

A Third Way to Get Noticed by the CA Attorney General

06.20.17 | Linda J. Rosenthal, JD



Hint about this blog post title: It's ironic.

It's never a good thing to get noticed by an attorney general from anywhere, like it's never a good thing if a "60 Minutes" reporter shoves a microphone in your face.

Just so we're clear about this, check out two earlier posts: [*A Recipe for How To Get Noticed by the California Attorney General*](#) and [*A Second Way to Get Noticed by the California Attorney General*](#).

They are cautionary tales for charitable organizations and their key people. In California as in other states, the attorney general is the chief oversight official for charitable organizations and trusts. He or she is armed with a formidable array of investigative and enforcement powers.

Typically, he or she has no sense of humor about charity fraud, particularly when the cunning fraudster and family and friends pretend to be simple bumpkins who don't know any better.

The "Just Winging It" Folks

For tax year 2015, Matthew G. Gregory signed and filed a Schedule O to Form 990 for Wounded Warriors Support Group (WWSG), a 501(c)(3) organization run by him, his wife, and two grown children.

In all caps, he had handwritten the following: "We are an all volunteer charity without a background in accounting and tax law. We have completed this return to the best of our abilities. We granted \$108,689 to Central Coast Equine Rescue and Retirement (EIN #45-2996164) to support their therapeutic riding program for veterans. If there are any questions, I can be reached at Thanks, Matthew G. Gregory"

It turns out that Central Coast Rescue and Retirement (CCER&R) was also formed and operated by the Gregory clan, and the \$108,689 was the entire budget of CCRR.

The bottom line when investigators took a hard look: It was all a hoax. The supposed support group for wounded warriors was a front to sell raffle tickets at car shows for luxury cars supplied by – you guessed it! – the Gregory family car dealership. It was a lucrative gig, netting them – for instance, in 2015 – \$772,000 in revenue. They used the money for “personal expenses, hobbies and for their for-profit business.” Naturally, one of those hobbies is the daughter’s “dressage pursuits, which naturally require horses.” There was never any therapeutic riding program for veterans.

The Attorney General Strikes Back

All of the lurid details are described in a lawsuit filed in mid-April by California’s new Attorney General, Xavier Becerra. The Complaint for Appointment of Receiver, Involuntary Dissolution, Permanent Injunction, Damages, and Penalties names both organizations as well as the four individual Gregory family members as defendants. In addition to money payments, Attorney General Becerra wants to “have the family barred from any further nonprofit work.”

There are nine causes of action: Appointment of Receiver and Involuntary Dissolution (Corp. C 6510, 6511); Breach of Fiduciary Duty; Aiding and Abetting Breach of Fiduciary Duty; Deceptive and Misleading Solicitations; Breach of Fiduciary Relationship (Bus. & Prof. C. 17510.8); Self-Dealing (Corp. C 5233) Unjust Enrichment (Civil C 2224), Operation of an Illegal Raffle, (Pen C 320.5); and Failing to Comply with Regs and Orders of Attorney General (Govt C. 12599.6).

Forget about all of this legalese. As is customary for AG filings, the Complaint is comprehensive and entertaining, telling the story about how the Gregory parents and offspring flamboyantly operated two phantom charities and made lots of cash that they blew on items, large and small, including a comfy pillow from TV-informercial-vendor, My Pillow, Inc., as well as some Victoria’s Secret lingerie.

Everyone involved should be kept rather busy indeed ... for quite a while.

Conclusion

When contacted by the Monterey County Weekly after the news broke, Mr. Gregory “responded ... that he knew nothing of the suit.” But he added: “I never intended to break any law, and never used a CPA, or any attorney....This has just been a family winging it, the way it should be.”

— *Linda J. Rosenthal, J.D., FPLG Information & Research Director*