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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

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**IN THE MATTER OF:**

**JONATHAN JAY REYES**

**Respondent.**

**ORDER TO SHOW CAUSE**

**Docket No. SD-08-0095**

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It appears to the Director of the Utah Division of Securities (Director) that Jonathan Jay Reyes has engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

**STATEMENT OF JURISDICTION**

1. Jurisdiction over the Respondent and the subject matter is appropriate because the Division alleges that he violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

## **STATEMENT OF FACTS**

### **THE RESPONDENT**

2. Jonathan Jay Reyes (Reyes) is a resident of Davis County, Utah.

### **GENERAL ALLEGATIONS**

3. From approximately August 2005 through August 2006, Reyes offered and sold investment opportunities in real estate to at least three Utah investors, who invested and lost at least \$144,859.25 in principal alone.
4. Reyes told investors their funds would be used to purchase and renovate homes, which would later be sold for a profit. Reyes also told one investor his funds would be used to develop a website for one of Reyes' companies.
5. Reyes promised investors the return of their principal plus interest of 12% per year. Reyes promised two of the investors they would receive a promissory note in return for their investment. Reyes promised two of the investors they would be secured by the real estate purchased.
6. The investors received unsecured promissory notes from Reyes on some of their investments.

#### **Investors JP and GP, Husband and Wife**

7. Between November 2005 and August 2006, JP and GP made the following six investments with Reyes:

<u>Date</u>	<u>Amount</u>	<u>Check / Wire</u>	<u>Investment</u>
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Nov. 2005	\$2,223.00	Check	Website
Jan. 2006	\$2,178.54	Check	Website
June 2006	\$2,964.00	Check	Website (\$ paid to Website Co.)
Dec. 2005	\$5,000.00	Cashier's Check	Real Estate (Hollow Haven)
Jan. 2006	\$4,849.93	Wire Transfer	Real Estate (Roache Street)
Aug. 2006	\$45,000.00	Cashier's Check	Real Estate (Chestnut Street)
<u>Total</u>	<u>\$62,215.47</u>		

8. JP received signed promissory notes from Reyes for four of the six investments, but only after insisting that Reyes sign the notes, which took place in January 2006.
9. Prior to accepting investor funds, Reyes failed to provide JP and GP with any disclosure documents. Reyes failed to disclose Reyes' involvement in numerous civil suits, including \$24,937.08 in judgments entered against Reyes, and four bankruptcies which Reyes filed but never finalized, including a chapter 13 bankruptcy in 1997, a chapter 7 bankruptcy in 1998, and two chapter 13 bankruptcies in 2000.
10. In June or July 2005, JP, GP, and Reyes met at a restaurant in Layton, Utah, along with GP's father, JL, to discuss investment opportunities.
11. Reyes told JP, GP, and JL the following:
  - a. Reyes would purchase properties to remodel and sell for a profit;
  - b. JP would be the mortgagor and would be listed on the deed to all of the properties purchased;

- c. Reyes would pay JP interest of 12% per year plus an additional two points (2%) on the loan amount.
12. JP started collecting money from JP's family and friends on or about October 21, 2005.
  13. JP, GP, and JL set up an account for their business, JGJ Holdings, LLC, where they held their family and friends' funds.

Website Investment

14. On or about November 28, 2005, while in various locations in Davis County, Utah, Reyes offered JP an opportunity to invest JGJ Holdings' funds with Reyes, which Reyes would use to set up a website for Reyes' company, REI Buyers, LLC<sup>1</sup>.
15. Reyes told JP the following about the investment opportunity:
  - a. The website would be used to sell houses;
  - b. Reyes needed approximately \$2,000 to get the website running; and
  - c. JP would receive 1% of the net sales price for every house sold through the website in return for the investment funds, plus Reyes would pay back the \$2,000 principal investment once the first house sold.
16. JP and JL discussed the investment, and decided to invest in the website.
17. From November 2005 through March 2006, JL invested three times for a total investment of approximately \$7,000 for the website to be designed. All funds invested were either given directly to the website designer by JP, or, according to Reyes' Washington Mutual

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<sup>1</sup> REI Buyers, LLC was registered as a Utah limited liability company on November 22, 2005, but its registration expired on February 28, 2008. Reyes is a Member and the Registered Agent of REI Buyers.

Bank account records, funds were given to Reyes, who then gave the funds to the website designer.

18. According to JP, the website was never finished because Reyes did not pay the website designer for all of the work.
19. JP (JGJ Holdings) has received no return of principal or interest from his investment with Reyes. Reyes still owes JP approximately \$7,000 in principal alone on this particular investment.

#### Hollow Haven Property

20. On or about December 1, 2005, Reyes offered JP the opportunity to invest some of JGJ Holdings' funds into a real estate project. Reyes discussed the investment with JP while in Weber County, Utah.
21. Reyes told JP the following regarding the investment opportunity:
  - a. Reyes needed \$5,000 to use as a down payment to purchase a residential development called Hollow Haven;
  - b. Hollow Haven was a development with 13 lots for town homes, and Reyes would have the rights to add an additional 44 lots;
  - c. Reyes was going to do all of the work on project;
  - d. Reyes would pay JP interest at a rate of 12% per year, and the project would take about six months to complete;
  - e. Reyes said JP would also make money through the sale of the properties;
  - f. Reyes said JP would be collateralized by a deed of trust on the property;

- g. Reyes said there was some risk involved.
- 22. On or about December 1, 2005, in Weber County, Utah, JP invested by giving Reyes a \$5,000 cashier's check.
- 23. In return for the investment, Reyes gave JP the blueprints for the town homes, but failed to provide JP with a deed of trust as collateral.
- 24. To date, JP has received no return of principal or interest from his investment in the Hollow Haven property. Reyes still owes JP \$5,000 in principal alone on this particular investment.

Roache Street Property

- 25. On or about January 23, 2006, JP went to Reyes' office in Davis County, Utah, where Reyes offered JP the opportunity to invest in a property located at 1310 West Roache Street in Indianapolis, Indiana.
- 26. Reyes told JP the following regarding the investment opportunity:
  - a. Reyes could buy 1310 West Roache for under \$5,000;
  - b. The house was worth \$85,000, but needed approximately \$25,000 in renovations;
  - c. Reyes would pay JP 12% interest per year on the investment;
  - d. The renovations would take about four months to complete;
  - e. Reyes would give JP a deed to the property in return for an investment.
- 27. On or about January 23, 2006, JP invested by sending \$4,849.93, via wire transfer, to a title company in Indianapolis, Indiana, per Reyes' instructions.
- 28. Reyes failed to provide a deed of trust to JP as collateral for the investment.

29. In January 2006, JP asked Reyes to sign promissory notes for the Hollow Haven, Roache Street, and website investments. Reyes signed the promissory notes in JP's presence, while at Reyes' office in Davis County, Utah.
30. From February through August 2006, JP pressured Reyes to remodel and sell some properties to pay JP back.
31. To date, JP has received no return of interest or principal on his investment in the Roache Street property. Reyes still owes JP a total of \$4,849.93 in principal alone on this particular investment.

#### The Chestnut Property

32. On or about August 2006, in Davis County, Utah, Reyes offered JP an opportunity to invest in a property located at 1016 Chestnut in Saginaw, Michigan.
33. Reyes told JP the following regarding the investment opportunity in the Chestnut property:
  - a. Reyes needed \$45,000 from JP to purchase and remodel the property;
  - b. The house appraised for \$85,000, but it needed approximately \$10,000 of work done;
  - c. Once the house sold, JP would make his principal back plus a return of about \$20,000;
  - d. Reyes would ensure that the work was completed on the property; and
  - e. Because lenders do not like to get involved with a property that has been "flipped," or bought and sold, too often, Reyes would keep the property titled in

Reyes' name.

34. On or about August 17, 2006, in Davis County, Utah, JP invested in the Chestnut property by giving Reyes a \$45,000 cashier's check made payable to REI Homes, LLC<sup>2</sup>.
35. After JP invested, Reyes failed to provide JP with any deed to the property.
36. According to Saginaw County, Michigan records, the property is owned by Reyes' company, REI Buyers, LLC.
37. Bank records reveal JP's \$45,000 check (which states "1016 Chestnut" in the memo line) was deposited in REI Homes' Washington Mutual Bank account on August 18, 2006, bringing the balance to \$99,093.17. Also on August 18, 2006, \$20,883.23 was wired from the REI Homes' bank account to a title company. According to a warranty deed, dated August 15, 2006, and recorded against the Chestnut property, REI Buyers purchased 1016 Chestnut for \$20,000 through the same title company to which the \$20,883.23 was wired.
38. As of today's date, JP has received no return of principal or interest from his investment in the Chestnut property. Reyes still owes JP \$45,000 in principal alone on this particular investment.
39. Reyes owes JP a total of \$62,215 in principal alone, for all of JP's investments combined.

Investor NT

40. Between February and April 2006, NT made at least the following three investments with Reyes:

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<sup>2</sup> REI Homes, LLC was registered as a Utah limited liability company on October 25, 2005, but its registration expired on January 29, 2007. Reyes is a Member and the Registered Agent of REI Homes.

<u>Date</u>	<u>Amount</u>	<u>Check / Wire</u>	<u>Investment</u>
Feb. 2006	\$26,585.22	Wire transfer	Real Estate (Culbertson Property)
April, 2006	\$9,058.57	Personal Check	Real Estate (Jefferson Property)
April, 2006	\$32,500.00	Personal Checks	Real Estate (Gage Property)
<u>Total</u>	<u>\$68,143.79</u>		

41. Starting in April 2005, Reyes offered NT the opportunity to invest NT's retirement funds with Reyes. Between April and June 2005, NT and Reyes had multiple meetings to discuss the investment, all of which occurred in various locations in Davis and Salt Lake County.
42. During the meetings, Reyes told NT the following regarding the investment opportunity:
- a. They (Reyes and NT) could make good money if NT invested with Reyes;
  - b. NT was guaranteed to make at least 12% interest per year on NT's investments;
  - c. In order for NT to invest, NT would need to put his retirement funds into a self-directed IRA custodian called American Pension Services, Inc. (APS);
  - d. Reyes would use NT's funds to purchase homes at low prices, remodel the homes, then sell them at a higher price;
  - e. Reyes would purchase homes with a 30-40% loan to value ratio;
  - f. Reyes would pay NT an origination fee at the beginning of each property deal, and in addition NT would receive interest payments;
  - g. Reyes had previously completed similar property investments in Ohio;
  - h. Remodeling homes was a very lucrative business with money to be made;

- i. Reyes would teach NT how to remodel homes;
  - j. The investments would be “win-win all around”;
  - k. Reyes had dozens of investors, and the investors had made a lot of money; and
  - l. NT’s principal and interest would be returned after the project was complete, and Reyes would keep the remaining profit.
43. Prior to accepting NT’s investment funds, Reyes failed to provide NT with any disclosure documents. Reyes failed to disclose Reyes’ involvement in numerous civil suits, including \$24,937.08 in judgments entered against Reyes, and four bankruptcies which Reyes filed but never finalized, including a chapter 13 bankruptcy in 1997, a chapter 7 bankruptcy in 1998, and two chapter 13 bankruptcies in 2000.

#### The Culbertson Property

44. On or about February 8, 2006, NT went to Reyes’ office, located in Davis County, Utah, where Reyes offered NT the opportunity to invest in a property located at 165 Culbertson Avenue in Jackson, Mississippi.
45. Reyes provided NT with a document entitled *Executive Summary*, which stated that the purchase price was \$26,000, the investment would pay interest of 12% per year, and would mature in 15 days.
46. Reyes told NT to authorize APS to release NT’s funds, and Reyes would provide APS with a copy of a promissory note and the deed of trust to the Culbertson property.
47. On or about February 10, 2006, NT authorized APS to send \$26,585.22, via wire transfer, to the settlement agent/closing attorney, per Reyes’ instructions.

48. In return for the investment, Reyes provided NT with a copy of a special warranty deed, in which REI Homes was listed as the beneficiary.
49. Reyes also provided NT with two documents: (1) a document entitled *HUD-1 Uniform Settlement Statement*, which states that REI Homes is the purchaser of the property, but does not recognize NT's APS account as the lender; (2) a document entitled *Land Deed of Trust*, which was not recorded with the county recorder's office, but appears to have been signed by Reyes. The *Land Deed of Trust* states that REI Homes was indebted to NT's APS account for \$26,322, as evidenced by a promissory note. NT never received the promissory note referenced in the *Land Deed of Trust*.
50. According to the county recorder's office (Hinds County, Mississippi), REI Homes owns the property.
51. On or about February 22, 2006, the maturity date for the Culbertson property investment, NT contacted Reyes to get his funds back. Reyes told NT there were "a few bumps in the road", but NT would still make money on the deal, while Reyes would take a loss. Reyes said he would pay NT one point (1%) for every day over the maturity date.
52. As of today's date, NT has received no return of principal or interest on NT's investment in the Culbertson property. Reyes still owes NT \$26,585 in principal alone on this particular investment.

#### The 28<sup>th</sup> Street Property / The Syracuse Property

53. On or about March 2, 2006, Reyes offered NT the opportunity to invest \$37,381 toward the purchase of property located at 128 28<sup>th</sup> Street in Ogden, Utah. Reyes offered NT the

investment while at NT's home in Davis County, Utah.

54. Reyes told NT the following regarding the investment opportunity:
  - a. Reyes would need the money for 15 days;
  - b. Reyes would give NT a \$37,381 promissory note collateralized by a deed of trust on the property; and
  - c. NT would receive 12% interest per year.
55. On or about March 2, 2006, NT agreed to invest, and authorized APS to release \$37,381 to a title company, per Reyes' instructions. Reyes then purchased the 28<sup>th</sup> Street property.
56. After APS released the funds, Reyes suggested NT purchase the 28<sup>th</sup> Street property from Reyes, and learn the remodeling process from Reyes. Reyes recommended a lender NT could use to complete the purchase.
57. Reyes arranged for NT to receive financing from two hard money lending companies to purchase the 28<sup>th</sup> Street property from Reyes, and remodel the property with Reyes' help.
58. Funding for NT's purchase of the 28<sup>th</sup> Street property came through on or about March 6, 2006. NT's lending companies paid the title company approximately \$55,000 toward the purchase of the property from Reyes, and NT became the owner of the 28<sup>th</sup> Street property.
59. When the lending companies paid the title company, the title company was supposed to pay back NT's APS account the \$37,381 NT had released on March 2, 2006. Reyes told NT the title company mistakenly released the funds to Reyes instead.
60. On or about March 17, 2006, Reyes gave NT a check for \$37,907, made payable to NT, to use to pay back NT's APS account. Reyes asked NT to hold the funds in NT's bank account,

instead of paying back NT's APS account, so Reyes could use the funds for about 30 days.

61. On or about March 17, 2006, NT gave Reyes a \$28,143 personal check made payable to Hard Money Vault, LLC<sup>3</sup>, to use on a home Reyes was building in Syracuse, Utah. The funds came from the \$37,907 Reyes paid NT, leaving about \$9,764 with NT.
62. In return for the Syracuse investment, Reyes gave NT a promissory note for \$28,143, dated March 21, 2006. The promissory note included an interest rate of 12% per year, and matured on April 21, 2006.
63. Reyes repaid NT's principal and interest on or about July 7, 2006.

#### The Jefferson Property

64. On or about April 7, 2006, Reyes contacted NT by telephone while NT was at work in Salt Lake County, Utah. Reyes offered NT the opportunity to invest \$9,058.57 of the \$9,764 NT had left from the 28<sup>th</sup> Street property repayment (\$37,907).
65. Reyes told NT the following regarding the investment opportunity:
  - a. Reyes owned clear title to a property located at 1435 Jefferson, in Ogden, Utah, but needed \$9,058.57 to finish remodeling the property;
  - b. Reyes would return both this investment (\$9,058.57) and the Syracuse property investment (\$28,143) at the same time, so NT could return the money to NT's APS account.

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<sup>3</sup>Hard Money Vault, LLC was registered as a Utah limited liability company on May 13, 2005, but its registration expired on September 5, 2007. Reyes was a Member and the Registered Agent of Hard Money Vault, LLC.

66. NT invested by giving Reyes a \$9,058.57 personal check, dated April 7, 2006, made payable to “REIN”<sup>4</sup>.
67. In return for the investment, Reyes gave NT a promissory note for \$9,058.57, and a document entitled *Executive Summary*. The *Executive Summary* states that NT’s loan would be second in position on the property, \$8,880.95 would be used for “construction cost,” and that NT would be paid \$177.62 (2% of the construction cost). The promissory note included a maturity date of 30 days, but included no interest rate.
68. After investing the \$9,058.57 with Reyes, NT discovered through the Weber County Recorder’s Office that Reyes sold the Jefferson property to an unrelated company about one day prior to investing.
69. Bank Records reveal NT’s \$9,058.57 check was deposited into a Washington Mutual Bank account for REIN on April 7, 2006, bringing the account balance to \$9,072.98. By April 10, 2006, Reyes had spent all of NT’s funds on the following: \$7,880.95 was paid to Inwest Title Services, Inc. (two checks), \$177.62 was paid to NT, and \$1,000 paid to investor JP and GP’s company J&G Enterprises.
70. According to documents provided by Inwest Title, the money Reyes paid to Inwest Title was used to complete a transaction in which investor JP purchased the Jefferson property from an entity called NJR Investments, LLC. According to the settlement statement from Inwest

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<sup>4</sup> Real Estate Investor Network, LLC (REIN) was registered as a Utah limited liability company on September 29, 2004, but its registration expired on January 5, 2007. Reyes was the Manager of REIN.

Title, part of NT's \$9,072.98 was used as cash from the buyer (investor JP), and some was used as cash from the seller (NJR Investments). In return for the purchase, Reyes, through REI Homes, was to receive a payment of \$75,420.95 as a payoff for a first mortgage loan. The \$75,420.95 was wired to an unrelated individual to whom REIN had previously granted a \$72,870 recorded trust deed.

71. As of today's date, NT has received no return of principal or interest on his investment in the Jefferson property. Reyes still owes NT \$9,058.50 in principal alone.

#### The Prescott Property / The Gage Property

72. On or about April 13, 2006, in Davis County, Utah, Reyes offered NT the opportunity to invest \$32,500 in a property located at 1934 Prescott in Saginaw, Michigan.
73. Reyes told NT the following regarding the investment opportunity:
  - a. Reyes needed the funds to purchase and remodel the home at 1934 Prescott; and
  - b. Reyes would pay back NT's principal plus \$1,000 in profit.
74. On or about April 13, 2006, NT invested by giving Reyes two personal checks both made payable to REI Homes. The first check was for \$14,100 and the second was for \$18,400.
75. In January or February 2007, NT contacted the Saginaw County Recorders office and discovered neither he nor Reyes were listed as the owners of the Prescott property.
76. NT contacted Reyes to ask why they were not listed as the owners, and Reyes said NT's funds were actually used to purchase a property located at 1422 Gage located in Saginaw, Michigan. NT again contacted the Saginaw County Recorders Office, and discovered REI Homes had purchased the Gage property.

77. Since February 2007, NT has had little contact with Reyes.
78. As of today's date, NT has received no return of principal or interest on the Gage property investment. Reyes still owes NT \$32,500 in principal alone on this particular investment.
79. Reyes still owed NT a total of \$68,143 in principal alone for the Culbertson property, Jefferson property, and Gage property investments combined.

Investor AB

80. On or about August 31, 2007, Reyes contacted AB and AB's boyfriend (KK), via telephone multiple times while AB was in Davis County, Utah, and KK was at work in Salt Lake County, Utah.
81. During Reyes' conversations with AB and KK, Reyes told them the following regarding a real estate investment opportunity:
  - a. Reyes was short on funds for a real estate project and his "regular lender" was out of town for the weekend;
  - b. Reyes would make \$20,000 in profit alone on the project;
  - c. Reyes guaranteed he would pay back AB's and KK's principal investment plus interest, by cashier's check, by September 4, 2007;
  - d. Reyes needed \$17,000, but lowered the amount to \$14,500 when AB said she did not want to invest \$17,000;
  - e. Reyes agreed to pay AB \$5,000 in profit on a \$14,500 investment;
  - f. Reyes had money and properties he could use to pay back AB and KK.
82. Prior to accepting investment funds from AB, Reyes failed to provide her with any

disclosure documents. Reyes failed to disclose Reyes' involvement in numerous civil suits, including in excess of \$24,000 in judgments entered against Reyes; that Reyes had filed for bankruptcy four times, including a chapter 13 bankruptcy in 1997, a chapter 7 bankruptcy in 1998, and two chapter 13 bankruptcies in 2000; that one prior investor (Investor NT) had filed a complaint against Reyes with the Division; and that the Utah Division of Consumer Protection was awarded a civil judgement of \$5,989 against Reyes' company, REIN, just one week prior to soliciting funds from AB.

83. On August 31, 2007, AB invested \$14,500 with Reyes. AB met Reyes at an America First Credit Union in Layton, Utah, where AB purchased a \$14,500 cashier's check made payable to Reyes.
84. While at the bank, Reyes provided AB with a promissory note, and in AB's presence, Reyes signed the promissory note. Reyes also provided AB with a list of Reyes' assets.
85. The promissory note was for \$19,500, included interest of 12% per year, and a maturity date of September 4, 2007.
86. According to a cleared copy of AB's \$14,500 investment check, Reyes endorsed the back of the check to a Dodge auto dealer located in Davis County, Utah.
87. On or about September 4, 2007, AB and KK contacted Reyes about getting their funds back. Reyes said he had meetings scheduled all day, and would not be able to get AB and KK a cashier's check.
88. On September 4, 2007, Reyes hand delivered a \$20,000 personal check to AB's home in Davis County, Utah.

89. AB deposited the \$20,000 check on September 5, 2007, but one week later was notified by the bank that the check bounced due to the fact that Reyes' account was closed.
90. AB has since lost contact with Reyes and has received no return of her principal or interest.
91. Reyes still owes AB \$14,500 in principal alone.

## **CAUSES OF ACTION**

### **COUNT I**

#### **Securities Fraud under § 61-1-1 of the Act**

92. The Division incorporates and re-alleges paragraphs 1 through 91.
93. The promissory notes and investment contracts offered and sold by Jonathan Jay Reyes are securities under § 61-1-13 of the Act. An investment contract includes,

any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor; or . . . any investment by which . . . an offeree furnishes initial value to an offerer; . . . a portion of this initial value is subjected to the risks of the enterprise; . . . the furnishing of the initial value is induced by the offerer's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise; and . . . the offeree does not receive the right to exercise practical or actual control over the managerial decisions of the enterprise.

UTAH ADMIN. CODE R164-13-1(B)(1)(a) and 1(b).

94. In connection with the offer and sale of securities to investors, Jonathan Jay Reyes made false statements, including, but not limited to, the following:
  - a. Reyes told investors (guaranteed in some cases) they would receive interest of 12% per year, when in fact, Reyes had no reasonable basis on which to make this representation;

- b. Reyes told JP he would receive a return of his principal plus \$20,000 in profit from an investment in the Chestnut property, when in fact, Reyes had no reasonable basis on which to make this representation;
  - c. Reyes told NT that Reyes had dozens of investors who had made a lot of money;
  - d. Reyes told NT that Reyes owned clear title on the Jefferson property, when in fact, Reyes sold the property just prior to making this representation to NT;
  - e. Reyes told JP he would give JP trust deeds to each property in which JP invested, when in fact, Reyes conveyed no trust deeds to JP for the Hollow Haven, West Roache, or Chestnut properties;
  - f. Reyes told AB her funds would be used for real estate, when in fact, the funds were used at a Dodge dealership;
  - g. Reyes offered AB \$5,000 in interest for using AB's funds for less than a week, when in fact, Reyes had no reasonable basis on which to make this representation;
  - h. Reyes said he would pay AB back with a cashier's check on or about September 4, 2007, when in fact, Reyes had no reasonable basis on which to make this representation; and
  - i. Reyes told AB he had assets and properties he could use to pay AB back, when in fact, one of the properties Reyes showed AB was the chestnut property on which JP's funds were used.
95. In connection with the offer and sale of securities to investors, Jonathan Jay Reyes failed to disclose material information, including, but not limited to, the following, which was

necessary in order to make representations made not misleading:

- a. Reyes was involved in numerous civil suits, several of which resulted in judgments of over \$24,000 entered against Reyes;
- b. Reyes filed for bankruptcy once in 1997, once in 1998, and twice in 2000, none of which were finalized;
- c. Reyes failed to disclose to AB that he failed to pay prior investors;
- d. Reyes failed to disclose to AB that one prior investor filed a complaint against Reyes with the Utah Division of Securities;
- e. Reyes failed to disclose to AB that just one week prior to soliciting her investment funds, the Utah Division of Consumer Protection was awarded a civil judgment against one of Reyes' companies (REIN) in the amount of \$5,989; and
- f. Some or all of the information typically provided in an offering circular or prospectus regarding REI Buyers, LLC, REI Homes, LLC, and Real Estate Investor Network, LLC (the Companies), such as:
  - i. The business and operating history for the Companies;
  - ii. The principals' experience with buying and selling real estate;
  - iii. Financial statements for the Companies;
  - iv. The market for the Companies' service(s);
  - v. The nature of the competition for the service(s);
  - vi. Each Company's current capitalization;
  - vii. The track record of the Companies to investors;

- viii. The number of other investors;
- ix. The minimum capitalization needed to participate in the investment;
- x. The disposition of any investments received if the minimum capitalization were not achieved;
- xi. Discussion of pertinent suitability factors for the investment;
- xii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xiii. Agent commissions or compensation for selling the investment;
- xiv. Whether the investment is a registered security or exempt from registration;  
and
- xv. Whether the person selling the investment is licensed.

96. Based upon the foregoing, Jonathan Jay Reyes violated § 61-1-1 of the Act.

#### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Tuesday, December 2nd, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-

46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-

10. At the hearing, the Respondent may show cause, if any he has:

- a. Why Jonathan Jay Reyes should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Jonathan Jay Reyes should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Jonathan Jay Reyes should not be ordered to pay a fine of one hundred seventy five thousand dollars (\$175,000) to the Division of Securities, which may be reduced by restitution paid to the investors.

DATED this 23<sup>rd</sup> day of October, 2008.



KEITH WOODWELL

Director, Utah Division of Securities



Approved:



JEFF BUCKNER

Assistant Attorney General

J. N.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801) 530-6980

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BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH

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IN THE MATTER OF:

JONATHAN JAY REYES

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-08-0095

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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk  
c/o Pam Radzinski  
Division of Securities  
160 E. 300 S., Second Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

A copy to:

Jeff Buckner  
Assistant Attorney General  
160 E. 300 S., Fifth Floor  
Box 140872  
Salt Lake City, UT 84114-0872  
(801) 366-0310

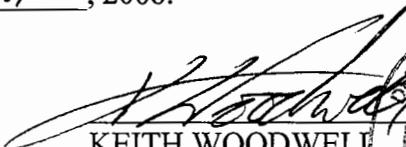
A hearing date has been set for Tuesday, December 2nd, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Pursuant to U.C.A. Subsection 63-46b-2(1)(h), Mr. Eklund is hereby designated as presiding officer for the purpose of conducting this formal administrative proceeding. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 23<sup>rd</sup> day of October, 2008.

  
KEITH WOODWELL  
Director, Division of Securities



**CERTIFICATE OF MAILING**

I hereby certify that on the 27th day of October 2008, I mailed, by certified mail,  
a true and correct copy of the forgoing **Order to Show Cause and Notice of Agency Action** to:

Jonathan Jay Reyes  
3121 South 1175 West  
Syracuse UT 84075

CERTIFIED MAIL: 7004 1160 0003 0196 1959

Mark Pugsley  
Ray Quinney & Nebeker  
36 S State Street Ste 1400  
Salt Lake City UT 84111

CERTIFIED MAIL: 7004 1160 0003 0196 1966



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Pam Radzinski  
Executive Secretary