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

IN THE MATTER OF:

**CAPSTONE EQUITY CAPITAL, L.L.C.
ROBERT R. TY
MICHAEL L. BLOXHAM
JONATHON R. WATTS**

RESPONDENTS.

**ANSWER OF ROBERT R. TY TO ORDER
TO SHOW CAUSE**

**Docket No. SD 08-0098
Docket No. SD 08-0099
Docket No. SD 08-0100
Docket No. SD 08-0101**

Robert R. Ty ("Ty") is currently residing in the Philippines. Ty received a copy of the above referenced Order to Show Cause ("OSC") of the Division of Securities of the State of Utah (the "Division") on the weekend of January 3, 2009 from his sister. Ty did not receive a copy from the Division. Ty was unable to retain counsel until Monday, January 5, 2009. Because of his move to the Philippines, Ty does not have ready access to all of his personal documents. Ty is willing to provide additional information and documents to the Division as requested.

Respondent Ty, by and through his counsel, Cohne, Rappaport & Segal, answers the Order to Show Cause ("OSC") of the Division of Securities of the State of Utah (the "Division") as follows:

PRELIMINARY FACTUAL STATEMENT OF ROBERT R. TY

A. From 2003 to 2006, Ty was a real estate agent for RE/MAX Canyons. In 2006, Ty obtained his real estate brokers license and opened his own real estate brokerage business in a West Jordan, Utah office complex. Michael L. Bloxham (“Bloxham”) and Jonathon R. Watts (“Watts”) were tenants in the same office complex. Watts and Bloxham’s business, Paradigm Lending Solutions, LLC, was located next door to Ty’s business but in a separate office.

B. Watts and Bloxham informed Ty that they were in the home loan mortgage business and requested that Ty refer his real estate clients to them when such clients needed to obtain a loan to purchase a home.

C. As tenants in the same office complex, Ty would see Bloxham and Watts regularly and developed an acquaintance with them.

D. In November, 2006, Bloxham and Watts approached Ty and described a real estate project they were involved with through their Capstone company. The project was located in Cedar City, Utah. They described the project and informed Ty that the transaction was ready to close and indicated they needed \$50,000 on a short term basis for the project. Bloxham and Watts asked Ty to loan Capstone the required \$50,000 and promised to repay him the \$50,000 plus a return of \$10,000. Ty agreed to make such loan to Capstone. On November 16, 2006, Ty made a \$50,000 loan to Capstone. (Ty subsequently made another \$50,000 loan to Capstone, his sister made an \$80,000 loan to Capstone and his father made a \$150,000 loan to Capstone.)

E. Several days after Ty made loans to Capstone, Kim Nguyen (“KN”) and XI Thi Nguyen (“XN”) (KN’s mother) visited Ty’s office. Earlier in November, Ty had closed a home sale transaction whereby one of his real estate brokerage firm clients purchased a home from KN

and her husband HN. KN thanked Ty for helping her sell her house. During their conversation, KN indicated that she was involved in hard money lending and was getting 2% per month return from her current sources. Ty told KN that he had just invested with Capstone and was promised a \$10,000 return on a \$50,000 investment. During this conversation, Watts entered Ty's office to drop off promotional materials for Paradigm Lending Solutions home loans. Ty introduced KN and XN to Watts.

F. On November 30, 2006, KN again visited Ty's office and told him she had just invested in Capstone. This was the only occasion that Ty was aware that KN or her family invested in Capstone.

G. Ty received no commission from Capstone relating to KN's investment or from any other person's investment in Capstone. Ty was not an agent of Capstone, did not offer or sell any security of Capstone. Ty merely told KN about his family's investment in Capstone and introduced KN to Watts.

H. From January 2007 to May 2007, Capstone was making monthly 3% interest payments to Ty and his family on their combined loans to Capstone.

I. Ty was personal friends with Lillian Vergin ("LV") and Jerry Vergin ("JV"). Ty had hired JV to provide various construction services on investment properties owned by TY. In May or June 2007, Ty and the Vergins discussed hard money lending and Ty told him of his family's investments with Capstone. Ty told them his family was receiving 3% per month return on their investments. LV and JV requested that Ty introduce them to Watts and Bloxham which Ty did.

J. Ty had no involvement with the discussions between the Vergins and Watts and Bloxham.

K. Ty did not offer or sell any Capstone security to the Vergins and did not receive any commission or other compensation from Capstone relating to the Vergin's investment in Capstone or relating to any other investment in Capstone from any person.

L. In connection with Ty's real estate business he determined it would be in his best interest to get licensed as a mortgage loan agent. In October 2007, almost one year after he introduced KN to Bloxham and Watts and four months after he introduced the Vergins to Bloxham and Watts, Ty became a licensed mortgage loan agent under Paradigm Lending Solutions, LLC, an affiliate of Watts and Bloxham. Ty's licensing as a mortgage lender agent was totally separate and apart from his investment in Capstone or the operation of his real estate office.

M. Ty has never owned an interest in Capstone, managed Capstone, been employed by, or acted as an agent for, Capstone.

N. Ty and his family invested \$330,000 in Capstone and are still owed money by Capstone.

O. Ty never offered or sold any Capstone securities to any person and was never compensated or paid commission by Capstone relating to the sale of any Capstone securities.

ANSWER TO ALLEGATIONS IN ORDER TO SHOW CAUSE

STATEMENT OF JURISDICTION

1. Ty denies that he committed any violation of (i) §61-1-1 of the Utah Uniform Securities Act (the "Act"), §61-1-7 of the Act, or §61-1-3 of the Act or any other section of the Act. Ty did not offer or sell securities, act as an agent in connection with the sale of securities or receive any commission or compensation in connection with the sale of Capstone securities. Ty was not an issuer of securities, an agent of an issuer, a broker or a finder.

STATEMENT OF FACTS
The Respondents

2. Ty has no first hand knowledge of the legal owners or legal status of Capstone and therefore lacks information as to paragraph 2 of the OSC. Ty's believes that Capstone is owned by Watts and Bloxham. Ty affirmatively states that he is not now, nor has he ever been, a member, employee, agent or affiliate of Capstone. Ty affirmatively states that his only financial or legal relationship with Capstone has been as a lender.

3. Ty denies that he is currently a resident of Salt Lake County, Utah. Ty currently resides in the Philippines. Ty admits he previously resided in Salt Lake County. Ty admits that he was a licensed mortgage lender agent under Paradigm Lending Solutions, LLC ("Paradigm") beginning in October 2007 but is no longer operating as a mortgage lender agent. Ty denies he is now or was ever an agent of Capstone or acted as an agent of Capstone.

4. Ty lacks information as to allegations of paragraph 4.

5. Ty lacks information as to allegations of paragraph 5.

General Allegations

6. Ty denies he offered or sold any security, any investment opportunity or any promissory note relating to or on behalf of Capstone or any other affiliate of Bloxham or Watts. Ty acknowledges that he, his sister and his father invested \$330,000 in Capstone. Apart from his uncompensated introductions of the Jergins and the KN family to Watts and Bloxham, Ty is without specific information about the other sales activities of Capstone, Bloxham and Watts.

7. Ty denies he offered or sold any security, any investment opportunity or any promissory note relating to Capstone or any other affiliate of Bloxham or Watts. Apart from his

uncompensated introductions of the Jergins and the KN family to Watts and Bloxham, Ty is without specific information about the sales activities of Capstone, Bloxham and Watts.

8. Ty denies he gave any documents to any person relating to Capstone or any other affiliate of Bloxham or Watts. Ty acknowledges Capstone delivered trust deed notes to him, his sister and his father for their \$330,000 investment in Capstone.

9. Ty and his family invested approximately \$330,000 with Capstone. Ty has no information about the total investments in Capstone by any other investors.

Investors KN, HN, XN and HTN

10. Ty acknowledges KN and HN sold their Salt Lake County home but is without information as to the remaining allegations in paragraph 10.

11. Ty denies he spoke to KN and HN about Capstone at the closing of the sale of their home. He admits he discussed his investment in Capstone with KN and her mother XN at a later date.

12. Ty admits he discussed his investment in Capstone with KN and XN but denies each other allegation of paragraph 12. Ty denies he offered, solicited or sold any investment in Capstone to KN and HN or to any other person.

13. Ty admits that he introduced KN and XN to Watts at Ty's office but denies he introduced them at Capstone's office. Ty admits that his office was in the same building as Capstone's office.

14. Ty has no information as to what Watts told KN and XN about Capstone.

15. Ty has no information about the allegations of paragraph 15.

16. Ty has no information about the allegations of paragraph 16.

17. Ty denies he encouraged KN or HN or any other person to draw upon any equity lines of credit to make an investment in Capstone.

18. Ty has no information about the allegations of paragraph 18.

19. Ty has no information about the allegations of paragraph 19.

20. Ty has no information about the allegations of paragraph 20.

21. Ty acknowledges that at some time Capstone made interest payments on his notes and his family notes. Ty denies he was paid or received any compensation for any investment in capstone by any person. Ty has no information about the other allegations of paragraph 21.

22. Ty has no information about the allegations of paragraph 22.

23. Ty has no information about the allegations of paragraph 23.

24. Ty has no information about the allegations of paragraph 24.

25. Ty has no information about the allegations of paragraph 25.

26. Ty has no information about the allegations of paragraph 26.

27. Ty has no information about the allegations of paragraph 27.

28. Ty has no information about the allegations of paragraph 28.

29. Ty has no information about the allegations of paragraph 29.

Investor LT

30-38 Ty has no information about the allegations contained in paragraphs 30-38.

Investors LV and JV

39. LV and JV are personal friends of Ty and JV has provided construction services to TY. Ty acknowledges that he told LV and JV about his family's investment in Capstone in response to their request for information about "hard money" lending. LV and JV requested that Ty introduce them to Watts and Bloxam, which he did.

40. Ty acknowledges he told LV and JV about his family investments in Capstone and about the representations Capstone had made to Ty and his family. Ty denies he told LV and JV or any other person he would “take care of” their investment in Capstone. Ty denies he was an agent, employee, owner or affiliate of Capstone. Ty denies he offered or sold any securities or investment opportunities in Capstone to LV and JV or to any other person. Ty denies he received any compensation from Capstone or from any other person as a result of LV or JV’s investment in Capstone.

41-48. Ty has no information about the allegations contained in paragraphs 41-48.

CAUSES OF ACTION

49-63 In response to paragraphs 49 through 63, Ty responds as follows:

A. Ty is not now, nor has he ever been, an officer, owner, employee, agent, or salesman of Capstone.

B. Ty has never offered for sale, solicited the purchase of, or sold any security on behalf of Capstone, Watts or Bloxham.

C. Ty has never acted as a sales agent, licensed or unlicensed, for Capstone.

D. Ty has never been compensated by Capstone for any investment made in Capstone by any Capstone investor.

E. Ty has never intentionally made false statements to any person about Capstone or his investment or his family’s investment in Capstone.

F. Ty denies he has violated any provision of the Utah Uniform Securities Act.

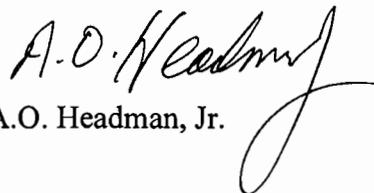
REQUESTED RELIEF

Ty requests that the Division dismiss any action against Ty relating to Capstone and the matters addressed in the OSC and that the Division makes a termination that Ty did not violate the Utah Uniform Securities Act in connection with the matters addressed in the OSC.

Ty requests that the Division include Ty and his family as persons financially injured by the actions of Capstone, Bloxham and Watts.

Dated this 6th day of January, 2009.

COHNE, RAPPAPORT & SEGAL P.C.


A.O. Headman, Jr.