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DEPT. OF REAL ESTATE

By. 

7 DEPARTMENT OF REAL ESTATE
8 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
9 STATE OF CALIFORNIA

10 In the Matter of the Accusation against
11 JOHN TIMOTHY CRESTO,
12 Respondent.

DRE Case No.: H-05908 SD

ACCUSATION

14 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the
15 Department of Real Estate¹ (“Department”) of the State of California, makes this Accusation in
16 her official capacity, for cause of Accusation against JOHN TIMOTHY CRESTO aka John
17 Cresto (“Respondent”), is informed and alleges as follows:

18 1. All references to the “Code” are to the California Business and Professions
19 Code, all references to the “Real Estate Law” are to Part 1 of Division 4 of the Code, and all
20 references to “Regulations” are to Title 10, Chapter 6, California Code of Regulations.

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24 ¹ Between July 1, 2013, and July 1, 2018, the Department of Real Estate operated as the Bureau of Real Estate under the Department of Consumer Affairs.

1 show cause why a preliminary injunction should not issue against the Respondent and the other
2 Defendants.

3 8. The Defendants in the FTC complaint are identified as: Automators LLC, also
4 d/b/a Automators AI and Ecom Skool; Empire Ecommerce LLC; Onyx Distribution LLC;
5 Stryder Holdings LLC; Pelenea Ventures LLC; Roman Cresto; John Cresto; and Andrew
6 Chapman (referred to collectively as “Defendants”); and Peregrine Worldwide, LLC (referred to
7 as “Relief Defendant”).

8 9. The FTC complaint alleged that, *inter alia*, the Respondent and the other
9 Defendants engaged in acts or practices that violated Section 5(a) of the FTC Act, 15 U.S.C. §
10 45(a), the Business Opportunity Rule, and the CRFA. The FTC complaint alleged facts which
11 included the following, among others:

12 A. The Respondent (“John”), Roman Cresto (“Roman”), and Andrew Chapman
13 (“Chapman”) (collectively identified as the Individual Defendants”) engaged in ongoing schemes
14 involving the “illegal sale of business opportunities and coaching programs that have caused
15 consumers across the country over \$22 million in harm.”

16 B. “John Cresto (“John”) was the Chief Growth Officer of Empire LLC and Onyx
17 and is a co-owner of Automators and Stryder. He is a signatory on the bank accounts for
18 Automators, Empire LLC, Onyx and Stryder. John narrates marketing advertisements for
19 Defendants’ business opportunities and coaching programs using false and unsubstantiated
20 earnings claims, and speaks with potential purchasers one-on-one to close the sales deals. He is
21 aware of consumer complaints, routine suspensions of Defendants’-managed online stores for
22 policy violations, and requests for refunds from deceived consumers. John resides in [omitted]
23 California, and in connection with the matters alleged herein, transacts or has transacted business
24 in this district and throughout the United States. At all times relevant to this Complaint, acting

1 alone or in concert with others, John has formulated, directed, controlled, had the authority to
2 control, or participated in the acts and practices of Automators, Empire LLC, Onyx and Stryder,
3 including the acts or practices set forth in this Complaint. Through his direct participation in, and
4 control over, Automators, Empire LLC, Onyx and Stryder, John has had knowledge of the acts
5 and practices constituting the violations alleged herein.”

6 C. The Individual Defendants allegedly spearheaded “the operation of this
7 California-based scheme, falsely promoting themselves as ecommerce experts and self-made
8 millionaires who have helped thousands of consumers generate tens of millions of dollars.”

9 D. Beginning in early 2020, the Respondent and the other Defendants “deceived
10 consumers into purchasing a ‘venture capital-backed’ and ‘artificial intelligence-integrated’
11 ecommerce business opportunity to become a ‘silent partner’ in a profitable operation run by
12 Empire LLC and Onyx.”

13 E. “In truth, virtually all purchasers did not earn the advertised income. Most lost
14 their entire investment and got saddled with hefty credit card debts. Moreover, nearly all the
15 online stores that Empire, LLC established and managed for its clients on Amazon.com and
16 Walmart.com got suspended, and ultimately terminated, by those platforms for policy violations,
17 leaving many clients banned from selling on those platforms.”

18 F. “The Corporate Defendants, Automators, Empire LLC, Onyx, Stryder, and
19 Pelenea, have operated as a common enterprise while engaging in the unfair or deceptive acts or
20 practices alleged herein. Empire LLC and its sister company, Onyx, started operating their
21 ecommerce business opportunity scheme through their parent company, Stryder, in early 2020.
22 In November 2022, Roman and John sold Empire LLC and Onyx to a third party, but the sale did
23 not include any financial assets of Empire LLC or Onyx. In January 2023, the Individual
24 Defendants restarted their scheme, using funds from Empire LLC and Onyx, under the name

1 Automators AI, using advertising and marketing materials they previously used to promote
2 Empire LLC and Onyx.”

3 G. “In January 2023, after their Empire LLC business ultimately imploded and they
4 sold it to a third party, the Individual Defendants restarted their deceptive scheme under the
5 name Automators AI, which claims to teach consumers how to use AI to find top-selling
6 products and become successful online sellers making ‘over \$10,000 per month in sales.’ They
7 also claim to coach consumers to use Chatgpt to create customer service scripts. The scheme is
8 ongoing, defrauding consumers of tens of thousands of dollars each in violation of the FTC Act,
9 the Business Opportunity Rule, and the Consumer Review Fairness Act.”

10 10. The FTC complaint alleged that the Respondent and the other Defendants:

11 “(1) made false or unsubstantiated earnings claims;

12 (2) made material misrepresentations regarding the amount of sales, or gross or net
13 income or profits;

14 (3) failed to furnish prospective purchasers with required disclosure documents and
15 other material information;

16 (4) made earnings claims lacking a reasonable basis or written substantiation at the
17 time earnings claims were made, or without providing the required earnings claim statement to
18 the prospective purchaser;

19 (5) made earnings claims while failing to state in immediate conjunction with those
20 claims the beginning and ending dates when the represented earnings were achieved, and the
21 number and percentage of all persons who purchased Defendants’ business opportunity prior to
22 that ending date who achieved at least the stated level of earnings;

23 (6) disseminated industry financial, earnings, or performance information lacking
24 written substantiation demonstrating that the information reflects, or does not exceed, the typical

1 or ordinary financial earnings, or performance experience, of purchasers of the business
2 opportunity; and

3 (7) required clients to sign termination agreements that include an unlawful non-
4 disparagement clause.”

5 11. On August 11, 2023, the Court issued an *ex parte* Temporary Restraining Order
6 against Respondent and the other Defendants that included an asset freeze, appointment of a
7 temporary receiver over the Receivership Entities, and other equitable relief. Each of the
8 Defendants was properly served with a summons, the Complaint and the Temporary Restraining
9 Order.

10 12. On September 8, 2023, the Court issued a Stipulated Preliminary Injunction Order
11 against Respondent and the other Defendants that continued, *inter alia*, the asset freeze over the
12 Defendants and appointed a receiver over the Receivership Entities.

13 13. On or about February 26, 2024, the parties stipulated to the entry of a Permanent
14 Injunction and Monetary Judgment (“Order”) to resolve all matters in dispute in this action
15 between them.

16 14. The Respondent and the other Defendants stipulated to the FTC’s Order which
17 included, but not limited to, the following conditions:

18 A. Ban on Selling and Marketing of Certain Business Opportunities and Business
19 Coaching

20 Respondent and the other Defendants are permanently restrained and enjoined (banned)
21 from advertising, marketing, distributing, promoting, or offering for sale, or sale of, any
22 Business Opportunity involving the management or operation of e-commerce stores in an
23 Online Marketplace or any Business Coaching Program regarding how to manage or operate e-
24 commerce stores in an Online Marketplace.

1 B. Prohibited Business Activities

2 Respondent and the other Defendants are permanently restrained and enjoined from

3 1. Making any misleading Earnings Claims or Assisting Others in making any
4 misleading Earnings Claims

5 2. Failing to disclose, or failing to disclose adequately in writing, material
6 information pertaining to any Business Coaching Program or Business Opportunity at least
7 seven (7) days before the consumer signs a contract or makes a payment in connection with that
8 Business Coaching Program or Business Opportunity;

9 3. Making any unsubstantiated Earnings Claims in the General Media or Assisting
10 Others in making any unsubstantiated Earnings Claims in the General Media;

11 4. Disseminating or Assisting Others in disseminating unsubstantiated industry
12 financial, earnings or performance information in connection with the offering for sale, sales, or
13 promotion of a Business Coaching Program or Business Opportunity;

14 5. Misrepresenting of Assisting Others in misrepresenting expressly, or by
15 implication, facts about Defendants' products;

16 6. Making or Assisting Others in making false or unsubstantiated testimonials about
17 Defendants, Defendants' Products, or companies advertised by Defendants;

18 7. Misrepresenting or Assisting Others in misrepresenting, expressly or by
19 implication, any other material fact concerning Defendants' Products; and

20 8. Prohibiting or restricting any consumer, potential purchaser, or investor from
21 communicating reviews, performance assessments, and similar analyses about Defendants'
22 Product or the conduct of Defendants or companies advertised by Defendants.

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1 C. Injunction

2 The Respondent and the other Defendants are permanently restrained and enjoined from
3 offering, attempting to enforce, or asserting the validity of, any Prohibited contract provision.

4 D. Monetary Judgment and Partial Suspension

5 1. A judgment in the amount of twenty-one million seven hundred and sixty-five
6 thousand nine hundred and two dollars and sixty-five cents (\$121,765,902.65) was entered in
7 favor of the FTC against Respondent and the other Defendants, jointly and severally, as
8 equitable monetary relief.

9 2. Respondent and the other Defendants were ordered to surrender to the Receiver
10 all control, title, dominion, and interest in the assets described in the Order including, but not
11 limited to, all funds held in specified bank accounts, Venmo, investment accounts,
12 cryptocurrency and trading platform accounts in the name of John Cresto.

13 E. Order Acknowledgments

14 For three (3) years after entry of the Order, for any business that Respondent and the
15 other Defendants is a majority owner or controls directly or indirect, the Respondent and the
16 other Defendants must deliver a copy of the Order to specified parties with acknowledgment of
17 receipt of the Order.

18 F. Compliance Reporting

19 For ten (10) years after entry of the Order, Respondent and the other Defendants must
20 submit a compliance notice of any changes to their initial compliance report.

21 The FTC's Order became effective on February 26, 2024.

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1 First Cause of Accusation-Fraud or Dishonest Dealing

2 15. There is hereby incorporated in this Second, separate and distinct First Cause of
3 Accusation all of the allegations contained in Paragraphs 1 through 14, with the same force and
4 effect as if herein fully set forth.

5 16. While Respondent was not convicted of a crime, Respondent's conduct, acts
6 and/or omissions, and the nature, gravity, and underlying circumstances surrounding the FTC
7 Complaint, preliminary injunction, receivership, FTC Order and permanent injunction against
8 Respondent, as alleged above in Paragraphs 6 through 14, bear a substantial relationship to the
9 qualifications, functions or duties of a real estate licensee under Regulation 2910, subdivisions
10 (a)(1), (a)(4), (a)(8), and (a)(10).

11 17. Respondent's conduct, acts and/or omissions, as described above in Paragraphs 6
12 through 14, if done by a real estate licensee, would be grounds for the suspension or revocation
13 of a real estate license pursuant to Code section 10176, subdivisions (a) (substantial
14 misrepresentation) and (i) (fraud or dishonest dealing).

15 18. Respondent's conduct, acts, and/or omissions which resulted in the FTC Order,
16 receivership, and permanent injunction entered against Respondent on February 26, 2024, as
17 described above in Paragraphs 6 through 14, constitutes cause for the suspension or revocation of
18 Respondent's real estate license and license rights pursuant to Code section 10177, subdivision
19 (i) (fraud or dishonest dealing).

20 Second Cause of Accusation - Failure to Disclose

21 19. There is hereby incorporated in this Second, separate and distinct Cause of
22 Accusation all of the allegations contained in Paragraphs 1 through 18, with the same force and
23 effect as if herein fully set forth.

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1 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this
2 Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
3 against all licenses and license rights of Respondent under the Real Estate Law (Part 1 of
4 Division 4 of the Business and Professions Code), for the cost of investigation and enforcement
5 as permitted by law, and for such other and further relief as may be proper under other
6 provisions of law.

7 Dated Apr 7, 2026 at San Diego, California.

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9 VERONICA KILPATRICK
10 Supervising Special Investigator

11 cc: John Timothy Cresto
12 Compass California III, Inc.
13 Veronica Kilpatrick
14 Sacto.