

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
--

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
ENFORCEMENT SECTION
BEFORE THE DIRECTOR OF THE
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

In the Matter of:) **M-10-0036**
)
Joseph Brad Paradiso, and JJ Property) **ORDER TO CEASE AND DESIST**
Group) **ORDER DENYING EXEMPTIONS**
) **ORDER IMPOSING INDUSTRY BAR**
) **AND**
) **CONSENT TO ENTRY OF ORDER**
)
Respondents.)

WHEREAS the Director of the Department of Consumer and Business Services (hereinafter “Director”) has conducted an investigation of activities conducted by Joseph Brad Paradiso and JJ Property Group (hereinafter “Respondents”) and has determined that Respondents offered and sold securities in violation of the Oregon Securities Law; and

WHEREAS Respondents wishes to resolve and settle this matter with the **DIRECTOR;**

NOW THEREFORE, as evidenced by his authorized signatures subscribed below, Respondents hereby **CONSENT** to entry of this Order to Cease and Desist upon the Director’s Findings of Fact and Conclusions of Law as stated hereafter.

FINDINGS OF FACT

A. Parties

1. Joseph Brad Paradiso (hereinafter “Paradiso”) was born in 1974 and currently resides in Canby Oregon.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 2. Jeffrey Schlabowske (hereinafter “Schlabowske”) was born in 1964 and currently
2 resides in Canby Oregon.

3 3. On December 12, 2007, Paradiso registered JJ Property Group, LLC as a domestic
4 limited liability corporation with the Oregon Secretary of State’s Corporation Division,
5 registration number 482844-91. Paradiso and Schlabowske are listed as the only members.

6 **B. JJ Property Business Plan**

7 4. Respondents formulated a business plan that involved pairing property investors with
8 individuals that wanted to purchase a home as their primary residence but could not obtain
9 financing for a home through traditional means. These individuals were offered the
10 opportunity to purchase a home through JJ Properties lease-to-own program (hereinafter
11 “clients”).

12 5. Respondents hoped to find property investors that would purchase the homes outright.
13 No mortgage companies were intended to be involved with the transactions. All purchases
14 were intended to be cash deals with investors’ money.

15 6. Respondents’ clients would locate the property that they wanted to lease-to-own. The
16 property investor would then purchase the property. The client would then make monthly
17 lease payments to Respondents. Respondents would deduct 10% of the monthly lease
18 payment as a property management fee. The remaining 90% of the lease payment would be
19 forwarded onto the property investor.

20 7. Clients were told that they could exercise their option to buy the property at any time
21 after one year and before five years from the date the property was purchased. The cost to the
22 client to exercise their option to purchase would be 15% of the sales price of the home.
23 Respondents intended to split this option fee 50/50 with the property investor that had actually
24 purchased the home. Paradiso and Schlabowske would then split the option fee between
25 themselves 50/50. This would leave Paradiso and Schlabowske with 3.75% of the total sales

--

1 price of the home. This compensation would be in addition to the 10% property management
2 fee that they would have deducted from each lease payment.

3 **C. Respondents Solicitation of Property Investors**

4 8. Respondents solicited potential property investors on their website:
5 <http://jjpropertygroup.com>. Respondents also solicited at least two property investors in
6 person. Through their website and in person conversations Respondents solicited at least four
7 potential property investors.

8 9. J.L. was a friend of Schlabowske's and a California resident. In April 2008, at a
9 mutual friend's wedding, J.L. and Schlabowske discussed Respondents' business plan. J.L.
10 stated that she wanted to invest between 3 and 6 million dollars into Respondents business.
11 J.L. verbally promised that she would be able to invest within 60 days. She stated that her
12 money was held up because it was coming from China. J.L. never actually invested any
13 money with Respondents.

14 10. C.D. is an Oregon resident. Respondents spoke with C.D. in January 2008.
15 Schlabowske believed that C.D. owned property that he would sell in order to invest in JJ
16 Property. C.D. never actually invested any money with Respondents.

17 11. P.K is a resident of Texas. Schlabowske spoke with P.K. and thought he seemed
18 interested in investing with Respondents. P.K never actually invested any money with
19 Respondents.

20 12. The fourth potential property investor that Respondents spoke with resided in Denver
21 Colorado. He was interested in investing \$50,000 at an interest rate of 10-12%. This person
22 never actually invested any money with Respondents.

23 13. No one ever invested any money with Respondents.

24 **D. Respondents solicitation of lease-to-own clients**

25 14. Respondents solicited potential lease-to-own clients through craigslist advertisements

--





1 in Sacramento California, Alabama, and Texas. Respondents did not solicit any lease-to-own
2 clients in Oregon because they believed that the Oregon real estate market was too strong.

3 15. When a potential lease-to-own client contacted Respondents they were told to locate a
4 property that they would like to lease-to-own. They were then asked to put down a deposit to
5 secure the property.

6 16. The required deposit averaged \$3,000 dollars but went as high as \$10,000 for one
7 client. The clients were told that their deposit would be used to pay for a \$250 non-
8 refundable administration fee. The remainder of the deposit was to be used to pay for earnest
9 money deposits, appraisals, and inspections. They were told that the money that was used for
10 earnest money would be deducted from the purchase price of the home should they ever
11 exercise their option to purchase the home. The clients were told that they would receive a
12 full refund if the purchase did not go through.

13 17. Between November of 2007 and August of 2008, Respondents accepted
14 approximately \$57,000 in deposits from at least 12 different clients.

15 **E. Respondents use of lease-to-own client deposits**

16 18. Respondents paid out at least \$10,000 in refunds to at one client. Respondents used
17 other client deposits to pay this refund.

18 19. No home was ever purchased through Respondents program because they were never
19 able to locate any property investors. However, Respondents' did not refund client deposit
20 money as promised. Rather, Respondents used the client deposits to pay themselves a
21 monthly salary of between \$1,500 and \$2,000 per month.

22 20. Respondents also used the deposit money to pay for business expenses such as
23 attorney's fees, fuel costs, lunch and for fax, phone and internet services.

24 21. Clients were never told that their deposit money would be used to pay for general
25 business expenses or that it would be used to pay Paradiso and Schlabowske's monthly

--

1 salaries.

2 **F. Criminal Case**

3 22. In August, 2010, Paradiso entered a plea of guilty to one count of Wire Fraud in
4 United States District Court Case No. CR10-255-KI. Pursuant to the plea agreement
5 Paradiso, is required to pay restitution totaling \$57,000 for the client deposits that were not
6 refunded.

7 **CONCLUSIONS OF LAW**

8 The Director **CONCLUDES** that:

- 9 1. The investments offered or sold by Respondents constitute a security as defined by
10 ORS 59.015(19)(a).
- 11 2. Respondents continuously offered or sold unregistered securities in Oregon in
12 violation of ORS 59.055.
- 13 3. Respondents continuously offered or sold securities in Oregon without a license in
14 violation of ORS 59.165(1).
- 15 4. Respondents continuously made material omissions in connection with the sale of
16 securities by failing to tell clients that their deposit money would be used for Respondents
17 own personal benefit in violation of ORS 59.135(2).

18 **ORDER**

19 The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondents shall
20 **CEASE and DESIST** from:

- 21 1. Offering or selling securities without a license in violation of Oregon Securities Laws;
22 2. Offering or selling unregistered securities in the State of Oregon in violation of the
23 Oregon Securities Laws;
24 3. Violating any provision of the Oregon Securities Laws, including ORS Chapter 59 and
25 OAR Chapter 441.





1 4. The Director **ORDERS** that Respondents and any entities that employ or otherwise
2 utilize Paradiso’s services for the purpose of raising capital, are, pursuant to ORS 59.045,
3 **DENIED THE USE OF ANY EXEMPTIONS**, that would otherwise be available under
4 ORS 59.025 and ORS 59.035, to securities registration requirements.

5 5. The Director **ORDERS** that Respondents are each **BARRED** from working in the
6 Oregon Securities industry and from acting as a mortgage loan originator or a mortgage loan
7 processor in Oregon for at least five years. Respondents may at any time, after at least five
8 years from the date of this Order, make written application to the Director for licensure or
9 registration in either the mortgage or securities industry. The Director will review and act
10 upon any application or request for licensing or registration by Respondents according to the
11 then current law, including any rights available to request a contested case hearing on any
12 licensing or registration denial.

13 6. Respondents are ordered to pay the sum of **FORTY-SEVEN THOUSAND**
14 **DOLLARS** (\$47,000) as a civil penalty for the continuing violations of ORS 59.055, 59.135,
15 and 59.165 described herein. This penalty is joint and several among Respondents.

16 7. To ensure that victims receive restitution, the Director elects to **SUSPEND** this
17 **CIVIL PENALTY**. Paradiso will be given dollar for dollar credit towards the suspended
18 civil penalty for all money paid towards restitution in United States District Court Case No.
19 CR-10-255-KI. If Paradiso’s probation, in United States District Court Case No. CR-10-255-
20 KI, is terminated due to a willful failure to pay restitution the entire civil penalty shall become
21 immediately due and owing. Upon successful completion of probation this entire civil
22 penalty shall be **WAIVED**.

23 ///

24 ///

25 ///

--

1 **CONSENT TO ENTRY OF ORDER**

2 I, Joseph Brad Paradiso, state that I am a resident of the State of Oregon, that I have
3 read the foregoing Order and that I know and fully understand the contents hereof; that the
4 factual allegations stated herein are true and correct; that I have been advised of my right to a
5 hearing, and that I have been represented by counsel in this matter; that I voluntarily consent
6 to the entry of this Order without any force or duress, expressly waiving any right to a hearing
7 in this matter; that I understand that the Director reserves the right to take further actions
8 against me to enforce this Order or to take appropriate action upon discovery of other
9 violations of the Oregon Securities Law by me; and that I will fully comply with the terms
10 and conditions stated herein.

11 I understand that this Consent Order is a public document.

12 Dated this 31 day of August, 2010.

13
14 /s/ Joseph Paradiso
Joseph Brad Paradiso

15 SUBSCRIBED AND SWORN to before me this 31 day of August, 2010.

16
17 /s/ Warren Holzem
18 (Printed Name of Notary Public)
19 Notary Public
for the State of: Oregon
20 My commission expires: 1/21/2011

21
22 Approved as form: /s/ Dan Feiner
23 Attorney for Joseph Brad Paradiso

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 **CORPORATE CONSENT TO ENTRY OF ORDER**

2 I, Joseph Brad Paradiso, state that I am an officer of JJ Property Group, LLC and I am
3 authorized to act on its behalf; that I have read the foregoing Order and that I know and fully
4 understand the contents hereof; that JJ Property Group, LLC has been advised of the right to a
5 hearing and of the right to be represented by counsel in this matter and desires to resolve and
6 settle this matter with the Director; that JJ Property Group, LLC, voluntarily and without any
7 force or duress, consents to the entry of this Order, expressly waiving any right to a hearing in
8 this matter; that JJ Property Group, LLC understands that the Director reserves the right to take
9 further actions to enforce this Order or to take appropriate action upon discovery of other
10 violations of the Oregon Mortgage Lender Law or Oregon Securities Laws; and that JJ Property
11 Group, LLC will fully comply with the terms and conditions stated herein.

12 JJ Property Group, LLC, further assures the Director that neither Respondent, nor its
13 officers, directors, employees or agents will effect mortgage transactions in Oregon unless such
14 activities are in full compliance with the Oregon Mortgage Lender Law and Oregon Securities
15 Laws.

16 JJ Property Group, LLC understands that this Consent Order is a public document.

17 Dated this 31 day of August 2010

18
19 By: /s/ Joseph Paradiso
20 Joseph Brad Paradiso
21 Member
Office Held

22 ///

23 ///

24
25
--

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
--

CORPORATE ACKNOWLEDGMENT

There appeared before me this 31 day of August 2010 who was first duly sworn on oath, and stated that he was and is an officer of JJ Property Group, LLC and that he is authorized and empowered to sign this Consent to Entry of Order on behalf of JJ Property Group, LLC, and to bind JJ Property Group, LLC to the terms hereof .

/s/ Warren Holzem
Signature of Notary

Warren Holzem
Printed Name of Notary Public

Notary Public for the State of: Oregon

My commission expires: 1/21/2011

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

