

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
DEPARTMENT OF CORPORATIONS

TO: Gary Edward Johnson  
311 East Mayfair  
Orange, CA 92856  
and  
P.O. Box 1871  
Orange, CA 92856

DESIST AND REFRAIN ORDER

(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times herein, Gary Edward Johnson (“Johnson”) was located at 311 East Mayfair, Orange, California 92856 and had a post office box at P.O. Box 1871, Orange, California 92856.

2. Beginning in around July 2004 and continuing through about January 2005, Johnson offered and sold securities in the form of promissory notes and a guarantee. Johnson obtained investment money in excess of \$100,000 by soliciting at least one unsophisticated individual to invest through him in an unknown business entity by offering high yield returns for short-term investments that were guaranteed.

3. In connection with the offer and sale of these securities, Johnson made, or caused to be made, misrepresentations of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. These misrepresentations and omissions included, but are not limited to the following:

- a. Investors were told that Johnson would invest their money in a business venture;
- b. Investors were told that the investment would earn a high rate of return in a short time period;
- c. Investors were told that the investment was guaranteed;

1           d.       Investors were not told that Johnson was using investor money for his own  
2 personal use, including gambling; and

3           e.       Investors were not told that Johnson was not licensed to solicit investments.

4           Based on the foregoing findings, the California Corporations Commissioner is of the opinion  
5 that the securities in the form of promissory notes and guarantees offered and sold by Johnson are  
6 securities subject to qualification under the California Corporate Securities Law of 1968 and are  
7 being or have been offered or sold without being qualified, in violation of Section 25110 of the  
8 Corporate Securities Law of 1968.

9           Pursuant to Section 25532 of the Corporate Securities Law of 1968, Gary Edward Johnson is  
10 hereby ordered to desist and refrain from the further offer or sale in the State of California of  
11 securities, including, but not limited to promissory notes and guarantees unless and until qualification  
12 has been made under said law or unless exempt. The sale of such securities is subject to qualification  
13 under said law and such securities are being or have been offered for sale without first being so  
14 qualified.

15           Further, the California Corporations Commissioner is of the opinion that the securities offered  
16 and sold by Johnson were offered and sold in this state by means of written or oral communications  
17 that included untrue statements of material fact or omitted to state material facts necessary in order to  
18 make the statements made, in the light of the circumstances under which they were made, not  
19 misleading, in violation of section 25401 of the Corporate Securities Law of 1968.

20           Pursuant to Section 25532 of the Corporate Securities Law of 1968, Gary Edward Johnson is  
21 hereby ordered to desist and refrain from offering or selling or buying or offering to buy any security  
22 in the State of California, including, but not limited to, promissory notes and guarantees, by means of  
23 any written or oral communication which includes an untrue statement of a material fact or omits to  
24 state a material fact necessary in order to make the statements made, in the light of the circumstances  
25 under which they were made, not misleading.

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1           This Order is necessary, in the public interest, for the protection of investors and consistent  
2 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

3 Dated:           August 3, 2007  
4                   Los Angeles, California

5                                   PRESTON DUFAUCHARD  
6                                   California Corporations Commissioner

7                                   By \_\_\_\_\_  
8                                   ALAN S. WEINGER  
9                                   Lead Corporations Counsel  
10                                  Enforcement Division

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