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11 **UNITED STATES DISTRICT COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA**  
13 **Western Division**  
14

15 SECURITIES AND EXCHANGE  
16 COMMISSION,

17 Plaintiff,

18 vs.

19 MICHAEL ANDRE JONES,

20 Defendant.  
21

Case No.

**COMPLAINT**

22  
23 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

24 **JURISDICTION AND VENUE**

25 1. The Court has jurisdiction over this action pursuant to Sections 20(b)  
26 and 20(c) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(c)] and Sections 21(d)  
27 and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

28 2. Defendant has, directly or indirectly, made use of the means or

1 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
2 securities exchange in connection with the transactions, acts, practices and courses of  
3 business alleged in this complaint.

4 3. Venue is proper in this district pursuant to Section 22(a) of the Securities  
5 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a).  
6 because certain of the transactions, acts, practices and courses of conduct constituting  
7 violations of the federal securities laws occurred within this district. Specifically,  
8 many of the transactions, acts, and practices, and much of the course of business  
9 described below occurred while the defendant was living within the jurisdiction of the  
10 Central District of California.

11 **SUMMARY**

12 4. This case involves violations of the anti-fraud, securities registration,  
13 and broker-dealer registration provisions of the federal securities laws by defendant  
14 Michael Andre Jones (“Jones”). Jones employed a scheme to trick investors into  
15 buying unregistered securities issued by a start-up company named Green Bash, LLC  
16 (“Green Bash”) for which he was the sole shareholder and director. Green Bash is  
17 now defunct. Jones offered and sold more than \$700,000 worth of Green Bash  
18 convertible promissory notes to twenty investors, residing in twelve states. The  
19 offering was not registered with the Commission, and did not qualify for an  
20 exemption from registration. Jones made false statements to prospective investors  
21 regarding Green Bash’s revenues and business operations and made material  
22 misrepresentations about the offering. Jones acted as an unregistered broker when  
23 making Green Bash offers and sales to investors. After concluding the sales of the  
24 notes, Jones sold two investors restricted stock in a small unrelated biotechnology  
25 company. However, when Jones was unable to obtain an opinion letter lifting the  
26 restriction on the shares, he simply kept the shares and the funds investors had paid  
27 him for the shares.

28 5. By engaging in the conduct set forth in this Complaint, defendant Jones

1 violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities  
2 Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], Sections 10(b) and 15(a) of the  
3 Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b) and 78o(a)],  
4 and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

5 6. The Commission seeks an injunction against future violations, a  
6 conduct-based injunction, disgorgement of unjust enrichment with prejudgment  
7 interest thereon, and a civil money penalty pursuant to Section 20(d) of the Securities  
8 Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

9 **DEFENDANT**

10 7. Michael Andre Jones, age 53, is a citizen of the United States and  
11 presently resides in Marysville, Washington. He is currently employed as a uniform  
12 salesman. From April of 2010 through July of 2013, Jones was the sole shareholder  
13 and director of Green Bash. Prior to the conduct described herein, Jones was  
14 associated with a number of broker-dealers registered with the Commission, but was  
15 subsequently barred in 2007 by the National Association of Securities Dealers  
16 (“NASD”) from association with any NASD member firm.

17 **RELEVANT ENTITY**

18 8. Green Bash, LLC is a New Mexico limited liability company with its  
19 principal offices in Los Angeles, California. Jones is the sole shareholder and  
20 director of the company. Green Bash’s securities offering was not registered with the  
21 Commission. Green Bash was purportedly in the business of arranging and  
22 promoting “event after-parties” and making sales of tickets, music, and related  
23 merchandise for environmentally themed trade shows. Green Bash ceased operations  
24 in July 2013 and has no assets or revenue.

25 **FACTUAL ALLEGATIONS**

26 9. From at least April of 2010 through July of 2013, Jones sold convertible  
27 promissory notes of Green Bash to 20 different investors living in 12 different states.  
28 The sales totaled at least \$706,145, and the proceeds were deposited into a bank

1 account that Jones opened and controlled for Green Bash, and for which he was the  
2 sole signatory. The Green Bash bank account was regularly overdrawn, and Green  
3 Bash accumulated more than \$28,000 in returned item and overdrawn bank fees over  
4 the approximately three-year life of the account. After several months of inactivity,  
5 the bank closed the account.

6 10. Jones hired and compensated individuals to solicit potential investors for  
7 Green Bash.

8 11. Jones purchased at least one list of potential investors and used the  
9 information from the list to solicit investors for his sales of Green Bash's promissory  
10 notes. Jones, and individuals he hired, contacted approximately 2,000 persons in his  
11 efforts to sell the Green Bash notes.

12 12. Jones created telephone scripts that he directed the individuals he hired  
13 to use for their initial "cold" calls to potential investors. He also created a "closing  
14 script" that he used to close sales of Green Bash notes to investors.

15 13. Jones used telephone calls to offer and sell the Green Bash notes.  
16 During closing calls, Jones directed potential investors to a website that he used, to  
17 give potential investors the impression that he was part of a vibrant investment firm  
18 with several active and lucrative funding initiatives in progress. The website  
19 purported to set forth multiple private placement deals that the firm was working on.  
20 In reality, apart from Jones, there was no such firm, and the only business Jones was  
21 conducting was the sale of Green Bash promissory notes.

22 14. Jones drafted a Private Placement Memorandum ("PPM") that he sent to  
23 each Green Bash investor. The PPM described the offering of Green Bash securities  
24 and gave detailed information about Green Bash's purported business operations,  
25 along with unsubstantiated projections for its future performance.

26 15. Jones used the mails and commercial delivery services to send the PPM  
27 and subscription agreements to Green Bash investors. Jones created and mailed, or  
28 used commercial delivery services to deliver, certificates evidencing the purchase of

1 Green Bash notes.

2 16. Jones never filed a registration statement with the Commission for the  
3 offering of Green Bash notes. The PPM described the offering of Green Bash notes  
4 as exempt from the registration requirements of the federal securities laws. In fact,  
5 the offering did not qualify for the claimed exemption, principally because Jones used  
6 his purchased investor list to solicit investors with whom he had no prior dealings,  
7 thereby conducting a general solicitation. Thus the Green Bash notes offering was  
8 not registered with the Commission, and no exemption from registration applied to  
9 the offering.

10 17. The PPM contained a number of material false statements regarding the  
11 operations and revenue of Green Bash. Jones drafted these false statements,  
12 knowingly or recklessly disregarding that they were false at the time he wrote them,  
13 and knowingly or recklessly disregarding that they were false when he transmitted  
14 them to prospective Green Bash note purchasers.

15 18. The PPM contained revenue projections for Green Bash of \$898,000 in  
16 year one, \$2,199,796 in year two, and \$4,300,087 in year three. Jones had no  
17 reasonable basis for these projections when he made them. Moreover, Jones never  
18 updated these projections, despite the fact that Green Bash had no revenue in 2010,  
19 and continued to use the unchanged PPM throughout the sales period.

20 19. Jones started selling Green Bash notes in April of 2010, and by April of  
21 2011, he had sold at least \$145,600 worth of notes. Jones had sold more than  
22 \$700,000 worth of Green Bash notes by July of 2013.

23 20. The PPM identified six Green Bash revenue streams: sales of tickets,  
24 music, and merchandise, and three forms of website-generated revenue. None of  
25 these revenue streams actually existed.

26 21. The PPM described Green Bash as conducting a business that arranged  
27 and promoted “event after-parties” by utilizing a “viral e-commerce” online platform  
28 at concert venues, facilitating “one-click” sales of tickets, music, and merchandise.

1 Purportedly, concertgoers would thereby avoid the complexities and inconvenience of  
2 attempting to navigate several internet pages on a mobile device in order to make  
3 purchases. In reality, Green Bash was not using the “viral e-commerce” online  
4 platform, and it generated no revenue. Green Bash never made any sales of music or  
5 merchandise. Green Bash never generated revenue from operations of any kind.

6 22. Jones also misrepresented the size of the Green Bash offering to all  
7 investors that bought Green Bash notes after November of 2011. The PPM described  
8 the offering as being for a total amount of \$350,000, with the issuer having the option  
9 to raise an additional \$50,000. In fact, Jones had already sold \$350,000 worth of  
10 Green Bash notes by November of 2011. This misrepresentation was material  
11 because the Green Bash notes had conversion rights, a fact that Jones touted to  
12 potential investors. Thus, Green Bash investors who purchased after November of  
13 2011 were knowingly or recklessly misled by Jones as to the dilutive effect of the  
14 offering.

15 23. No Green Bash notes were ever converted to stock.

16 24. Jones hired and compensated individuals to solicit potential investors.  
17 Jones handled all of the proceeds of the note sales. He prepared all of the transaction  
18 documents that he sent and received back from investors, and he prepared and issued  
19 Green Bash note certificates to investors. He prepared and mailed, or used delivery  
20 services to send, initial account statements to some of the investors. Jones thus  
21 effected transactions in securities for the accounts of others.

22 25. Jones used investor proceeds from some Green Bash notes to make some  
23 interest payments to earlier Green Bash note purchasers. The last interest payments  
24 he made were in December 2012. Thereafter, Green Bash defaulted on all of the  
25 notes to all of the investors.

26 26. One Green Bash investor, after complaining, received a return of  
27 approximately one-third of the principal he had invested. No other Green Bash  
28 investor received any return of principal.

1 27. Jones dissipated the rest of the Green Bash note proceeds, essentially by  
2 paying his rent and otherwise living off of them.

3 28. After his sales of Green Bash notes, Jones commenced efforts to sell  
4 investors securities of several other start-up entities. Jones was never actually able to  
5 sell any of those securities, although he did form entities, compile preliminary drafts  
6 of offering documents, and negotiated with several small businesses in an attempt to  
7 reach agreements to raise capital for them.

8 29. In the Spring of 2014, Jones worked briefly as a consultant for a small  
9 biotechnology company. The arrangement called for Jones to sell the company's  
10 promissory notes through private placements, and he was to be compensated in part  
11 with grants of restricted company stock. However, once he received his initial grant  
12 of restricted stock, Jones concentrated his efforts on selling that restricted stock,  
13 instead of selling the company's promissory notes.

14 30. Jones used telephone calls to offer and sell his restricted stock. Two  
15 investors paid Jones a total of \$35,000 for some of the stock. He received sales  
16 proceeds by mail. Jones was never able to obtain an opinion letter from the  
17 company's counsel lifting the restriction on his shares. Nevertheless, Jones collected  
18 the investors' funds, and conveniently kept both his restricted stock and the funds.

19 31. When the company discovered that Jones was attempting to sell his own  
20 stock, the company terminated his employment.

21 **FIRST CLAIM FOR RELIEF**

22 **Unregistered Offer or Sale of Securities**

23 **Violations of Section 5 of the Securities Act**

24 32. The SEC realleges and incorporates by reference paragraphs 1 through  
25 31 above.

26 33. Section 5(a) of the Securities Act [15 U.S.C. § 77e(a)] provides that it is  
27 unlawful for any person, directly or indirectly, to make use of the mails or interstate  
28 commerce to sell or deliver any security unless a registration statement is in effect as

1 to that security.

2 34. Section 5(c) of the Securities Act [15 U.S.C. § 77e(c)] provides in  
3 pertinent part that it is unlawful to make use of interstate commerce or the mails to  
4 offer to sell or offer to buy any security, through the use or medium of any  
5 prospectus or otherwise, unless a registration statement has been filed as to that  
6 security.

7 35. As set forth above, Jones made use of telephone calls, the mails, and  
8 interstate commerce in his offer and sales of Green Bash notes.

9 36. As set forth above, Jones never filed with the Commission a registration  
10 statement for the Green Bash offering, the offering was not registered, the offering  
11 did not qualify for the exemption from registration Jones claimed in the PPM, and in  
12 fact, the offering did not qualify for any exemption from registration.

13 37. By reason of the foregoing conduct, Jones violated Sections 5(a) and  
14 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

15 **SECOND CLAIM FOR RELIEF**

16 **(Scheme Liability – Green Bash Notes)**

17 **Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act, Section 10(b) of**  
18 **the Exchange Act, and Exchange Act Rule 10b-5(a) and (c)**

19 38. The SEC realleges and incorporates by reference paragraphs 1 through  
20 31 above.

21 39. At all relevant times, Section 17(a)(1) of the Securities Act provided in  
22 relevant part that “[i]t shall be unlawful for any person in the offer or sale of any  
23 securities . . . by the use of any means or instruments of transportation or  
24 communication in interstate commerce or by use of the mails, directly or indirectly . .  
25 . to employ any device, scheme, or artifice to defraud.” [15 U.S.C. § 77q(a)(1)].

26 40. At all relevant times, Section 17(a)(3) of the Securities Act provided in  
27 relevant part that “[i]t shall be unlawful for any person in the offer or sale of any  
28 securities . . . by the use of any means or instruments of transportation or



1 communication in interstate commerce or by use of the mails, directly or indirectly . .  
2 . to engage in any transaction, practice, or course of business which operates or would  
3 operate as a fraud or deceit upon the purchaser.” [15 U.S.C. § 77q(a)(3)].

4 41. Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange  
5 Act Rule 10b-5(a) and (c) [17 C.F.R. § 240.10b-5(a) and (c)] make it unlawful for  
6 any person, directly or indirectly, by the use of any means or instrumentality of  
7 interstate commerce, or of the mails, or of any facility of any national securities  
8 exchange, to employ any device, scheme, or artifice to defraud, or to engage in any  
9 act, practice, or course of business which operates or would operate as a fraud or  
10 deceit upon any person, in connection with the purchase or sale of any security.

11 42. As set forth above, Jones made use of the mails and of interstate  
12 commerce, in the offer and sale of the Green Bash notes.

13 43. Jones knowingly or recklessly devised a scheme that included the use of  
14 a purchased list of potential investors, individuals compensated for making initial  
15 calls, misleading statements in telephones scripts, misleading statements in the PPM,  
16 and a misleading website, that together constituted a device, scheme, or artifice to  
17 defraud investors, which he employed in violation of Section 17(a)(1) of the  
18 Securities Act [15 U.S.C. § 77q(a)(1)], Exchange Act Section 10(b) [15 U.S.C. §  
19 78j(b)], and Exchange Act Rule 10b-5(a) [ 17 C.F.R. § 240.10b-5(a)].

20 44. By use of the purchased list of potential investors, individuals  
21 compensated for making initial calls, misleading statements in telephone scripts,  
22 misleading statements in the PPM, and a misleading website, Jones engaged in  
23 transactions, practices, and a course of business that he knew or should have known  
24 operated or would operate as a fraud and deceit upon the Green Bash note purchasers,  
25 in violation of Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

26 45. Jones knew, or recklessly disregarded, that those acts, practices, and  
27 course of business operated as or would operate as a fraud and deceit upon the Green  
28 Bash note purchasers, in violation of Exchange Act Section 10(b) [15 U.S.C. §

1 78j(b)] and Exchange Act Rule 10b-5(c) [17 C.F.R. § 240.10b-5(c)].

2 **THIRD CLAIM FOR RELIEF**

3 **(Scheme Liability – Jones’ Restricted Stock)**

4 **Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act, Section 10(b) of**  
5 **the Exchange Act, and Exchange Act Rule 10b-5(a) and (c)**

6 46. The SEC realleges and incorporates by reference paragraphs 1 through  
7 31 above.

8 47. Jones also violated Sections 17(a)(1) and 17(a)(3) of the Securities Act,  
9 Section 10(b) of the Exchange Act, and Exchange Act Rules 10b-5(a) and (c) through  
10 his sales of his restricted stock in a small biotechnology company.

11 48. As set forth above, Jones made use of the mails and of interstate  
12 commerce in the offer and sale of his restricted stock.

13 49. As set forth above, Jones sold his restricted stock to two investors for  
14 \$35,000, and unable to lift the restriction on the stock, defrauded the investors by  
15 keeping both his stock and the investors’ funds. He thereby knowingly or recklessly  
16 employed a device, scheme, and artifice to defraud the restricted stock purchasers, in  
17 violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)], Section  
18 10(b) of the Exchange Act [15 U.S.C. 78j(b)], and Exchange Act Rule 10b-5(a) [17  
19 C.F.R. § 240.10b-5(a)].

20 50. Through those actions, Jones engaged in transactions, practices, and a  
21 course of business that he knew or should have known operated or would operate as a  
22 fraud or deceit upon the restricted stock purchasers in violation of Section 17(a)(3) of  
23 the Securities Act [15 U.S.C. § 77q(a)(3)].

24 51. Jones knew or recklessly disregarded that those acts, practices, and a  
25 course of business operated or would operate as a fraud or deceit upon the purchasers  
26 in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange  
27 Act Rule 10b-5(c) [17 C.F.R. § 240.10b-5(c)].  
28

1 **FOURTH CLAIM FOR RELIEF**

2 **False Statements and Omissions**

3 **Violations of Securities Act Section 17(a)(2), Section 10(b) of the Exchange Act,**  
4 **and Exchange Act Rule 10b-5(b)**

5 52. The SEC realleges and incorporates by reference paragraphs 1 through  
6 31 above.

7 53. At all relevant times, Section 17(a)(2) of the Securities Act made it  
8 unlawful for “any person in the offer or sale of any securities . . . by the use of any  
9 means or instruments of transportation or communication in interstate commerce or  
10 by use of the mails, directly or indirectly . . . to obtain money or property by means of  
11 any untrue statement of a material fact or any omission to state a material fact  
12 necessary in order to make the statements made, in light of the circumstances under  
13 which they were made, not misleading.” [15 U.S.C. § 77q(a)(2)].

14 54. Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange  
15 Act Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)] made it unlawful for any person,  
16 directly or indirectly, by the use of any means or instrumentality of interstate  
17 commerce, or of the mails, or of any facility of any national securities exchange, to  
18 make any untrue statement of a material fact or to omit to state a material fact  
19 necessary in order to make the statements made, in light of the circumstances under  
20 which they were made, not misleading, in connection with the purchase or sale of any  
21 security.

22 55. As set forth above, Jones made use of the mails and interstate commerce  
23 in the offer and sale of Green Bash notes.

24 56. Jones obtained in excess of \$700,000 from investors by means of  
25 statements of material facts in the PPM and in his telephone scripts that he knew or  
26 should have known were untrue, thereby violating Securities Act Section 17(a)(2)  
27 [15 U.S.C. § 77q(a)(2)].

28 57. The misstatements in the PPM and in the telephone scripts constituted

1 untrue statements of material facts regarding Green Bash securities that were made in  
2 connection with the purchase and sale of the Green Bash notes. Jones knowingly or  
3 recklessly made these false statements of material fact in violation of Section 10(b) of  
4 the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(b) [17 C.F.R. §  
5 240.10b-5(b)].

6 **FIFTH CLAIM FOR RELIEF**

7 **Unregistered Broker-Dealer**

8 **Violation of Section 15(a) of the Exchange Act**

9 58. The SEC realleges and incorporates by reference paragraphs 1 through  
10 31 above.

11 59. Exchange Act Section 15(a)(1), in relevant part, makes it unlawful for a  
12 “broker” that is a natural person not associated with a broker or dealer to effect  
13 transactions in, or to induce or attempt to induce the purchase or sale of, any security  
14 through the mails or interstate commerce unless that person is registered with the  
15 Commission as a broker [15 U.S.C. § 78o(a)(1)].

16 60. Section 3(a)(4) of the Exchange Act defines a “broker” generally as  
17 “any person engaged in the business of effecting transactions in securities for the  
18 account of others.” [15 U.S.C. § 78c(a)(4)].

19 61. As set forth above, during the offering and sale of Green Bash securities,  
20 Jones, a natural person, was not associated with a broker or dealer registered with the  
21 Commission, nor was he himself registered with the Commission as a broker or  
22 dealer.

23 62. As set forth above, Jones made use of the mails and interstate commerce  
24 in his offer and sales of Green Bash securities.

25 63. As set forth above, Jones retained and compensated individuals to assist  
26 him in effecting the offer and sales of Green Bash securities, collected sales proceeds,  
27 generated note certificates and account statements, and was otherwise engaged in the  
28 business of effecting transactions in securities for the accounts of others.



1 U.S.C. §§ 78o(a)].

2 **V.**

3 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
4 Civil Procedure, permanently enjoining Defendant from, directly or indirectly,  
5 including, but not limited to, through any entity owned or controlled by him,  
6 participating in the issuance, purchase, offer, or sale of any security, provided,  
7 however, that such injunction shall not prevent him from purchasing or selling  
8 securities listed on a national securities exchange for his own personal account.

9 **VI.**

10 Order Defendant to disgorge all funds received from his illegal conduct,  
11 together with prejudgment interest thereon.

12 **VI.**

13 Order Defendant to pay civil penalties under Section 20(d) of the Securities  
14 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §  
15 78u(d)(3)].

16 **VII.**

17 Retain jurisdiction of this action in accordance with the principles of equity and  
18 the Federal Rules of Civil Procedure in order to implement and carry out the terms of  
19 all orders and decrees that may be entered, or to entertain any suitable application or  
20 motion for additional relief within the jurisdiction of this Court.

21 **VIII.**

22 Grant such other and further relief as this Court may determine to be just and  
23 necessary.

24 Dated: March 28, 2017

25 */s/ Gary Y. Leung*

26 GARY Y. LEUNG

27 Attorney for Plaintiff

28 Securities and Exchange Commission

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