

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11315 / October 2, 2024**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 101232 / October 2, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22224**

**In the Matter of**

**CQC Impact Investors LLC**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against CQC Impact Investors LLC (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to entry of this Order Instituting Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (the “Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

---

<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## Summary

1. These proceedings arise out of an offering fraud involving the holding company CQC Impact Investors LLC and various of its subsidiaries (“C-Quest”), which perpetrated a scheme to manipulate and misrepresent data concerning C-Quest’s business originating carbon credits and made material misrepresentations to investors about this business. When offering its equity to institutional investors from the spring of 2022 to early 2023, C-Quest falsely represented material information about its carbon credit business, including erroneous historical results and unfounded financial projections. This fraudulent offering culminated in the sale of \$250 million of C-Quest shares in early 2023.

2. Since 2008, C-Quest has been a leading participant in the voluntary carbon credit market. This market typically involves the creation of carbon credits through projects managed by entities like C-Quest, who then sell the credits to purchasers, who voluntarily buy the credits to support sustainability projects and offset their own pollution. C-Quest sponsored projects that led to the issuance of carbon credits, charged management fees to develop, sustain, and monitor those projects, and then sold the projects’ carbon credits to corporations such as airlines and technology companies.

3. Former senior C-Quest personnel orchestrated a scheme to manipulate and falsely inflate the amount of carbon credits generated by and estimated from C-Quest cookstoves projects in Africa, Asia, and Central America. The data manipulation was outcome-driven to hit contrived carbon credit numbers. In total, C-Quest has determined that it erroneously reported and received credit for approximately six million carbon credits over 27 C-Quest cookstoves projects. Therefore, overall, C-Quest has determined that approximately thirty percent of its previously-certified carbon credits should not have been issued.

4. Investors, in turn, relied upon the fraudulent numbers and projections when deciding whether to invest in C-Quest’s equity offering. C-Quest disseminated this false information and made fraudulent misrepresentations to potential investors in offering memoranda and presentations, historical data and financial projections. In the course of its offering fraud, C-Quest deceived investors with respect to its past and future ability to profitably and sustainably originate carbon credits.

5. As a result of the conduct described above, C-Quest violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

## Respondent

6. C-Quest is a Delaware limited liability company, whose principal place of business is Washington, DC. C-Quest has never been registered with the Commission. In April 2023, C-Quest filed a Form D asserting that its equity securities were exempt from registration pursuant to Rule 506(b) of Regulation D.

## **Background**

7. Founded in 2008, C-Quest subsequently grew into one of the world's largest carbon credit project developers. Since its founding, C-Quest established operations across Africa, Asia, and Central America to sponsor, finance, manage, and oversee projects that generated verified carbon units ("VCUs"), also known as carbon credits.

8. The issuance of VCUs typically involve three categories of participants: (1) the developer (e.g., C-Quest) of a mitigation project or activity that is intended to reduce or remove greenhouse gas emissions from the atmosphere ("project developer"); (2) a crediting program that, among other things, issues VCUs for mitigation projects or activities that satisfy the crediting program's standards; and (3) third-party validation and verification bodies ("VVBs") that validate and verify the mitigation project or activity.

9. By 2019, C-Quest generated the majority of its VCUs from projects in developing communities in Africa, Asia, and Central America. Typically, C-Quest formed special purpose vehicles with a partner to sponsor VCU projects. C-Quest referred to many of these as "cookstove" projects. With these projects, C-Quest arranged financing for the construction and installation of energy-efficient cookstoves to replace village households' less energy-efficient stoves.

10. In concept, the replacement of less efficient stoves with more efficient stoves would lead to far less firewood being burned by each household. To generate the VCUs for each project, C-Quest calculated the amount of firewood fuel savings from the use of project stoves and then assessed how much carbon dioxide had not been released into the atmosphere based on those fuel savings.

11. To generate VCUs, C-Quest submitted its projects' results to VVBs and then a carbon credit registry (the "Carbon Credit Registry"), which ultimately issued the VCUs. To prepare these submissions, C-Quest engaged in a multi-stage process: C-Quest operations personnel oversaw the collection of data in the field, which was submitted to senior C-Quest personnel and a centralized accounting team known as the Carbon & Sustainability Accounting Team ("CSAT"). In turn, CSAT collated and packaged each project's data and submitted the data to the VVBs, which verified the data shared by CSAT, and the Carbon Credit Registry, which reviewed the foregoing materials and issued VCUs to C-Quest.

12. During the relevant period, C-Quest sold its carbon credits into a small but global market for VCUs, which has seen substantial growth since 2017.

## **Data Manipulation**

13. In mid-2023, several C-Quest employees raised concerns about data discrepancies in the cookstoves projects and those discrepancies were reported to C-Quest's Board of Directors in December 2023, upon which time C-Quest commenced an internal investigation. As a result of its internal investigation, C-Quest has determined that approximately six million VCUs related to its cookstoves projects should be cancelled. These cancellations flow from a determination by the

company that certain former senior C-Quest personnel oversaw and directed three distinct efforts at fraudulently generating VCUs.

14. First, C-Quest manipulated survey data concerning fuel usage for newly installed cookstoves, which was an important input in the methodology used to calculate VCUs generated from the cookstoves projects. This manipulation artificially increased the fuel savings from newly installed cookstoves over the cookstoves they replaced, which ultimately generated more carbon credits.

15. Second, C-Quest manipulated the testing on cookstoves related to their efficiency. When C-Quest transitioned projects to the Carbon Credit Registry, C-Quest needed to show that the project cookstoves met a minimum level of energy efficiency, as determined by how efficiently a project cookstove used fuel to heat water in a cooking pot. This testing threshold required C-Quest to show that the project stoves reached a 25% efficiency metric in order to qualify for inclusion in a project. For one project, C-Quest's internal survey data showed that C-Quest's project cookstoves failed to meet this minimum efficiency standard, but the results submitted to the Carbon Credit Registry were manipulated such that the stove efficiency was slightly above 25%. As a result, C-Quest should have failed to receive any VCUs from these inefficient cookstoves.

16. Third, C-Quest implemented faulty monitoring and training practices related to the surveying of cookstove results after the stoves had been installed. In particular, C-Quest has determined that these survey results were manipulated to show that 100% of project cookstoves were in operation after installation. In reality, the true usage rate was typically lower.

17. C-Quest determined that the data manipulation regarding cookstove usage took multiple forms. For example, former senior C-Quest personnel directed personnel to falsify data, which they referred to internally as "manag[ing]" the data. C-Quest's training materials specifically instructed surveyors to survey additional households in order to compensate for households where project cookstoves were not found or were found to not be operational. Additional manipulations took the form of "pre-screening" the sampled households to ensure that a household was actually using the C-Quest cookstove.

### **C-Quest's Offering Fraud**

18. Starting in the spring of 2022, C-Quest began marketing C-Quest equity to institutional investors in the United States. At meetings in New York and elsewhere, C-Quest's executive leadership personally met or substantively engaged in offering discussions and communications with a number of institutional investors. As part of this offering, C-Quest disseminated misleading offering materials, including "teasers," offering memoranda, financial projections, and due diligence questionnaires that reflected C-Quest's manipulated VCU data. As a result of this fraud, C-Quest successfully raised \$250 million in its equity offering. On behalf of two of its private funds, a private equity fund manager ("Equity Investor") agreed to purchase an equity stake in C-Quest.<sup>2</sup>

---

<sup>2</sup> The Equity Investor committed to a \$250 million investment, of which \$170 million was paid out to C-Quest. After C-Quest's fraud came to light, the Equity Investor informed C-Quest

19. The Equity Investor was provided with information concerning C-Quest’s past and future origination of VCUs. C-Quest also furnished the Equity Investor with historical results and projected capacity related to C-Quest’s construction and installation of cookstoves. A reasonable investor would have viewed this information as material to any investment decision and would have relied on it when deciding whether to invest in C-Quest equity.

20. In connection with the fraudulent offering, C-Quest’s marketing materials, due diligence questionnaires, and other offering materials contained materially misleading statements concerning C-Quest’s past efforts and projected ability to generate VCUs from cookstove projects. Many of these offering documents directed all inquiries to certain former senior C-Quest personnel. During the drafting of certain offering documents, the relevant former personnel provided line edits and reviewed the documents prior to their distribution to prospective investors. Likewise, certain senior C-Quest personnel led meetings with prospective investors, who received offering documents containing material misrepresentations regarding C-Quest’s VCU originations.

21. For example, the initial offering “teaser,” which was provided to potential investors, asserted, among other things, that a certain number of carbon credits were issued as of the first half of 2022, when in reality these results included VCUs that were generated through data manipulation. Tables that expressly referenced the “estimated” number of past and future VCUs from different projects were likewise false and based on manipulated data. In addition, PowerPoint presentations, cash flow projections, and due diligence questionnaires, which C-Quest provided to the Equity Investor and other potential investors, all contained fabricated VCU estimates based on manipulated historical data.

### **Violations**

22. As a result of the conduct described above, Respondent violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

### **Remedial Efforts**

23. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

---

that the remaining \$80 million of its original commitment would not be funded. The Equity Investor has subsequently written down the value of its C-Quest investment by approximately \$100 million.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

By the Commission.

Vanessa A. Countryman  
Secretary