FILED
Third Judicial District
DEC 29 2009
SALT LAKE COUNTY
By _____
Deputy Clerk

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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR

SALT LAKE COUNTY, STATE OF UTAH

THE STATE OF UTAH,	:	
Plaintiff,	:	**CRIMINAL INFORMATION**
vs.	:	
MICHAEL LYNN BLOXHAM DOB: December 19, 1968	:	Case No: 091910084
JONATHON R. WATTS DOB: January 6, 1968	:	Case No: 091910085
ROBERT RAZO TY DOB: July 1, 1974	:	Case No: 091910086
Defendants.	:	Judge: _____

The undersigned, SUSAN JONES, upon oath, states on information and belief that the defendants have committed the following crimes:

MICHAEL LYNN BLOXHAM
SECURITIES FRAUD
a second degree felony with enhanced penalties, 5 counts

SECURITIES FRAUD
a second degree felony, 2 counts

THEFT
a second degree felony, 5 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

JONATHON R. WATTS
SECURITIES FRAUD
a second degree felony with enhanced penalties, 3 counts

SECURITIES FRAUD
a second degree felony, 1 count

THEFT
a second degree felony, 5 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

ROBERT RAZO TY
SECURITIES FRAUD
a second degree felony with enhanced penalties, 5 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

COUNT 1
SECURITIES FRAUD
a second degree felony with enhanced penalties
(Bloxham/Watts/Ty)

Commencing on or about October 2006, in the State of Utah, County of Salt Lake, the defendants, in connection with the offer or sale of a security, directly or indirectly, to **Xi Thi Nguyen,**

Kim Nguyen, Hieu Nguyen & Huong Nguyen, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit; AND, at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and in connection with that violation, the violator knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code, in violation of Utah Code Ann. §§61-1-1 and 61-1-21(2)(c). This violation is a second degree felony with enhanced penalties under Utah Law.

COUNT 2
THEFT, a second degree felony
(Bloxham/Watts)

Commencing on or about October 2006, defendants Bloxham and Watts obtained or exercised unauthorized control over the property of **Xi Thi Nguyen, Kim Nguyen, Hieu Nguyen and Huong Nguyen**, with a purpose to deprive them thereof. The value of the

property exceeds $5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 3
SECURITIES FRAUD
a second degree felony with enhanced penalties
(Watts/Ty)

Commencing on or about March 2007, in the State of Utah, County of Salt Lake, defendants Watts and Ty, in connection with the offer or sale of a security, directly or indirectly, to **Ruth R. Ucinole**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, AND, at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and in connection with that violation, the violator knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code, in violation of Utah Code Ann. §§61-1-1 and 61-1-21(2)(c). This violation is a second degree felony with enhanced penalties under Utah Law.

COUNT 4
SECURITIES FRAUD
a second degree felony with enhanced penalties
(Bloxham/Ty)

Commencing on or about April 2007, in the State of Utah, County of Salt Lake, defendants Bloxham and Ty, in connection with the offer or sale of a security, directly or indirectly, to **Manny Selfaison**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, AND, at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and in connection with that violation, the violator knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code, in violation of Utah Code Ann. §§61-1-1 and 61-1-21(2)(c). This violation is a second degree felony with enhanced penalties under Utah Law.

COUNT 5
THEFT, a second degree felony
(Bloxham/Watts)

Commencing on or about April 2007, defendants Bloxham and Watts obtained or exercised unauthorized control over the property of **Manny Selfaison**, with a purpose to deprive him thereof. The value of the property exceeds $5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 6
SECURITIES FRAUD
a second degree felony
(Bloxham/Watts)

Commencing on or about May 2007, in the State of Utah, County of Salt Lake, defendants Bloxham and Watts, in connection with the offer or sale of a security, directly or indirectly, to **James "Duane" Trejo**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

COUNT 7
SECURITIES FRAUD
a second degree felony
(Bloxham)

Commencing on or about June 2007, in the State of Utah, County of Salt Lake, defendant Bloxham, in connection with the offer or sale of a security, directly or indirectly, to **Leonel "Lee" H. Trejo**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

COUNT 8
THEFT, a second degree felony
(Bloxham/Watts)

Commencing on or about June 2007, defendants Bloxham and Watts obtained or exercised unauthorized control over the property of **Leonel "Lee" H. Trejo**, with a purpose to deprive him thereof. The value of the property exceeds $5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 9
SECURITIES FRAUD
a second degree felony with enhanced penalties
(Bloxham)

Commencing on or about June 2007, in the State of Utah, County of Salt Lake, defendant Bloxham, in connection with the offer or sale of a security, directly or indirectly, to **Lisa Gogolinski**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, AND, at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and in connection with that violation, the violator knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code, in violation of Utah Code Ann. §§61-1-1 and 61-1-21(2)(c). This violation is a second degree felony with enhanced penalties under Utah Law.

COUNT 10
SECURITIES FRAUD
a second degree felony with enhanced penalties
(Bloxham/Watts/Ty)

Commencing on or about June 2007, in the State of Utah, County of Salt Lake, the defendants, in connection with the offer or sale of a security, directly or indirectly, to **Jonathan "Joey" Castillo**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, AND, at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and in connection with that violation, the violator knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code, in violation of Utah Code Ann. §§61-1-1 and 61-1-21(2)(c). This violation is a second degree felony with enhanced penalties under Utah Law.

COUNT 11
THEFT, a second degree felony
(Bloxham/Watts)

Commencing on or about July 2007, defendants Bloxham and Watts obtained or exercised unauthorized control over the property of **Jonathan "Joey" Castillo**, with a purpose to deprive him thereof. The value of the property exceeds $5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 12
SECURITIES FRAUD
a second degree felony with enhanced penalties
(Bloxham/Ty)

Commencing on or about Spring 2007, in the State of Utah, County of Salt Lake, defendants Bloxham and Ty, in connection with the offer or sale of a security, directly or indirectly, to **Lillian Vergin and Jerry Vergin**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, AND, at the time the crime was committed, the property, money, or thing unlawfully obtained or sought to be obtained was worth $10,000 or more; and in

connection with that violation, the violator knowingly accepted any money representing: (A) equity in a person's home; (B) a withdrawal from any individual retirement account; or C) a withdrawal from any qualified retirement plan as defined in the Internal Revenue Code, in violation of Utah Code Ann. §§61-1-1 and 61-1-21(2)(c). This violation is a second degree felony with enhanced penalties under Utah Law.

COUNT 13
THEFT, a second degree felony
(Bloxham/Watts)

Commencing on or about July 2007, defendants Bloxham and Watts obtained or exercised unauthorized control over the property of **Lillian Vergin and Jerry Vergin**, with a purpose to deprive them thereof. The value of the property exceeds $5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 14
PATTERN OF UNLAWFUL ACTIVITY
a second degree felony
(Bloxham/Watts/Ty)

Commencing on or about July 2003, the defendants engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1601 (1995). The defendants: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity as

more fully defined in Counts 1 through 13 above, in which they participated as a principal, or they used or invested, directly or indirectly, any part of that income, or the proceeds of the income, or the proceeds derived from the investment or use of those proceeds, in the acquisition of any interest in, or establishment or operation of, any enterprise; (2) through a pattern of unlawful activity acquired or maintained, directly or indirectly, any interest in or control of any enterprise; or (3) was employed by, or associated with any enterprise and conducted or participated, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The unlawful activity included three or more violations of securities fraud and theft. This is a violation of Utah Code Ann. §76-10-1601 and § 76-10-1603(5) (1995), et seq. a second degree felony.

DATED this 29th day of December, 2009.

Susan M Jones

SUSAN JONES, Affiant

SUBSCRIBED AND SWORN to before me on this 29 day of Dec, 2009.

STATE OF UTAH

JUDGE, Third District Court

This CRIMINAL INFORMATION is based upon evidence from the following witnesses:

1. Kim Thi Nguyen
2. Ruth R. Urcinole
3. Manny Selfaison
4. James "Duane" Trejo
5. Leonel "Lee" Trejo
6. Lisa Gogolinski
7. Jonathan "Joey" Castillo
8. Jerry Vergin
9. Lillian Vergin
10. Brian Maxfield
11. Jason T. Vowell
12. Keith Woodwell, Director of the Division of Securities
13. And Others.

AUTHORIZED for presentment and filing this 10th day of December, 2009.

MARK L. SHURTLEFF
Utah Attorney General

By: Charlene Barlow
CHARLENE BARLOW
Assistant Attorney General

FILED DISTRICT COURT
Third Judicial District
DEC 29 2009
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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR

SALT LAKE COUNTY, STATE OF UTAH

THE STATE OF UTAH,	:	
Plaintiff,	:	**AFFIDAVIT OF PROBABLE CAUSE**
vs.	:	
MICHAEL LYNN BLOXHAM DOB: December 19, 1968	:	Case No: 091910084
JONATHON R. WATTS DOB: January 6, 1968	:	Case No: 091910085
ROBERT RAZO TY DOB: July 1, 1974	:	Case No: 091910086
Defendants.	:	Judge: _____

STATE OF UTAH)
:ss
COUNTY OF SALT LAKE)

I, SUSAN JONES, being first duly sworn upon oath, depose and state as follows:

1. I am a certified law enforcement officer of 32 years and am currently employed as a Securities Compliance Investigator for the

Utah Department of Commerce, Division of Securities. Prior to my employment with the Division of Securities, I was employed by the Criminal Investigations Bureau of the Department of Public Safety. I am currently investigating possible violations of securities fraud statutes and related criminal code violations by MICHAEL LYNN BLOXHAM, JONATHON R. WATTS AND ROBERT RAZO TY.

2. The facts set forth in this affidavit are based upon the results of an investigation during which I have collected and reviewed business and personal records from witnesses and other sources. I have interviewed the following individuals: Kim Thi Nguyen, Ruth R. Urcinole, Manny Selfaison, James "Duane" Trejo, Leonel "Lee" Trejo, Lisa Gogolinski, Jonathan "Joey" Castillo, Jerry Vergin, Lillian Vergin, Brian Maxfield, Jason T. Vowell, and Keith Woodwell.

PARTIES

3. **MICHAEL LYNN BLOXHAM**, at all pertinent times, resided in Salt Lake County, Utah. Utah Division of Securities records reveal that Bloxham has never been licensed as a broker-dealer agent, investment adviser, investment adviser representative or issuer-agent. Utah Division of Real Estate records reveal that Bloxham is licensed in Utah with Paradigm Lending Solutions, LLC as a principal mortgage lending manager. According to the Utah Division of Corporations and Commercial Code records, Bloxham is listed as

a member of Paradigm Lending.

4. **JONATHON R. WATTS**, at all pertinent times, resided in Salt Lake County, Utah. Utah Division of Securities records reveal that Watts has never been licensed as a broker-dealer agent, investment adviser, investment adviser representative or issuer-agent. Utah Division of Real Estate records reveal that Watts is licensed in Utah with Flagship Financial Group as a mortgage lender agent.

5. **ROBERT RAZO TY**, at all pertinent times, resided in Salt Lake County, Utah. Ty currently resides in the Phillipines. Utah Division of Securities records reveal that Ty has never been licensed as a broker-dealer agent, investment adviser, investment adviser representative or issuer-agent. Utah Division of Real Estate records reveal that Ty was at one time licensed in Utah with Paradigm Lending as a mortgage lender agent. These records further reveal that Ty is licensed in Utah with Infinity Residential Realty Corporation as a principal broker and with Envision Lending Group, Inc. as a mortgage lender agent. Utah Division of Corporations and Commercial Code records reveal that Ty is the president, director and registered agent of Infinity.

6. CAPSTONE EQUITY CAPITAL, LLC is a Utah limited liability company. Capstone registered with the Utah Division of Corporations and Commercial Code on January 16, 2005. Capstone expired on February 26, 2007. Capstone's business address is 4511

W. Copper Pot Lane, West Jordan, Utah 84088, which is Watts's residence. Watts is listed as a member and as the registered agent and Bloxham is listed as a member. Bloxham and Watts both had signature authority on the company's Mountain America Credit Union account.

7. PARADIGM LENDING SOLUTIONS, LLC is a Utah limited liability company. Paradigm Lending registered with the Utah Division of Corporations and Commercial Code on November 16, 2005. Paradigm Lending expired on March 2, 2009. Paradigm Lending's business address is 8823 S. Redwood Road, Suite C, West Jordan, Utah 84088. Bloxham is listed as a member and Watts is listed as the registered agent.

8. 2B DEVELOPMENT, LLC is a Utah limited liability company. 2B registered with the Utah Division of Corporations and Commercial Code on March 5, 2008. 2B's status is "Delinquent" as of April 27, 2009. 2B's business address is 8823 S. Redwood Road, Suite D, West Jordan, Utah 84088. Bloxham is listed as 2B's member and registered agent.

9. ANNOCOTT DEVELOPMENT GROUP, LLC is a Utah limited liability company. Annocott registered with the Utah Division of Corporations and Commercial Code on May 10, 2007. Annocott became delinquent on June 23, 2009. Bloxham, Watts, Ty, Memory Dixon, Harold Matthew Dixon, Jr. And Jeffrey and Jaime Enterprises, LLC

are listed as members.

BACKGROUND

10. Robert Ty introduced many of the investors to Bloxham and/or Watts and an investment in Capstone. Ty was acquainted with each of those investors through Filipino associations and/or because he acted as their real estate agent.

11. Bloxham, Watts and Ty told the investors their money would be used for hard money lending for a development project in Cedar City. Bloxham, Watts and Ty advised investors to refinance their homes and to take out home equity lines of credit to obtain funds to invest in their land development project in Cedar City. In exchange for their investments, investors were given Trust Deed Notes promising to pay them varying interest rates. The notes were of various durations. Though titled "Trust Deed Note", the notes were not actually secured and gave the investors no interest in the property.

12. The real property to be purchased with investment money was a Planned Unit Development (PUD) in the Fiddler's Canyon area of Cedar City called "Tuscany." It is parcel #04-854-97 in Iron County. Prior to September 18, 2007, the property was owned by Kyle Haven, Bradley Hafin and Erwin Prince. On September 18, 2007, they quit claimed the property to Paydirt, LP for $12,750,000. Paydirt is a company belonging to Jason Vowel and Todd Vowell.

13. On March 6, 2008, a Real Estate Purchase Contract for Land for property on Fiddler's Canyon Road in Iron County, Utah was executed between buyer, 2B Development LLC, and seller, Paydirt Companies, Jason Vowell. The purchase price is listed as $10,900,000. However, the sale of the property never closed.

14. If the financing to purchase the property at issue had been secured, the Tuscany PUD would have needed several different approvals from Cedar City officials.

SECURITIES FRAUD

15. My investigation has revealed that MICHAEL LYNN BLOXHAM, JONATHON R. WATTS AND ROBERT RAZO TY offered or sold investments in Capstone equity Capital, LLC to at least eleven investors. The transactions cited above involve trust deed notes that are unsecured. Notes are securities as defined by Utah Code Annotated 1953 as amended §61-1-13.

16. MICHAEL LYNN BLOXHAM, JONATHON R. WATTS AND ROBERT RAZO TY made certain misrepresentations of material facts to one or more investors in connection with the offer or sale of a security, including, but not limited to: that the investment money would be used to purchase the "Tuscany Project" land in Cedar City or perform other necessary due diligence related to the project; that principal and interest would be repaid in a short period of time.

17. MICHAEL LYNN BLOXHAM, JONATHON R. WATTS AND ROBERT RAZO TY

also made certain omissions of material facts to one or more investors in connection with the offer or sale of a security, including, but not limited to: that the Trust Deed Notes were not recorded; that the subject property was owned by other individuals; that invested money would be used for purposes other than specified during the offer, including making interest payments to older investors; that Bloxham had numerous State tax liens filed against him, totaling over $7,000; that Watts had two State tax liens filed against him, totaling over $3,600; and that Bloxham, Watts and Ty were not licensed to offer or sell securities.

COUNT 1
Michael Lynn Bloxham, Jonathon R. Watts, Robert Razo Ty
SECURITIES FRAUD, a second degree felony with enhanced penalties
(Xi Thi Nguyen, Kim Nguyen, Hieu Nguyen, Huong Nguyen)

18. In 2006, Kim Nguyen listed her West Valley home for sale with her real estate agent Tru Q. Lee. Kim's ex-husband, Hieu Nguyen, had previously invested in home-flipping projects with Lee; Kim and Hieu intended to do the same with the proceeds of their Kingspoint home. Kim's house sold in November 2006 and she received $120,000 in proceeds from the sale. The purchaser's real estate agent in this transaction was Robert Ty.

19. Before the closing, in October 2006, Ty approached Kim and Hieu in Salt Lake County about a hard money lending opportunity with Capstone Equity Capital, LLC. Ty told them that an investment

in Capstone would provide them with a greater return than investing with Lee. Ty said that Kim and Hieu would receive 3% interest per 30-day period and he guaranteed they could not lose their money. Ty said that his mother, father and sister had each invested in Capstone and were receiving monthly interest payments.

20. After Kim's house sold in November, Ty introduced her to Capstone representative, Watts, at his Redwood Road office in Salt Lake County so that Watts could explain the investment opportunity. Watts told Kim that Capstone needed money to buy land for a development project in Cedar City. Watts told Kim that once the land was purchased, Capstone would refinance the land, taking out equity to repay Kim and her family's investments plus 3% per 30 days interest. Watts told Kim the investments were short-term.

21. Kim introduced her mother (Xi T. Nguyen), sister (Huong Nguyen) and her ex-husband (Hieu Nguyen) to Watts. Based upon Watt's and Ty's representations, the Nguyens invested a total of $650,000 in Capstone, $120,000 (Xi) on November 30, 2006, $80,000 (Xi) and $90,000 (Kim) on December 7, 2006, $80,000 (Xi) on December 13, 2006, $140,000 (Hieu) on February 9, 2007 and $140,000 (Huong) on March 30, 2007. A large portion of the invested funds came from home equity lines of credit that Ty encouraged the Nguyens to draw upon in order to invest with Capstone.

22. In exchange for each investment, the Nguyens received a Trust

Deed Note. Each of the original notes was made payable to "Xi Thi Nquyen [sic]." Kim said that the family wanted the investments in her mother's name. Each of these notes was signed by Watts. Later, Bloxham advised Kim to create an LLC for the family investments. Bloxham came up with the name, K2 Investment Group, LLC, and Kim, Huong and Xi registered K2 with the Utah Division of Corporations and Commercial Code. The last Trust Deed Note was made payable to K2 and was signed by Bloxham.

COUNT 2
Michael Lynn Bloxham, Jonathon R. Watts
THEFT, a second degree felony
(Xi Thi Nguyen, Kim Nguyen, Hieu Nguyen, Huong Nguyen)

23. Based on the representations of Ty, and Watts, the Nguyens invested $650,000 in Capstone. The Nguyens did not authorize their money for any use other than the purchase of the Cedar City land and subsequent development project. With the exception of $100,000 of the first investment, all invested funds were deposited to the Mountain America credit union account for Capstone. Both Bloxham and Watts have signature authority on the account.

24. Records of the Capstone account at Mountain America credit union were analyzed using the first in first out (FIFO) method of accounting. Of the $550,000 of the Nguyens' investment funds deposited to this account, at least $303,000 was used to pay other investors and at least $24,600 was used to make interest payments

to the Nguyens. Bloxham and Watts exercised unauthorized control over the property of the Nguyens with the intent to deprive them thereof in an amount exceeding $5,000.

COUNT 3
Jonathon R. Watts, Robert Razo Ty
SECURITIES FRAUD, a third degree felony with enhanced penalties
(Ruth R. Ucinole)

25. Ruth R. Urcinole knows Robert Ty through their Filipino connections. They both played golf in Filipino golf associations and Ty helped Urcinole purchase her West Jordan home, sell her Bountiful home, re-finance her West Jordan home and purchase her Draper home. In about December of 2006, Ty began talking to Urcinole about an investment in Cedar City. In March 2007, Urcinole met with Ty and his wife, Catherine, in Ty's Infinity Residential Realty office in Salt Lake County. The Tys spoke with Urcinole about a "hard money investment," in which she could earn 3% interest per month. Ty told her that a lot of people had invested and that he would personally guarantee her investment.

26. In March 2007, Urcinole met again with Ty and he introduced her to Watts in Salt Lake County. Watts and Ty told Urcinole that her money would be invested in a property under construction in Cedar City. Watts told Urcinole that they were just waiting for a bank to fund the project and the project would make money. Both Ty and Watts guaranteed Urcinole would get all of her principal plus

interest. Urcinole knows Ty's family from the Philippines. Urcinole said that Ty is very well off in the Philippines and that based on this knowledge and on their Filipino relationships, Urcinole trusted Ty and agreed to invest.

27. Ty told Urcinole that she could get a Home Equity Line of Credit (HELOC), draw money from the HELOC and invest in the hard money deal with Capstone. Urcinole said she was able to get the HELOC because Ty and Catherine have a friend at US Bank who was able to get the HELOC approved.

28. Based upon Ty's and Watts' representations, Urcinole agreed to take out the home equity line of credit for $75,000 on her West Jordan home. Urcinole provided the Division with a copy of her online US Bank Equity Line statement. The online statement shows that her HELOC was funded with $75,000 on March 21, 2007. The online statement further reveals that $75,000 was withdrawn from Urcinole's HELOC on March 27, 2007. For this investment, Urcinole received a Trust Deed Note dated March 27, 2007 and signed by Watts. The note called for the payment of $75,000 principal and $7,500 interest on or before June 28, 2007.

29. Urcinole said she did not actually receive the HELOC check but that Ty was able to pick the check up from his friend at US Bank. Ty and Urcinole called the friend from Watts' office to make arrangements for Ty to pick up the HELOC check. Watts was present

and Urcinole said he listened to the conversation and knew that her investment money was coming from her HELOC.

30. Urcinole said that Ty withdrew $20,000 of the HELOC to use for her down payment on a home she purchased on July 31, 2007. Capstone's Mountain America Credit Union records reveal that Capstone check #1148, dated August 1, 2007 was made payable to Ty in the amount of $20,000. The memo line of the check states, "principal payment for Ruth Urcinole." Urcinole did not receive a replacement note after the withdrawal of principal.

31. Urcinole's principal and interest were due about May of 2007 but Ty asked Urcinole to extend her note for another six months and she agreed; however, in October 2007, when she had received no interest payments on her note, Urcinole requested a return of her $55,000 from Ty and Watts. Urcinole said she called Ty, Watts and Catherine seeking a return of her money and that she has gone to the Redwood Road office to request a return of her money. Despite repeated requests, Urcinole has not received either principal or interest payments.

COUNT 4
Michael Lynn Bloxham, Robert Razo Ty
SECURITIES FRAUD, a second degree felony with enhanced penalties
(Manny Selfaison)

32. Manny Selfaison was first approached about investing in the Tuscany at Fiddlers Canyon Road project through Capstone Equity

Capital in early April 2007 by Robert Ty. Ty told Selfaison about the project and said that Michael Bloxham was paying a good rate of return for money loaned to Capstone for this project. Ty told Selfaison the loans were short-term and were needed to cover various due diligence fees in order to obtain the major funding for the project. When Selfaison expressed some interest in the investment, Ty intoduced him to Bloxham.

33. Selfaison met with Bloxham at Bloxham's office in West Jordan. Bloxham showed Selfaison the plans for the development and explained the process for gaining the required approvals of the Cedar City Planning Commission. Bloxham told Selfaison that investment funds were needed for fees associated with the due diligence for a loan for the project and for fees associated with gaining approval from the Cedar City Planning Commission. Bloxham stated for an investment of $15,000, he would pay a return of $500 per thirty days on a note with a sixty day maturity. Selfaison agreed to invest.

34. On April 25, 2007, Selfaison gave Bloxham a cashier's check in the amount of $15,000 made payable to Capstone Equity Capital. For this investment Selfaison received a "Trust Deed Note" for $15,000 plus $500 every 30 days, with final payment due on June 26, 2007. The note was issued by Capstone Equity Capital LLC and signed by Bloxham.

35. In mid-June 2007, Bloxham approached Selfaison for another investment, this time for $50,000 for fees that needed to be paid immediately or the whole project might be lost. On June 17, 2007, Selfiason gave Bloxham a check from Selfaison's company, Kaimana Ventures LLC made payable to "Capstone or Michael Lynn Bloxham" in the amount of $50,000. The return on this investment was to be $3,000 per two weeks. Nothing was issued for this investment until July 3, 2008 when a Promissory Note was issued by Amy E. and Michael L. Bloxham. Terms of the note are for repayment of $50,000 principal and $35,000 interest on or before July 1, 2009.

36. Bloxham approached Selfaison several more times for investments to cover fees. Each time Selfaison was told the project would be lost without the money requested. Bloxham had Selfaison make the checks payable to various individuals/entities. Additional investments made by Selfaison, with most of the money coming from an IRA account, are as follows:

Date	**Amount**	**Payee**
7-16-07	$ 5,000	Jason Vowel
8-10-07	$20,000	Jason Vowel
3-18-08	$20,000	Paydirt
6-27-08	$10,000	Michael Lynn Bloxham
7-9-08	$27,000	2B Development
7-9-08	$ 5,000	Paradigm Lending

37. A Trust Deed Note was issued by Capstone for the August 10, 2007 investment, with a twelve day term and 2.5% interest per

twelve days. None of the other investments was documented by a note or other instrument.

38. On September 21, 2007, Bloxham issued two Capstone checks to Selfaison, one for $30,000 and the other for $70,000. Both checks were signed by Bloxham and contained the notation "Partial Payment on Note." Selfaison attempted to negotiate the checks but found the checks would not clear the bank. When Selfaison contacted Bloxham about his inability to negotiate the checks, Bloxham issued a Capstone check for $15,000 on September 24, 2007 with the notation "Int. Payment." This check cleared. Other checks written to Selfaison came from the Paradigm Lending Solutions account. The first was dated September 11, 2007 in the amount of $2,000 with the notation "Payment on int." The second was dated April 7, 2008 in the amount of $2,500 with the notation"Int pay."

COUNT 5
Michael Lynn Bloxham, Jonathon R. Watts
THEFT, a second degree felony
(Manny Selfaison)

39. Only the first two of Selfaison's investments are reflected in the Capstone credit union account. The account reflects that on April 26, 2007, Selfaison's cashier's check for $15,000 was deposited. There was approximately $60,000 in the account at the time of the deposit. Using the FIFO method of accounting for the funds, all of Selfaison's investment was paid to Ty as a loan

payment. Bloxham and Watts exercised unauthorized control over the property of Selfaison with the intent to deprive him thereof in an amount exceeding $5,000.

COUNT 6
Michael Lynn Bloxham, Jonathon R. Watts
SECURITIES FRAUD, a second degree felony
(James "Duane" Trejo)

40. Duane Trejo received a presentation about an investment opportunity from Bloxham and Watts in Trejo's West Jordan office on May 14, 2007. Watts was only present for a portion of the discussion and Bloxham made all of the representations about the investment. Bloxham told Trejo that his money would be pooled with other investors' money and would be invested in real estate as bridge loans or hard money loan funds. Bloxham said that the investment was safe and virtually without risk because the investments would be secured by real estate. Bloxham said that if a borrower defaulted, the worse case would be that Bloxham would foreclose on the property securing the loan and Trejo would receive an even larger sum of money.

41. Bloxham explained that he could provide an interest rate of 3% per month because the borrowers paid high fees and interest for short-term loans. Bloxham said that Trejo's money would be invested for two months. Bloxham also told Trejo his investment would be liquid. If Trejo needed his investment returned, he could

receive it between two weeks and thirty days after requesting it.

42. Based on Bloxham's representations, Trejo invested $14,000 on May 14, 2007. For this investment, Trejo received a Trust Deed Note. Terms of the note were 3% interest per 30 days with a final principal and interest payment due on July 15, 2007. Watts provided him with the Trust Deed Note, which bore Bloxham's signature, and with the Capstone Equity Group LLC brochure.

43. Sometime after Trejo invested, Bloxham told Trejo he would pay Trejo a commission if Trejo found others to invest. Trejo asked his brother, Leonel Trejo, and his clients, Lisa and Michael Goglinski to invest with Bloxham and Watts, which they did. Trejo was not paid any commission.

44. Trejo met with Watts in Watts' West Jordan office on or about August 7, 2007. At that time, Watts asked Trejo if he had additional money to invest or knew of others who Watts could call and ask to invest. Trejo did not invest a second time.

45. In August 2007, Trejo asked Bloxham to return his principal. Bloxham told Trejo that he had a big investor lined up and as soon as Bloxham had that investor's money, he would repay Trejo.

46. Despite Trejo's request for a return of his principal, he has only received two payments from Capstone, totaling $2,920. These payments were made on June 11, 2007 for $420 with the notation "Interest payment" and September 24, 2007 for $2,500 with the

notation "Int payment." This second check would not clear the bank until November 8, 2007. It was returned twice, once for "Not sufficient funds" and once for "Uncollected funds hold."

COUNT 7
Michael Lynn Bloxham
SECURITIES FRAUD, a second degree felony
(Leonel "Lee" H. Trejo)

47. Lee Trejo was introduced to Bloxham by his brother, Duane. Bloxham is the only individual Lee dealt with regarding his investment. Lee met with Bloxham in Bloxham's West Jordan office in early June 2007.

48. Bloxham told Lee that Bloxham could provide Lee with a great opportunity to earn 18% return a year or 1.5% per thirty day period. Bloxham told Lee that his investment would be used to purchase real property that would later be sold for a profit. Bloxham said that a trust deed against the purchased property would be recorded in Lee's name. Bloxham also told Lee that he could request a return of his principal at any time and would receive it within two weeks to thirty days of such request. Bloxham also told Lee that others had invested in Capstone and were happy with their investment.

49. Based on the above representations, Lee invested $50,000 in Capstone on June 6, 2007, out of money he had just inherited. For this investment, Lee received a Trust Deed Note. The note

specified that interest payments of 1.5% per 30 day period were to be made on or before the 6th of each month. Final payment of principal and accrued interest was due on June 6, 2008.

50. Lee received monthly interest payments from July 2007 through February 2008, for a total of $6,000. After Bloxham failed to make the interest payments in March and April 2008, Lee asked Bloxham for the return of his principal on May 1, 2008. Bloxham said he would work on getting Lee his money. Lee has repeatedly called, texted, and visited Bloxham's office requesting the return of his money. Lee has received no additional payments and is still owed $50,000 principal.

COUNT 8
Michael Lynn Bloxham, Jonathon R. Watts
THEFT, a second degree felony
(Leonel "Lee" H. Trejo)

51. Capstone's credit union records reflect a $50,000 deposit from Lee on June 6, 2007. At the time of the deposit, the account contained approximately $1,411.53. Using the FIFO method of accounting for the funds, of Trejo's $50,000, $26,800 went to Ranny Lacanienta, $15,000 went to Kathy Moyes, $8,500 went to Ultimate Drywall and $2,088.47 went to TRP Investments. Lacanienta, Moyes and TRP Investments are other investors. Bloxham and Watts exercised unauthorized control over the property of Lee Trejo with the intent to deprive him thereof in an amount exceeding $5,000.

COUNT 9
Michael Lynn Bloxham
SECURITIES FRAUD, a second degree felony with enhanced penalties
(Lisa Gogolinski)

52. Lisa and Michael Gogolinski were first told about the investment opportunity with Capstone by Duane Trejo in an email received in June 2007. The email was followed up by a telephone call with Trejo, then an email from Watts with literature about Capstone attached. Finally, Lisa had a lengthy telephone conversation with Bloxham during which she was given the details of the investment.

53. In the telephone conversation between Bloxham in West Jordan, Utah and Lisa in Surprise, Arizona, Bloxham explained to Lisa the concept of the hard money loan and the investment. Bloxham told Lisa there was really no risk to the investment because it would be secured by the real estate involved in the project. Bloxham stated that even though real estate was doing poorly, they were ready to build a whole new community that would do great in the market. Bloxham went into great detail in describing the area and the specific plans for the community.

54. Based on the information provided by Bloxham, Lisa invested $10,000 on July 2, 2007. The funds to invest came from a refinance of her home, which information was provided to Bloxham. For the investment Goglinskis received a Trust Deed Note. The note is for

18% interest per annum with final payment of all principal and interest on July 2, 2007 (probably intended as July 2, 2008).

55. Lisa did not draw any interest payments, but instead let them reinvest. When the note was due, Bloxham defaulted. In the last week of September or the first week of October 2008, Lisa called Bloxham and asked for the return of her principal. Bloxham stated it would take a couple of weeks to come up with the money. When Lisa had received nothing by mid-October, she called Bloxham at his office and found the number had been disconnected. Lisa then called Bloxham's home and Watts, but got no response from either. Goglinskis have received no payments on their investment and are still owed $10,000 principal.

COUNT 10
Michael Lynn Bloxham, Jonathon R. Watts, Robert Razo Ty
SECURITIES FRAUD, a second degree felony with enhanced penalties
(Jonathan "Joey" Castillo)

56. Joey Castillo was approached to invest in Capstone by Prym Balane, Ty's secretary while Castillo was at Balane's house in South Jordan, Utah in June 2007. Castillo is acquainted with Balane and Ty because they are all members of the Filipino community in Salt Lake.

57. Balane told Castillo about the Cedar City project and that hard money loans for the project were paying 3% interest monthly. Further discussions took place with Ty in Ty's office in West

Jordan. In these discussions Ty confirmed what Balane had told him about the investment, and talked about the"Tuscany" project in Cedar City. Ty stated if Castillo invested he would receive monthly interest checks representing 3% of his principal and could get his principal back in 90 days. Ty stated there was no risk to the investment because the money is tied to the land for the project. Ty stated he had invested $300,000 of his own money in the project. Ty recommended Castillo look into a HELOC to secure funds to invest and referred him to a specific individual at US Bank.

58. Castillo secured a HELOC through US Bank. On July 10, 2007, Castillo invested in Capstone by giving Balane a check for $60,000 made payable to Capstone Equity Capital at her office. While Castillo was still there, Ty walked in and Balane told him Castillo had just invested $60,000. Ty told Castillo he would receive his first interest check of $1,800 in thirty days. Castillo received a Trust Deed Note dated July 9, 2007 and signed by Bloxham three weeks later. Terms of the note state 3% interest every 30 days will be paid monthly on or before the 6th of the month with final payment of principal and interest on October 8, 2007.

59. In early October 2007, Ty approached Castillo to invest additional funds into the Cedar City project at the same rate of 3% monthly interest. Castillo took an advance of $20,000 on a credit

card and gave it to Ty to invest in Capstone on October 2, 2007. For this investment Castillo received a Trust Deed Note dated October 2, 2007 and signed by Watts. Terms of the note state 3% interest every 30 days will be paid monthly on or before the 6th of the month with final payment of principal and interest on January 2, 2008. It should be noted that the note identifies it is for $20,000 U.S., but in the body of the first paragraph it states the principal is $60,000.

60. Castillo states he received interest payments in August and September 2007. When Castillo went to Ty's office to get his October interest check, Balane told him Ty had told her to tell Castillo that if he did not draw out his interest payment, then interest would accrue on that interest as well as the principal. Castillo opted to leave his interest in the investment.

61. In Jauary 2008, Castillo asked Catherine Ty for the return of his principal. Catherine told him to ask Bloxham. Castillo asked Bloxham for his principal. Bloxham said he was expecting money from people who owed him or Capstone money, and once he received those funds, Bloxham would pay some of Castillo's money back.

62. Castillo has tried to call Ty many times but has only been able to talk to Catherine. Catherine has told Castillo that she and Robert are also owed money on their investments in Capstone.

COUNT 11
Michael Lynn Bloxham, Jonathon R. Watts
THEFT, a second degree felony
(Jonathan "Joey" Castillo)

63. Capstone's credit union records reflect a $60,000 deposit from Castillo on July 10, 2007. At the time of the deposit, the account had approximately $37,757, all of which appears to be investment funds from other investors. Using the FIFO method of accounting for the funds, of Castillo's $60,000, $34,243 appears to have been wired out of the account, $25,757 appears to have been withdrawn, $1,000 went to Bob Sarangay for an interest payment and $4,394 went to Ty. Sarangay and Ty are other investors. Bloxham and Watts exercised unauthorized control over the property of Castillo with the intent to deprive him thereof in an amount exceeding $5,000.

COUNT 12
Michael Lynn Bloxham, Robert Razo Ty
SECURITIES FRAUD, a second degree felony with enhanced penalties
(Lillian Vergin, Jerry Vergin)

64. Jerry Vergin knows Robert Ty professionally. Ty is a real estate agent who owns many properties and has purchased some homes, remodeled them and then sold the homes at a profit. Vergin is a general contractor and has done the remodeling work on many of Ty's properties. Vergin's wife, Lillian, is Filipino, as is Ty. Due to their Filipino affinity, Lillian says she trusted Ty more than she might have otherwise.

65. In the spring of 2007, Ty approached the Vergins about an investment opportunity. Ty told the Vergins about a Cedar City development project where he said the Vergins could make a 3% return on their money. Ty told the Vergins that if they invested, their money would be used to "flip" a real estate deal in Cedar City. Ty told the Vergins the investment was safe because it was backed by the real estate for the project. Ty told the Vergins the principal would be repaid in six months. Ty told the Vergins that there were about fifteen investors in this deal and that his wife, his parents and his sister had each invested in the development. Ty also told the Vergins that he had placed $350,000 of his own money in the project and that he was receiving $9,000 a month in interest. Ty said he personally guaranteed the Vergins would be repaid their principal.

66. Ty told the Vergins to refinance their home or obtain a HELOC to get the money to invest. They opted to refinance. Based upon Ty's representations, the Vergins invested with Capstone through Ty. It is unclear how much the Vergins actually invested. They said they invested $140,000 in Capstone between July 2007 and February 2008 but that some of their investments were made via cash. Capstone and Paradigm Lending Solutions credit union records reflect $95,000 worth of deposits that correspond to the Vergins' investments and Capstone and Paradigm Lending Solutions statements

prepared for the Lillian Vergin Invest LLC appear to reflect a total investment of $115,000. Vergins received Trust Deed Notes for most of their investments, some issued by Capstone and some issued by Paradigm Lending Solutions. All of the notes were signed by Bloxham.

67. The Vergins never met Watts and only met Bloxham after they made their investments and were not receiving their promised return. Jerry said that initially Bloxham assured them that Capstone had all of their investment money, even the cash they entrusted to Ty. However, Jerry said that as time passed, Bloxham told the Vergins that he did not receive the cash investments from Ty.

COUNT 13
Michael Lynn Bloxham, Jonathon R. Watts
THEFT, a second degree felony
(Lillian Vergin, Jerry Vergin)

68. The first investment made by the Vergins is a check for $50,000 dated July 11, 2007 and a check for $10,000 dated July 12, 2007, memorialized in a July 11, 2007 Trust Deed Note for $60,000. At the time of this investment, Capstone had about $95,700 in other investor money in its accounts. Using the FIFO method of accounting, once the approximately $95,700 was spent, it appears that about $55,000 of Jerry Vergin's $60,000 investment went to Robert Ty. The rest was used to repay a loan from Alicia Watts.

Bloxham and Watts exercised unauthorized control over the property of the Vergins with the intent to deprive them thereof in an amount exceeding $5,000.

COUNT 14
Michael Lynn Bloxham, Jonathon R. Watts, Robert Razo Ty
PATTERN OF UNLAWFUL ACTIVITY
a second degree felony

69. Commencing on or about July 2003, the defendants engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1603. The defendants: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity as more fully defined in Counts 1 through 14 above, in which they participated as a principal, or they used or invested, directly or indirectly, any part of that income, or the proceeds of the income, or the proceeds derived from the investment or use of those proceeds, in the acquisition of any interest in, or establishment or operation of, any enterprise; (2) through a pattern of unlawful activity acquired or maintained, directly or indirectly, any interest in or control of any enterprise; or (3) was employed by, or associated with any enterprise and conducted or participated, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The unlawful activity included three or more violations of securities fraud and/or theft. This is a

violation of Utah Code Ann.§ 76-10-1603(5), a second degree felony.

SUMMARY

70. Based on my review of the evidence there is probable cause to believe that MICHAEL LYNN BLOXHAM has committed the crimes of:

SECURITIES FRAUD
a second degree felony with enhanced penalties, 5 counts

SECURITIES FRAUD
a second degree felony, 2 counts

THEFT
a second degree felony, 5 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

71. Based on my review of the evidence there is probable cause to believe that JONATHON R. WATTS has committed the crimes of:

SECURITIES FRAUD
a second degree felony with enhanced penalties, 3 counts

SECURITIES FRAUD
a second degree felony, 1 count

THEFT
a second degree felony, 5 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

72. Based on my review of the evidence there is probable cause to believe that ROBERT RAZO TY has committed the crimes of:

SECURITIES FRAUD
a second degree felony with enhanced penalties, 5 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

DATED this 29th day of December, 2009.

SUSAN M. JONES, Affiant

SUBSCRIBED AND SWORN to before me on this 29 day of Dec, 2009.

JUDGE, THIRD DISTRICT COURT

FILED DISTRICT COURT
Third Judicial District
DEC 29 2009
By SALT LAKE COUNTY
Deputy Clerk

CHARLENE BARLOW, Bar No. 0212
Assistant Attorney General
MARK L. SHURTLEFF, Bar No. 4666
Utah Attorney General
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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR

SALT LAKE COUNTY, STATE OF UTAH

THE STATE OF UTAH,	:	Bail $ 100,000 -
Plaintiff,	:	**WARRANT OF ARREST**
vs.	:	
ROBERT RAZO TY, DOB: July 1, 1974	:	Case No 091910084
	:	Judge _____
Defendant.		

THE STATE OF UTAH TO ANY PEACE OFFICER IN THE STATE OF UTAH,

G R E E T I N G S:

An Information, upon oath, having been this day made before me by Investigator Susan Jones, and it appearing from the Information, or affidavit filed with the Information, that there is probable cause to believe that the public offense(s) of: **Securities Fraud, a second degree felony with enhanced penalties, 5 counts; and, Pattern of Unlawful Activity, a second degree felony, 1 count**, has been committed, and that the defendant

STATE OF UTAH

ROBERT RAZO TY, has committed these offenses,

YOU ARE THEREFORE COMMANDED to arrest the above named defendant forthwith and bring the defendant before this court, or before the nearest or most accessible magistrate for setting bail. If the defendant has fled justice, you shall pursue the defendant into any other county of this state and there arrest the defendant. The offenses listed above are felonies.

Bail is set in the amount of $ 100,000-.

DATED this 29 day of Dec-, 2009.

HONORABLE,
JUDGE, THIRD DISTRICT COURT

STATE OF UTAH
DISTRICT COURT
LAKE CITY

Defendant's Last Known Address:

11284 South Slate View Drive
South Jordan, UT 84085

STATE OF UTAH
I CERTIFY THAT THIS IS A TRUE COPY OF AN ORIGINAL DOCUMENT ON FILE IN THE THIRD DISTRICT COURT, SALT LAKE COUNTY, STATE OF UTAH.
DATE: December 29, 2009
DEPUTY COURT CLERK
LAKE CITY