACTION**
13 **DECEPTIVE AND MISLEADING SOLICITATIONS**
14 **(AGAINST ALL NAMED DEFENDANTS AND DOES 1 THROUGH 100.)**

15 66. Plaintiffs re-allege and incorporate by reference as though fully set forth herein each
16 of the allegations of paragraphs 1 through 65 this Complaint.

17 67. Defendants violated Government Code section 12599.6, subdivisions (a), (f)(2), and
18 (f)(4) by:

19 (a) misrepresenting to the public that the purpose or the beneficiary of their charitable
20 solicitation was injured veterans, when in fact, the beneficiaries of the charitable
21 solicitations were the Gregory family; and

22 (b) engaging in unlawful, unfair, fraudulent or deceptive business practices through printed
23 and verbal solicitations, and social media sites that represent that funds raised would be
24 used to support wounded veterans, and using images, quotes, and information on WWSG's
25 website that were copied and plagiarized from other websites to mislead donors into
26 believing that WWSG has an active therapeutic equestrian program.

27 68. Defendants violated Government Code section 12599.6, subdivision (f)(1) by
28 continuing to solicit donations, and sell raffle tickets after being ordered to cease and desist all
solicitations and raffle activity by the Registry, and after having their raffle permits revoked and
denied.

69. Defendants committed and continue to commit breach of fiduciary duty, and
deceptive and misleading actions including but not limited to the following:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- (a) Misrepresenting, explicitly or implicitly, the percentage or amount of charitable contributions used for charitable programs;
- (b) Misrepresenting the charitable purposes of CCERR and WWSG;
- (c) Misrepresenting how and where charitable donations are used;
- (d) Breaching their fiduciary duty to donors, and their charitable beneficiaries by failing to ensure that the donations are used for the purposes for which they were solicited;
- (e) Using restricted donations for purposes other than the purposes for which they were given;
- (f) Engaging in or allowing improper self-dealing transactions;
- (g) Failing to maintain complete and accurate corporate books and records of CCERR and WWSG;
- (h) Making false or misleading statements in informational returns (IRS Form 990) for CCERR and WWSG;
- (i) Making false or misleading statements in documents filed by CCERR and WWSG with the Registry;
- (j) Failure to comply with registration and reporting requirements; and
- (k) Plagiarizing text and photographs from other websites without attribution to falsely suggest that WWSG offers a therapeutic equestrian program for injured veterans, and by using PATH International's logo on WWSG's website to falsely suggest that WWSG is a PATH Center Member.

70. Defendants' abusive and misleading representations, violations of reporting and recordkeeping requirements have resulted in damages to CCERR and WWSG. (Bus. & Prof. Code, § 17510.8; Gov. Code, § 12599.6, subs. (f)(1) and (f)(4); Corp. Code, § 6215.). In addition, as a result of the aforementioned misrepresentation to potential donors, under Government Code section 12591.1, plaintiffs are entitled to civil penalties in an amount which is presently unknown, but believed to be in excess of \$200,000.00.

71. Because this misrepresentation was proximately caused by the breach of trust of the defendants, all penalties and attorney fees and costs should be assessed against the Gregory family and DOES 1 through 100, jointly and severally, but not CCERR or WWSG.

///
///
///

**FIFTH CAUSE OF ACTION
BREACH OF FIDUCIARY RELATIONSHIP
(AGAINST ALL NAMED DEFENDANTS AND DOES 1 THROUGH 100.)**

1
2
3 72. Plaintiffs re-allege and incorporate by reference as though fully set forth herein each
4 of the allegations of paragraphs 1 through 71 this Complaint.

5 73. California Business and Professions Code section 17510.8 imposes a charitable trust
6 on funds collected for charitable purposes, and “a fiduciary relationship between a charity or any
7 person soliciting on behalf of a charity, and the person from whom the charitable contribution is
8 being solicited.”

9 74. Defendants solicited and accepted contributions on behalf of charitable beneficiaries.
10 Acceptance of those donations established a charitable trust, and a fiduciary duty on the part of
11 defendants to ensure that the donations were used for the purposes stated during the solicitation.

12 75. Defendants violated Business and Professions Code section 17510.8 by soliciting and
13 then failing to use the accepted donations for injured veterans in violation of the fiduciary
14 relationship created between a charity and donor.

15 76. As a proximate result of the breaches of trust and fiduciary relationship by
16 defendants, CCERR, WWSG, and their charitable beneficiaries were damaged in an amount
17 presently unknown to the People, and which cannot be ascertained without an accounting by all
18 defendants. The facts necessary to ascertain the exact amount of damages owing to CCERR,
19 WWSG, and their charitable beneficiaries are within the special knowledge of the defendants.
20 However, the People estimate the total damages proximately caused by defendants’ actions and
21 omissions exceed \$500,000.00.

22 77. By reason of the acts alleged in this Complaint, defendants failed to comply with the
23 trust which they assumed, and departed from the public and charitable purposes they were bound
24 to serve. In order to preserve and conserve the assets of CCERR and WWSG, and in order to
25 prevent waste, dissipation and loss of charitable assets and to prevent further misrepresentations
26 to the donating public, it is necessary that the injunctive relief prayed for, including, but not
27 limited to, the removal of the OFFICER/DIRECTOR DEFENDANTS as officers and directors of
28 CCERR and WWSG, and the appointment of a receiver be granted.

1 **SIXTH CAUSE OF ACTION**
2 **ENGAGING IN SELF-DEALING TRANSACTIONS**
3 **(AGAINST DEFENDANT MATTHEW G. GREGORY AND DOES 1 THROUGH 50.)**

4 78. Plaintiffs re-allege and incorporate by reference as though fully set forth herein each
5 of the allegations of paragraphs 1 through 42, 62 through 65. And 72 through 77 of this
6 Complaint.

7 79. Corporations Code section 5233 defines “self-dealing transactions” as those
8 transactions involving the corporation in which one or more of its directors has a material
9 financial interest. In order to ratify a self-dealing transaction, the board must establish that the
10 corporation met all of the following conditions: (A) the corporation entered into the transaction
11 for its own benefit; (B) the transaction was fair and reasonable to the corporation; (C) the
12 transaction was approved by the board in good faith by a vote of the uninterested directors; and
13 (D) the board determined that the corporation could not have obtained a more advantageous
14 arrangement. (Corp Code, § 5233, subs. (d)(2)(A)-(d)(2)(D).)

15 80. Dad Matthew is also the owner, director, and/or officer, of defendant Gregory
16 Motorsports, which supplied a Shelby Cobra as the prize car in each of WWSG’s raffles from
17 2011 through 2017, in exchange for money or other valuable consideration from WWSG.

18 81. At the time WWSG entered into the transactions, dad Matthew was a director of
19 WWSG and had a material financial interest because he was receiving monies from Gregory
20 Motorsports, but dad Matthew failed to follow the requirements for self-dealing transactions set
21 out in Corporations Code section 5233. The agreements were not approved by the California
22 Attorney General, and they were not fair and reasonable to WWSG at the time they occurred.

23 82. The transactions WWSG entered into with dad Matthew and Gregory Motorsports
24 during the period of January 2011 through January 2017 constituted self-dealing transactions
25 within the meaning of Corporations Code section 5233 and none of the exceptions in that section
26 apply. Dad Matthew, Danella, son Matthew, and Gina knew or should have known that all of the
27 transactions involving WWSG, dad Matthew, and Gregory Motorsports were self-dealing
28 transactions. In the alternative, if the defendants other than dad Matthew did not know of the
self-dealing nature of these transactions, it was because dad Matthew wrongfully concealed the

1 transactions from the other defendants in bad faith and in breach of his duties of care and loyalty
2 to WWSG.

3 83. As a result of the self-dealing described above, WWSG and its charitable
4 beneficiaries were damaged in an amount to be proven at trial, plus interest at the legal rate,
5 which must be paid by dad Matthew.

6 84. Under section 5233, plaintiffs are entitled to an accounting from dad Matthew for any
7 profits or other benefits he made/received from the transactions, and he must be ordered to pay
8 them over to WWSG. To the extent WWSG suffered any damages as a proximate result of the
9 transactions, dad Matthew must pay those damages to WWSG.

10 **SEVENTH CAUSE OF ACTION**
11 **UNJUST ENRICHMENT**
12 **(AGAINST ALL NAMED DEFENDANTS AND DOES 1 THROUGH 100.)**

13 85. Plaintiffs re-allege and incorporate by reference as though fully set forth herein each
14 of the allegations of paragraphs 1 through 44, and 61 through 84 of this Complaint.

15 86. All organizations granted tax-exempt status under IRC 501(c)(3) are prohibited from
16 allowing net earnings to inure to the benefit of any person having a personal and private interest
17 in the organization's activities.

18 87. Here, the Gregory family violated the prohibition against private inurement because
19 they used all or nearly all of the earnings from WWSG's raffle activities and charitable
20 solicitations to pay their personal expenses.

21 88. Plaintiffs are informed and believe and thereon allege that as a result of the breach of
22 trust and duty of loyalty perpetrated by the Gregory family, dad Matthew, Danella, son Matthew,
23 Gina, and DOES 1 through 100 were unjustly enriched in an amount presently unknown. By
24 virtue of the breach of trust, dad Matthew, Danella, son Matthew, Gina, and DOES 1 through 100
25 hold all assets as constructive trustees for the benefit of CCERR and WWSG. Dad Matthew,
26 Danella, son Matthew, Gina, and DOES 1 through 100 must make full restitution to CCERR and
27 WWSG for the benefit of the charitable beneficiaries of CCERR and WWSG.

28 ///

///

1 **EIGHTH CAUSE OF ACTION**
2 **OPERATING AN ILLEGAL RAFFLE**
3 **(AGAINST DEFENDANTS MATTHEW G. GREGORY, DANELLA J. GREGORY, MATTHEW J.**
4 **GREGORY, GINA D. GREGORY, AND DOES 1 THROUGH 100.)**

5 89. Plaintiffs re-allege and incorporate by reference as though fully set forth herein each
6 of the allegations of paragraphs 1 through 40, 48 through 56, and 61 of this Complaint.

7 90. Penal Code section 320.5, subdivision (a)(4)(A) states that at least ninety percent of
8 the gross receipts generated from the sale of raffle tickets for any given draw must be used by the
9 organization conducting the raffle to benefit or support a beneficial or charitable purpose. The
10 organization conducting the raffle may use the revenues to benefit another nonprofit organization,
11 provided that the other nonprofit is an eligible organization.

12 91. In every year it obtained a raffle permit, CCERR violated Penal Code section 320.5,
13 subdivision (a)(4)(A) because its expenses exceeded revenue, and on information and belief, none
14 of the revenue generated was used to support a beneficial or charitable purpose.

15 92. In every year it conducted a raffle, WWSG violated Penal Code section 320.5,
16 subdivision (a)(4)(A) because its expenses exceeded revenue, and none of the revenue generated
17 was used to support a beneficial or charitable purpose.

18 93. On information and belief, since 2011, WWSG has illegally sold raffle tickets, and
19 conducted its annual raffle over the internet in violation of Penal Code section 320.5, subdivision
20 (f)(2).

21 94. Further, in August 2016, the Registry revoked and denied raffle permits for CCERR
22 and WWSG. At the same time, the Registry issued cease and desist orders to both organizations
23 directing them to stop all raffle activities and solicitations by any means. But defendants
24 continued to sell raffle tickets, including over the internet, and conduct raffle activities, including
25 a raffle drawing on January 1, 2017, without a permit and in violation of the Registry's cease and
26 desist order.

27 ///

28 ///

///

1 2. That the Court appoint a receiver to manage the affairs of CCERR and WWSG, and
2 to preserve their remaining charitable assets, and establish a procedure for determining the
3 disposition of the assets of CCERR and WWSG in a manner consistent with their charitable
4 purposes and consistent with any lawful restrictions that were placed on their remaining assets
5 pending resolution of this Complaint.

6 3. For the involuntary dissolution of CCERR and WWSG under the provisions of
7 Corporations Code section 6511 et seq.

8 4. For an order prohibiting defendants Matthew G. Gregory, Danella J. Gregory,
9 Matthew J. Gregory, Gina D. Gregory, and DOES 1 through 100 from acting as an founder,
10 officer, director, agent, employee, or a fiduciary for any charitable corporation, charitable
11 association, charitable organization, or charitable trust within the State of California;

12 5. For an order prohibiting defendants Matthew G. Gregory, Danella J. Gregory,
13 Matthew J. Gregory, Gina D. Gregory, and DOES 1 through 100, from operating any raffle and
14 from soliciting charitable donations and assets in California or from any resident of California;

15 6. For damages due CCERR and its charitable beneficiaries resulting from the breaches
16 of fiduciary duty of defendants in an amount to be determined following an accounting from
17 defendants, plus interest at the legal rate until the judgment is paid;

18 7. For damages due WWSG and its charitable beneficiaries resulting from the breaches
19 of fiduciary duty of defendants in an amount to be determined following an accounting from
20 defendants, plus interest at the legal rate until judgment is paid;

21 8. For an order compelling dad Matthew and Gregory Motorsports to provide an
22 accounting of any profits or other benefits made/received from the self-dealing transactions
23 alleged, and compelling them to pay all profits and benefits over to WWSG along with interest at
24 the legal rate. To the extent WWSG suffered any damages as a proximate result of these
25 transactions, for an order compelling dad Matthew and Gregory Motorsports to pay them over to
26 WWSG;

27 9. That the court assess civil penalties against defendants under Government Code
28 section 12591.1 for violations of the Supervision of Trustees and Fundraisers for Charitable

1 Purposes Act (Gov. Code § 12580, et seq.), and provide that all such penalties be paid by
2 defendants other than CCERR and WWSG;

3 10. For plaintiffs' costs of suit and other costs under Government Code sections 12597
4 and 12598, and as otherwise permitted by law;

5 11. For attorney fees as provided in Government Code section 12598 , subdivision (b),
6 and Code of Civil Procedure section 1021.8, and as otherwise permitted by law; and

7 12. For such other and further relief as the Court may deem just and proper.

8 THIS COMPLAINT IS DEEMED VERIFIED UNDER THE PROVISIONS OF CODE OF
9 CIVIL PROCEDURE SECTION 446.

10 Dated: April 17, 2017

Respectfully Submitted,

XAVIER BECERRA
Attorney General of California
ELIZABETH S. KIM
Supervising Deputy Attorney General

11
12
13
14 

JULIANNE MOSSLER
Deputy Attorney General
*Attorneys for The People of the State of
California*

15
16
17
18
19
20
21
22
23
24
25
26
27
28