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

IN THE MATTER OF: **CHAD BENNETT REID** **NETFUNDZ, LLC** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-13-0030 **Docket No.** SD-13-0031

It appears to the Director of the Utah Division of Securities (Director) that Chad Bennett Reid and NetFundz, LLC (collectively, Respondents) have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, *et seq*. (the Act). Those acts and practices 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 Respondents and the subject matter is appropriate because the Division alleges that they 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 RESPONDENTS

2. Chad Bennett Reid ("Reid") was, at all relevant times, a resident of the state of Utah. Reid has never been associated with a securities broker-dealer, nor has he been otherwise licensed in the securities industry. On November 8, 2012, Reid was charged with three counts of securities fraud and one count of pattern of unlawful activity for conduct related herein.[1]

3. NetFundz, LLC ("NetFundz") is a Utah Limited Liability Company organized on May 4, 2004. NetFundz's current status is "Expired" as of September 1, 2009. Sawgrass Management Group, Inc., a Wyoming Corporation, is listed as NetFundz's Manager and Registered Agent. The President of Sawgrass Management Group, Inc. is Respondent Reid.

GENERAL ALLEGATIONS

4. From approximately March 2005 to February 2009, Respondents offered and sold securities to at least eight investors, in or from Utah, and collected approximately $320,500.

5. Respondent Reid made material misstatements of fact and omitted to state material facts necessary in order to make the statements he made, in light of the circumstances under which they were made, not misleading.

6. Of the $320,500 invested, the investors identified below lost approximately $282,205.

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1 *State of Utah v. Chad Bennett Reid*, Case No. 121902455 in Second Judicial District Court of Utah (2012).

INVESTOR T.B.

7. Investor T.B. was introduced to the investment opportunity with Respondents by Investor C.B., his roommate. T.B. and C.B. met Respondent Reid in the latter's office in Layton. Also present at this meeting was Brian Tobler ("Tobler"), whom Reid identified as his business partner. Reid and Tobler made the following statements about a potential investment in NetFundz:

   a. T.B. would be investing in a limited liability company called NetFundz;

   b. T.B.'s investment would be considered a no-interest loan to NetFundz for a period of one year;

   c. In return for his investment of $3,000, T.B. would own 0.06% of NetFundz;

   d. The investment would be risk free because NetFundz was worth millions already. The worst case scenario would be that NetFundz would have to sell some company assets in order to repay investors;

   e. T.B. would receive his full investment back after one year but would still retain his equity membership interest in NetFundz;

   f. T.B. was certain to receive back his original investment even if the company failed, because there were sufficient assets and cash to repay him; and

   g. NetFundz would offer large companies like Wal-Mart a web portal to allow the company's customers to choose a charitable organization to receive a portion of the funds the company had earmarked for donation. This would build goodwill with customers and not offend persons who might be upset if the company

donated directly to an otherwise controversial organization.

8. In reliance on Reid's statements, T.B. invested $3,000 on August 15, 2005. T.B. received an "Equity Investment Agreement" ("EIA") dated August 15, 2005, listing NetFundz as "Company" and T.B. as "Investor." The EIA was signed and executed by Reid as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The EIA identified the sale of a 0.06% equity membership interest in NetFundz to T.B.

9. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $3,000 USD on or before August 15, 2006."

Second Investment

10. Respondents failed to return T.B.'s original investment within the agreed-upon period. Subsequently, T.B. met with Tobler who made the following statements about T.B.'s investment in NetFundz:

    a. The business was doing great; and

    b. If T.B. would extend the loan period for an additional year, Reid and Tobler would double T.B.'s equity ownership percentage.

11. In reliance on Tobler's statements, T.B. left his $3,000 in NetFundz. An updated EIA, signed and executed by Reid, was issued to T.B. on August 15, 2006. The updated EIA identified T.B. as the holder of a 0.12% equity membership interest in NetFundz.

12. Language identical to that in Paragraph 9, above, promised T.B. a distribution of Company capital of $3,000 USD on or before August 15, 2007.

13. Respondents again failed to return T.B.'s original investment within the agreed-upon period.

14. T.B. has received no payments from Respondents.

Investor C.B.

15. C.B. attended a young single adult ward[2] of the Church of Jesus Christ of Latter-day Saints at Weber State University in Ogden. Reid was C.B's bishop and C.B. served as an assistant ward clerk. The two worked together at the church on weeknights and weekends.

16. In late July 2005, Reid began talking to C.B. about his new business venture called NetFundz. In August 2005, C.B. met Reid and Tobler at Respondents' office in Layton. Reid and Tobler made the following statements about a potential investment in NetFundz:

    a. C.B.'s investment would be in NetFundz;

    b. C.B. would be a minority equity owner in NetFundz;

    c. NetFundz was valued at $4.0 million;

    d. If C.B. invested $17,500, he would own 0.35% of NetFundz;

    e. C.B. would receive his original investment back after one year but would continue to hold his equity membership interest in NetFundz;

    f. If C.B. did not invest by August 12, 2005, then his promised equity percentage would be reduced by 50 percent; and

2 A "ward" is a local church unit of the Church of Jesus Christ of Latter-day Saints. Each ward is led by a bishop.

g. NetFundz would offer large companies like Wal-Mart a web portal to allow the company's customers to choose a charitable organization to receive a portion of the funds the company had earmarked for donation. This would build goodwill with customers and not offend persons who might be upset if the company donated directly to an otherwise controversial organization.

17. In reliance on Reid and Tobler's statements, C.B. invested $17,500. C.B. received an EIA dated August 15, 2005, listing NetFundz as "Company" and C.B. as "Investor." The EIA was signed and executed by Reid as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The EIA identified the sale of a 0.35% equity membership interest in NetFundz to C.B.

18. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $17,500 USD on or before August 15, 2006."

Second Investment

19. Respondents failed to return C.B.'s original investment within the agreed-upon period. Subsequently, C.B. met with Reid who proposed that if C.B. left his $17,500 investment with NetFundz for another year, Reid would grant to C.B. an additional 0.35% equity interest in NetFundz.

20. In reliance on Reid's statements, C.B. left his $17,500 in NetFundz. An updated EIA, signed and executed by Reid, was issued to C.B. on August 15, 2006. The updated EIA identified C.B. as the holder of a 0.70% equity membership interest in NetFundz.

21. Language identical to that in Paragraph 18, above, promised C.B. a distribution of company capital of $17,500 USD on or before August 15, 2007.

22. Respondents again failed to return C.B.'s original investment within the agreed-upon period.

23. C.B. subsequently received two payments: one for $1,147.45 on July 17, 2010 and one for $1,147.48 on September 11, 2010. No further payments have been made to C.B.

Investor C.C.

24. C.C. attended the young single adult ward in which Reid was bishop. On a Sunday in February 2007, Reid asked Crossett to talk with him after church about a potential investment opportunity. The meeting took place in Reid's church office and Reid told C.C. that the opportunity would produce good returns and be particularly life changing.

25. Within two weeks, C.C. and Reid met again in Reid's South Ogden home. Only C.C. and Reid were present. Reid made the following statements about a potential investment:

    a. Reid showed C.C. a letter, which Reid said he received from UBS[3], authorizing Saveclick LLC ("Saveclick"), a business owned by Reid, to loan out $4 billion in student loans;

    b. Reid could borrow up to $4 billion from UBS for 3.0 or 3.5%, then loan the funds to students for 4.0 or 4.5%;

    c. Students who needed loans could receive them via Saveclick's website;

3 UBS is a Swiss global financial services company, which provides investment banking, asset management, and wealth management services for private, corporate and institutional clients worldwide and retail clients in Switzerland.

d. Saveclick had 30 to 40 employees with connections at colleges and universities who could facilitate schools to help students take out loans;

e. Saveclick was leasing a floor in the Wells Fargo building[4] in Salt Lake City to operate the business.

f. If it loaned out all $4 billion in authorized funds, Saveclick would make a profit of $40 million. Profit would eventually grow to $500 million per year because Saveclick would be granted access to additional money once the $4 billion was loaned;

g. The plan was to grow Saveclick for several years and then sell the company. Certain Japanese investors were currently interested in buying Saveclick even before any money had been loaned out;

h. Reid would sell C.C. an equity interest in one of his companies, called Netfundz, which was a percentage owner of Saveclick.

i. Reid would accept as low as $2,500 on an initial investment, but said that the best price for a percentage of the company was $50,000 for a 1% equity stake in Netfundz. If Saveclick loaned out the entire $4 billion, C.C.'s $50,000 investment would grow to $65,000.

j. Reid would pay C.C.'s principal back in one year and a percentage of the profits when Saveclick loaned out all of the $4 billion.

k. The growth potential in the business was huge and the investment was low risk;

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4 Wells Fargo: 299 S. Main St., Salt Lake City, UT 84111.

26. In reliance on Reid's statements, C.C. agreed to invest $50,000 in Netfundz. However, the documents provided to C.C. indicated that the 1% equity interest was in NetWorkz Group, LLC ("Networkz"), another business controlled by Reid. On or about March 7, 2007, C.C. sent Reid a $3,000 check. On March 19, 2007, C.C. gave Reid a $47,000 cashier's check made payable to Networkz. C.C. took out a second mortgage on his house to obtain the $47,000.

27. At the time C.C. delivered the $47,000 check, Reid delivered to him three documents entitled "Promissory Note," "Equity Investment Agreement," and "Amended and Restated Operating Agreement of Networkz Group, LLC." When C.C. and Reid signed the documents, Reid instructed C.C. to backdate his signature to March 12, 2007, for tax reasons connected to the recently expired March 15 deadline for filing business entity returns.

28. The "Promissory Note" was dated March 12, 2007, listing Networkz as the borrower and XETT, Inc. (an entity controlled by C.C.) as the lender. Reid signed and executed the note as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." C.C. signed and executed the note for XETT, Inc. The note promised payment of $49,500 on March 13, 2008.

29. The EIA, was dated March 12, 2007, listing Networkz as "Company" and XETT, Inc. as "Investor." Signatures were identical to those in Paragraph 28, above. The EIA granted XETT a 1% equity interest in Networkz and further stated, "[I]nvestment shall be in the form of an LLC capital contribution of $500 and a loan to the LLC secured by a

promissory note for $49,500."

30. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including payment of the promissory note in the amount of $49,500 USD to Investor in accordance with the terms and conditions of the promissory note referenced herein."

31. Reid wired one $5,000 payment to C.C. in June 2008.

Investor S.G.

32. In November 2005, S.G. was contacted by investor E.L., his former missionary companion, regarding an investment opportunity with E.L.'s current bishop, Reid. On February 16, 2006, S.G. and his father met Reid at the latter's office in Layton. Reid made the following statements about the investment:

a. The opportunity was open only to family members and close friends;

b. Because S.G. was a close personal friend of E.L., because they served together as missionaries, and because E.L. served with Reid in the church, Reid would allow S.G. to invest;

c. Reid had interest from someone in his stake presidency[5] that was ready to write a check for the amount of money Reid needed to raise, but Reid wanted to reserve the opportunity for the little guys, close family, and friends, rather than for someone already wealthy;

d. The current estimated valuation of NetFundz was $5,000,000;

5 A "stake" is an administrative unit of the Church of Jesus Christ of Latter-day Saints. The president of the stake presides over several local wards. A roughly comparable unit in the Roman Catholic Church would be a diocese.

e. No minimum investment was required. Investors would simply receive an equity percentage based on the percentage of the business's value they invested;

f. S.G.'s entire initial investment would be returned in twelve months and S.G. would retain his equity membership interest in NetFundz even after being paid back; and

g. NetFundz would offer large companies like Wal-Mart a web portal to allow the company's customers to choose a charitable organization to receive a portion of the funds the company had earmarked for donation. This would build goodwill with customers and not offend persons who might be upset if the company donated directly to an otherwise controversial organization.

33. In reliance on Reid's statements, S.G. invested $25,000 by check made payable to NetFundz. S.G. received an EIA dated February 16, 2006, listing NetFundz as "Company" and S.G. as "Investor." The EIA was signed and executed by Reid as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The EIA identified the sale of a 0.50% equity membership interest in NetFundz to S.G.

34. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $25,000 USD on or before February 17, 2007."

Second Investment

35. Respondents failed to return S.G.'s original investment within the agreed-upon period. Shortly before the due date for payment, S.G called Reid, and Reid made the following

statements about NetFundz:

a. The company was doing well but was going through growing pains;

b. No money was available for payment, but if S.G. agreed to leave his investment funds with NetFundz for an additional year, Reid would grant to S.G. an additional 0.50% equity membership interest in NetFundz;

c. Reid had received offers to sell NetFundz at ten times its original valuation estimate or $50,000,000; and

d. NetFundz would have the money shortly to pay S.G. back, but would like to double his investment anyway because they didn't have the money on time.

36. In reliance on Reid's statements, S.G. left his $25,000 in NetFundz. An updated EIA, signed and executed by Reid, was issued to S.G. on February 17, 2007. The updated EIA identified S.G. as the holder of a 1.0% equity membership interest in NetFundz.

37. The EIA stated, "Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of $250, and a loan to Company secured by a Promissory Note of $24,750. Terms of the Promissory Note shall include a provision for repayment on or before February 17, 2008."

38. Respondent Reid also provided a "Promissory Note" to S.G. dated February 17, 2007. The note listed NetFundz as the borrower and S.G. as the lender. Reid signed and executed the note as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The note promised a single payment of $24,750 to S.G. on February 17, 2008.

Third Investment

39. Respondents again failed to repay S.G. prior to the agreed-upon date. Just prior to the due date, S.G. had breakfast with Reid in Centerville or Layton. At that meeting, Reid made the following statements about NetFundz:

a. Several large banks were offering to purchase NetFundz for $50 million, but Reid had not accepted because an independent analysis obtained by Reid estimated the value of NetFundz at $500 million or more;

b. Management of NetFundz would be doing a disservice to investors if they accepted lower offers;

c. If S.G. would leave his investment funds with NetFundz for another year, Reid would issue to S.G. an additional 0.5% equity membership interest in NetFundz, bringing S.G.'s total ownership percentage to 1.5%.

40. In reliance on Reid's statements, S.G. again left his $25,000 in NetFundz. An updated EIA, signed and executed by Reid, was issued to S.G. on February 17, 2008. The updated EIA identified S.G. as the holder of a 1.5% equity membership interest in NetFundz.

41. The EIA stated, "Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of $250, and a loan to Company secured by a Promissory Note of $24,750. Terms of the Promissory Note shall include a provision for repayment on or before February 17, 2009."

42. Respondent Reid also provided a "Promissory Note" to S.G. dated March 25, 2008. The

note listed NetFundz as the borrower and S.G. as the lender. Reid signed and executed the note as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The note promised a single payment of $24,750 to S.G. on February 17, 2009.

43. Due to his increasing skepticism of the investment, S.G. requested from Reid documents such as entity tax returns and financial statements. Reid repeatedly denied these requests.

44. Respondents again failed to repay S.G. prior to the agreed-upon date.

45. S.G. has received no payments from Respondents.

Investor K.J.

46. In early February 2005, K.J. met Reid by chance in a post office in Ogden. Reid told K.J. it was no accident that they crossed paths and he had an investment opportunity he wanted family and friends to know about.

47. Reid subsequently contacted K.J. by phone and the two agreed to meet in a restaurant in Ogden a few days later. Reid, K.J. and K.J.'s wife were present at the meeting. Reid asked K.J. and his wife to sign documents styled "Confidentiality and Non-Disclosure Agreement." After obtaining the signatures, Reid made the following statements about a potential investment with NetFundz:

a. NetFundz was an Internet service company designed to use affinity marketing to sell dialup Internet service to PTA, AARP, school and other charity organizations;

b. Reid already ran a profitable Internet Service Provider ("ISP") company that he was rolling into NetFundz, which would provide instant customers to get the business off the ground;

c. NetFundz was quite solid and did not really need much capital, but Reid felt he should share the opportunity with family and friends who were in a position to invest;

d. NetFundz was capitalized at $5.0 million, which meant someone could purchase 1% of the company for $50,000;

e. After six months, NetFundz would have enough cash flow to repay investors their original investment yet allow them to retain their equity ownership shares;

f. Management's plan was to build NetFundz to the point that it would be bought out by another company;

g. If NetFundz sold for $60 million or more, a 1% ownership interest would grow to $600,000;

h. Only a small window of time existed for individual investors like K.J. to get into the deal; and

i. K.J. should invest through a business entity because a sudden inflow of future profits to the degree contemplated would put anonymity at a premium;

48. In reliance on Reid's statements, K.J. invested $25,000 into NetFundz. The investment was by check delivered to Reid on March 11, 2005. K.J. received an EIA dated March 11, 2005, listing NetFundz as "Company" and Wasatch Living, LLC as "Investor." The EIA was signed and executed by Reid as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC," and by K.J. as Member of Wasatch Living, LLC. The EIA identified the sale of a 0.5% equity membership interest in NetFundz to K.J.

49. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $25,000 USD on or before September 11, 2005."

Second Investment

50. In April 2005, Reid and Tobler asked K.J. to meet them at their office in Clearfield. In that meeting, Reid and Tobler made the following statements about a potential investment with NetFundz:

a. NetFundz was looking for more investors to fund marketing projects and web development;

b. NetFundz was looking for additional investors and additional monies from existing investors;

c. The investment would be similar to K.J.'s first investment in NetFundz, in that he would have his original investment back in six months, but would retain his equity ownership in the company; and

d. NetFundz's business plan was proceeding well and management was meeting with AARP and the PTA.

51. In reliance on Reid's statements, K.J. invested an additional $50,000 into NetFundz. K.J. obtained the funds to do so from a home equity loan and delivered a check to Reid on May 12, 2005.

52. K.J. received an EIA dated May 12, 2005, listing NetFundz as "Company" and Wasatch Living, LLC as "Investor." The EIA was signed and executed by Reid as "President of

Sawgrass Management Group, Inc., Manager, NetFundz, LLC," and by K.J. as Member of Wasatch Living, LLC. The EIA identified the sale of a 1.0% equity membership interest in NetFundz to K.J. and identified K.J.'s total equity membership interest in NetFundz as 1.5%.

53. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $50,000 USD on or before November 12, 2005."

Third Investment

54. In July 2005, K.J. met with Reid in the latter's office in Clearfield. Reid made the following statements about a potential investment in NetFundz:

    a. If K.J. would leave his most recently invested $50,000 with NetFundz for another six months to a year, Reid would issue K.J. an additional 1% equity membership interest in NetFundz; and

    b. NetFundz was doing well in capitalizing on its agreements with AARP and the PTA.

55. K.J. replied that he liked the idea of owning a larger share of NetFundz, but requested to see the company's balance sheet or speak with the accountant to get a better picture of how things were going. Reid promised K.J. a copy of the financials.

56. In reliance on Reid's statements, K.J. agreed to leave his $50,000 in NetFundz. K.J. received an EIA dated July 12, 2005, listing NetFundz as "Company" and Wasatch Living, LLC as "Investor." The EIA was signed and executed by Reid as "President of

Sawgrass Management Group, Inc., Manager, NetFundz, LLC," and by K.J. as Member of Wasatch Living, LLC. The EIA identified the sale of a 1.0% equity membership interest in NetFundz to K.J. and identified K.J.'s total equity membership interest in NetFundz as 2.5%.

57. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $50,000 USD on or before July 13, 2006."

58. Reid did not provide the promised financial statements to K.J. In September 2005, K.J. asked Reid to pay the first distribution of company capital. A few weeks later, Reid delivered to K.J. a check for $25,000.

Fourth Investment

59. K.J. contacted Reid in July 2006 and requested re-payment of the remaining $50,000 capital contribution. Reid replied that they could not pull out the required money immediately and requested an in-person meeting. K.J. met Reid and Tobler in Respondents' Clearfield office. Reid and Tobler made the following statements about a potential investment with NetFundz:

a. NetFundz was bringing in about $40,000 per month in revenues, but was paying out an identical amount in operating costs. This type of cash crunch was typical of startup businesses;

b. They were expecting NetFundz to breakout into profitability soon;

c. NetFundz had contracted with Well Fargo to provide customer retention services;

d. NetFundz had now evolved into a major player in the student loan industry and was competing with U-Promise and Baby Mint, two net startups that had recently been acquired by banks for $200 to $300 million dollars.

e. The acquisitions of the bigger players had created a void in the market that NetFundz could fill;

f. Berkshire Hathaway had made an offer to buy NetFundz for $100 million dollars but they were holding out for a better offer when their subscribership base increased; and

g. If K.J. would let NetFundz hold his money for six more months, NetFundz would make monthly interest payments of $1,000 over that period.

60. In reliance on Reid's statements, K.J. agreed to defer the receipt of his capital contribution by six months and accept the monthly interest payments. No documentation was prepared to memorialize the agreement.

61. K.J. received between $5000 and $6000 in payments under the agreement. No principal repayments were made in connection with the renewal of his $50,000 investment.

Investor E.L.

62. E.L. attended the young single adult ward in which Reid was bishop and served as executive secretary to Reid. Reid spoke to E.L. repeatedly about an investment opportunity he was pursuing in a company called NetFundz. In November 2005, Reid made the following statements to E.L. about a potential investment with NetFundz:

a. NetFundz would offer large companies like Wal-Mart a web portal to allow the

company's customers to choose a charitable organization to receive a portion of the funds the company had earmarked for donation. This would build goodwill with customers and not offend persons who might be upset if the company donated directly to an otherwise controversial organization;

b. The investment was a way for the little guys to have something to invest in and be part of a big reward;

c. Alan Hall, the CEO of E.L.'s employer Marketstar, had opened up his check book and wanted to write a check, but Reid had turned him down because Reid believed it was the little guys who should benefit from the deal;

d. In all of Reid's years of raising money, he had found the NetFundz deal to be the easiest one in which to interest investors;

e. This was the kind of once-in-a-lifetime opportunity that was usually only presented to people who had tremendous resources or years of experience and connections;

f. Other ward members had also invested;

g. In exchange for a $50,000 investment, E.L. would receive a 1% equity membership interest in NetFundz;

h. After one year, E.L. would receive his original contribution back, but would still retain his equity membership interest;

i. E.L. would receive quarterly dividends in proportion to his ownership percentage and would receive investor reports, financial statements, and tax information;

j. If NetFundz was sold, E.L. would receive proceeds from the sale in proportion to his ownership percentage;

k. The investment was a 100% guaranteed return. E.L. would, at least, get his money back in a year; and

l. Companies similar to NetFundz had sold for more than $100 million.

63. In reliance on Reid's statements, E.L. invested $50,000 into NetFundz.

64. The investment was by way of two checks delivered to Reid: one for $47,000 on January 24, 2006, and another for $3,000 on May 23, 2006.

65. E.L. obtained the funds for the $47,000 check by a withdrawal from his savings, a sale of stock he had purchased through his employer, a withdrawal from his 401(k) account, and a signature loan from America First Credit Union.

66. E.L. received an EIA dated January 23, 2006, listing NetFundz as "Company" and E.L. as "Investor." The EIA was signed and executed by Reid as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The EIA identified the sale of a 1.0% equity membership interest in NetFundz to E.L.

67. The EIA further stated, "Investors shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investors of $50,000 USD on or before January 24, 2007."

Second Investment

68. Respondents failed to return E.L.'s original investment within the agreed-upon period. In a subsequent meeting, Reid made the following statements to E.L. about a potential

investment with NetFundz:

a. If E.L. would extend his investment with Reid for one year, Reid would issue E.L. an additional 1% equity membership interest in NetFundz. E.L.'s total membership interest would be 2%.

69. In reliance on Reid's statements, E.L. left his $50,000 in NetFundz. An updated EIA, signed and executed by Reid, was issued to E.L. on January 24, 2007. The updated EIA identified E.L. as the holder of a 2.0% equity membership interest in NetFundz.

70. The EIA further stated, "Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of $500, and a loan to Company secured by a Promissory Note of $49,500. Terms of the Promissory Note shall include a provision for repayment on or before January 25, 2008."

71. Respondent Reid also provided a "Promissory Note" to E.L. dated January 24, 2007. The note listed NetFundz as the borrower and E.L. as the lender. Reid signed and executed the note as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The note promised a single payment of $49,500 to E.L. on January 25, 2008.

Third Investment

72. Respondents again failed to return E.L.'s original investment within the agreed-upon period. Subsequent to the due date, Reid made the following statements to E.L. about a potential investment with NetFundz:

a. If E.L. would extend his investment funds with Reid for another year, Reid would issue E.L. an additional 1% equity membership interest in NetFundz;

b. A bank from Washington wanted to acquire NetFundz for $50 million, but Reid did not feel they should take the offer when others had told him companies like NetFundz recently sold for $200 to $500 million;

c. The company's business model had evolved since the time of E.L.'s original investment;

d. A new business controlled by Reid, Saveclick, was close to signing deals with student lending institutions that would allow Saveclick to act as intermediary on many billions of dollars in loans; and

e. Two Saveclick employees were traveling to New York City to get verbal agreements from banks such as Deutsch Financial.

73. In reliance on Reid's statements, E.L. left his $50,000 in NetFundz. An updated EIA, signed and executed by Reid, was issued to E.L. on January 24, 2008. The updated EIA identified E.L. as the holder of a 3.0% equity membership interest in NetFundz.

74. The EIA further stated, "Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of $500, and a loan to Company secured by a Promissory Note of $49,500. Terms of the Promissory Note shall include a provision for repayment on or before January 25, 2009."

75. Respondent Reid also provided a "Promissory Note" to E.L. dated January 24, 2008. The note listed NetFundz as the borrower and E.L. as the lender. Reid signed and executed the note as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The note promised a single payment of $49,500 to E.L. on January 25, 2009.

76. Sometime during the fourth quarter of 2008, Reid ceased to return E.L.'s communications.

77. E.L. has received no payments from Respondents.

Investor B.R.

78. B.R. learned about the opportunity to invest in NetFundz from Investor E.L. in a July 2007 phone conversation. B.R. subsequently spoke with Reid in Clearfield and Reid made the following statements about a potential investment with NetFundz:

a. If B.R. invested $50,000, he would receive a 0.70% equity membership interest in NetFundz;

b. NetFundz would offer large companies like Wal-Mart a web portal to allow the company's customers to choose a charitable organization to receive a portion of the funds the company had earmarked for donation. This would build goodwill with customers and not offend persons who might be upset if the company donated directly to an otherwise controversial organization;

c. After approximately one year, B.R. would receive $49,500 of his original investment back but would still retain his equity membership interest;

d. B.R. would receive future dividends and would receive a proportionate share of the funds that would come in as a result of the future sale of the company;

e. Saveclick, a division of NetFundz, was close to signing deals with student lending institutions that would allow Saveclick to act as intermediary on many billions of dollars in loans; and

f. The Saveclick business would also involve some aspects of the NetFundz model. Students could make a purchase at a participating business/vendor and the business would have earmarked a small portion of the student's purchase for donating back to the institution that made the student's loan to be applied to that student's loan.

79. In reliance on Reid's statements, B.R. invested $50,000 in NetFundz. B.R. received a "Membership Agreement" dated November 12, 2007 listing NetFundz as "Company" and B.R. as "Member." The Membership Agreement was signed and executed by Reid as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC," and identified the sale of a 0.7% equity membership interest in NetFundz to B.R.

80. The Membership Agreement further stated, "Investor shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including payment of the promissory note in the amount of $49,500 USD to Member in accordance with the terms and conditions of the promissory note referenced herein."

81. Reid also provided a "Promissory Note" to B.R. dated November 12, 2007. The note listed NetFundz as the borrower and B.R. as the lender. Reid signed and executed the note as "President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC." The note promised a single payment of $49,500 to B.R. on November 13, 2008.

82. To date, B.R. has not received any payments from Respondents.

Investor G.W.

83. G.W. attended a young single adult ward of the Church of Jesus Christ of Latter-day

Saints at Weber State University in Ogden. Reid was G.W.'s bishop and G.W. served as a second counselor in the bishopric.

84. In or around August 2005, Reid began discussing an investment opportunity with G.W. Specifically, Reid made the following statements about a potential $50,000 investment in Reid's company, NetWorkz:

a. NetWorkz is the principal owner of Reid's other business venture, NetFundz;

b. For a $50,000 investment, G.W. would receive a 1% stake in NetWorkz;

c. This investment option provided a discount to those who cannot afford to invest directly in NetFundz, as an investment in NetFundz would cost $100,000 for a 1% equity stake;

d. If G.W. invested in NetWorkz, he would receive a return of his principal in six months, while retaining his 1% interest in NetWorkz;

e. NetFundz served as a vehicle for charitable organizations like Huntsman Cancer Institute and could assist such organizations by allowing individuals to go online to the NetFundz website and designate a charity of their choice. When those individuals later shop at various retailers, a portion of their purchases would be donated to that charity through NetFundz; and

f. The investment provided investors with a very promising opportunity, and Reid was presenting it to those who did not have access to investments of this nature.

85. Based on these statements, G.W. invested $50,000 in NetWorkz on November 7, 2005.

86. On that date, G.W. presented Reid with a cashier's check from America First Credit

Union, made payable to "NetWorkz Group, LLC."

87. G.W. borrowed the funds from a friend and secured the loan by placing a lien on his house.

88. In exchange for the $50,000 investment, G.W. received a document describing and introducing him to NetFundz, an "Amended and Restated Operating Agreement" for NetWorkz, dated November 1, 2005, as well as an EIA, also dated November 1, 2005.

89. The EIA listed NetWorkz as the Company and G.W. as the investor. It was signed and executed by Reid, as "President of Sawgrass Management Group, Inc., Manager of Networkz," and G.W., as investor.

90. The agreement further reflected a $50,000 investment for a 1% membership interest in NetWorkz. It also stated, "Investor shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investor of $50,000 USD on or before May 2, 2006."

91. To date, G.W. has not received any payments from Respondents.

CAUSES OF ACTION

Securities Fraud under § 61-1-1 of the Act (Investor T.B.)

92. The Division incorporates herein and re-alleges paragraphs 1 through 91.

93. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

94. In connection with the offer and sale of securities to investor T.B., Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. T.B.'s investment would be "risk free." In fact, all investments in business entities involve risk and Respondents had no reasonable basis for making such a statement.

95. In connection with the offer and sale of a security to investor T.B., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

b. Debt collection judgments totaling $30,591.47 were outstanding against Respondent Reid;

c. Respondents had previously defaulted on their obligation to repay the capital contribution of Investor K.J.;

d. Financial statements of NetFundz;

e. Risk factors for investors;

f. Whether the investment was a registered security or exempt from registration; and

g. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor C.B.)

96. The Division incorporates herein and re-alleges paragraphs 1 through 91.

97. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

98. In connection with the offer and sale of a security to investor C.B., Respondents, directly

or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. How Respondents arrived at a $4.0 million valuation for NetFundz;

b. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

c. Debt collection judgments totaling $30,591.47 were outstanding against Respondent Reid;

d. Respondents had previously defaulted on their obligation to repay the capital contribution of Investor K.J.;

e. Financial statements of NetFundz;

f. Risk factors for investors;

g. Whether the investment was a registered security or exempt from registration; and

g. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor C.C.)

99. The Division incorporates herein and re-alleges paragraphs 1 through 91.

100. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

101. In connection with the offer and sale of securities to investor C.C., Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. C.C.'s investment would be "low risk." In fact, Respondents had no reasonable basis for making such a statement.

102. In connection with the offer and sale of a security to investor C.C., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. The identity of the Japanese investors interested in purchasing Saveclick and the terms of sale;

b. Information about Networkz and Saveclick;

c. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

d. Debt collection judgments totaling $30,591.47 were outstanding against Respondent Reid;

e. Respondents had previously defaulted on their obligations to repay the capital contributions of Investors K.J., T.B., C.B., E.L., G.W., and S.G.;

f. Financial statements of the NetFundz, Saveclick, and NetWorkz;

g. Risk factors for investors;

h. Whether the investment was a registered security or exempt from registration; and

g. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor S.G.)

103. The Division incorporates herein and re-alleges paragraphs 1 through 91.

104. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

105. In connection with the offer and sale of a security to investor S.G., Respondents, directly

or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. How Respondents arrived at a $5.0 million valuation for NetFundz, in light of the fact that Respondent Reid quoted a $4.0 million valuation to C.B. six months earlier;

b. How an independent analysis of the company later arrived at a valuation of $500 million;

c. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

d. Debt collection judgments totaling $30,591.47 were outstanding against Respondent Reid;

e. Respondents had previously defaulted on their obligation to repay the capital contribution of Investor K.J.;

f. Financial statements of NetFundz;

g. Risk factors for investors;

h. Whether the investment was a registered security or exempt from registration; and

g. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor K.J.)

106. The Division incorporates herein and re-alleges paragraphs 1 through 91.

107. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

108. In connection with the offer and sale of a security to investor K.J., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. The identity of Respondent Reid's other ISP company that would be rolled into NetFundz and additional details about that company and transaction;

b. How Respondents arrived at the $5.0 million valuation, in light of the fact that Respondent Reid quoted a $4.0 million valuation to C.B. five to six months later;

c. The total amount of money needed to repay investors their original investment within six months;

d. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

e. Debt collection judgments totaling $30,591.47 were outstanding against Respondent Reid;

f. Financial statements of NetFundz;

g. Risk factors for investors;

h. Whether the investment was a registered security or exempt from registration; and

g. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor E.L.)

109. The Division incorporates herein and re-alleges paragraphs 1 through 91.

110. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

111. In connection with the offer and sale of securities to investor E.L., Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. E.L.'s investment was "guaranteed." In fact, all investments in business entities involve risk and Respondents had no reasonable basis for making such a statement.

112. In connection with the offer and sale of a security to investor E.L., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. The identity of those companies similar to NetFundz that had sold for $100 million to $500 million;

b. The identity of the lending institutions interested in having Saveclick act as an intermediary on many billions of dollars in loans, as well as the terms of those deals;

c. How Saveclick's success would impact the ability of NetFundz to repay investors;

d. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

e. Debt collection judgments totaling $41,701.54 were outstanding against Respondent Reid;

f. Respondents had previously defaulted on their obligation to repay the capital contribution of Investor K.J.;

g. Financial statements of NetFundz and Saveclick;

h. Risk factors for investors;

i. Whether the investment was a registered security or exempt from registration; and

j. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor B.R.)

113. The Division incorporates herein and re-alleges paragraphs 1 through 91.

114. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

115. In connection with the offer and sale of a security to investor B.R., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. The identity of the lending institutions that were close to signing a deal with Saveclick to act as an intermediary on many billions of dollars of loans, as well as the terms of the deals;

b. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

c. Debt collection judgments totaling $41,701.54 were outstanding against Respondent Reid;

d. Respondents had previously defaulted on their obligations to repay the capital contributions of Investors K.J., T.B., C.B., E.L., G.W., and S.G.;

e. Financial statements of NetFundz and Saveclick;

f. Risk factors for investors;

g. Whether the investment was a registered security or exempt from registration; and

h. Whether Reid was licensed to sell securities.

Securities Fraud under § 61-1-1 of the Act
(Investor G.W.)

116. The Division incorporates herein and re-alleges paragraphs 1 through 91.

117. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

118. In connection with the offer and sale of a security to investor G.W., Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. Tax liens totaling $210,144.90 were outstanding against Respondent Reid;

b. Debt collection judgments totaling $30,591.47 were outstanding against Respondent Reid;

c. Respondents had previously defaulted on their obligation to repay the capital contribution of Investor K.J.;

d. Financial statements of NetFundz and NetWorkz;

e. Risk factors for investors;

f. Whether the investment was a registered security or exempt from registration; and

g. Whether Reid was licensed to sell securities.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through

-208, and held before the Utah Division of Securities. The hearing will occur on **Wednesday, July 3, 2013**, at **9:00 a.m.**, at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Respondents 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 Respondents should not be ordered to pay to the Division a fine amount to be determined by the Utah Securities Commission after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 7th day of May, 2013.

KEITH WOODWELL
Director, Utah Division of Securities

Approved:

PAUL G. AMANN
Assistant Attorney General
A.S.

D.H.

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

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

IN THE MATTER OF: **CHAD BENNETT REID** **NETFUNDZ, LLC** **Respondents.**	**NOTICE OF AGENCY ACTION** **Docket No.** SD-13-0030 **Docket No.** SD-13-0031

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. § 63G-4-201 and 63G-4-204 through -209; see also Utah Admin. Code R151-4-101, *et seq*. The facts on which this action is based are set forth in the accompanying Order to Show Cause. The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

(a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;

(b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and

(c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, 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 Maria Skedros
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Paul Amann
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0196

An initial hearing in this matter is set for **Wednesday, July 3, 2013** at the Division of Securities, 2nd Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial

hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Jennie Jonsson, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6706. This adjudicative proceeding will be heard by Ms. Jonsson and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to Paul Amann, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0145.

Dated this 7th day of May, 2013

Keith M. Woodwell
Director, Division of Securities

DEPARTMENT OF COMMERCE
SEAL OF THE STATE OF UTAH
1896
DIVISION OF SECURITIES

Certificate of Mailing

I certify that on the 7th day of May, 2013, I mailed, by regular and certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

CHAD REID
NETFUNDZ, LLC
969 EAST BEN LOMOND AVE.
SOUTH OGDEN, UT 84403

Certified Mail # 7007 0220 0001 0064 4146

NETFUNDZ, LLC
C/O SAWGRASS MANAGEMENT GROUP, INC.
1436 LEGEND HILLS DR., STE 340
CLEARFIELD, UT 84015

Certified Mail # 7007 0220 0001 0064 4153

Maria [illegible]
Executive Secretary