

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of

Case No. S-19-0136

WISHBONE GROUP LLC, an Oregon
limited liability company, US FIDELITY
HOMES, an Oregon assumed business
name, ROBERT REIFER, an individual,
AND EDWARD PREBLE, an individual,

FINAL ORDER TO CEASE AND
DESIST, FINAL ORDER DENYING
USE OF EXEMPTIONS, FINAL
ORDER ASSESSING CIVIL
PENALTIES, AND CONSENT TO
ENTRY OF ORDER

Respondents.

The Division of Financial Regulation (the “Division”), acting on behalf of the Director of the Department of Consumer and Business Services for the State of Oregon (the “Director”), conducted an investigation of Wishbone Group LLC (“Wishbone”), US Fidelity Homes (“Fidelity Homes”), Robert Reifer (“Reifer”) and Edward Preble (“Preble”, collectively “Respondents”). The Division determined that Respondents violated provisions of Oregon Revised Statutes (“ORS”) 59.005 to 59.505, 59.991 and 59.995 (the “Oregon Securities Law”) and the Oregon Administrative Rules (“OAR”) promulgated under those laws.

Respondents, without admitting the findings of fact and conclusions of law herein, wish to settle this matter. Respondents are entering into this agreement out of their own free will and not as the result of any duress or undue influence by the Division.

Now, therefore, as evidenced by the authorized signature(s) subscribed in this Order, Respondents hereby consent to entry of this Order upon the Director’s Findings of Fact and Conclusions of Law below.

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



1 **FINDINGS OF FACT**

2 The Director FINDS that:

3 1. Wishbone was registered with the Oregon Secretary of State in September 2015
4 and assigned entity #1147827-90. Per the registration documentation, the sole person
5 affiliated with the company was Reifer. Wishbone’s registration was administratively
6 revoked on November 21, 2019.

7 2. In March 2017, Fidelity Homes was registered with the Oregon Secretary of
8 State and assigned entity #1307628-91. Per the registration documentation, Fidelity Homes
9 was an assumed business name for Wishbone. Fidelity Homes’ registration expired on May
10 16, 2019 for failure to renew.

11 3. Respondents were in the business of purchasing distressed residential real estate
12 properties in Oregon and rehabilitating or remodeling them, then selling them for a profit
13 or holding them as rentals.

14 4. Respondents purchased the properties with loans from commercial lenders and
15 received additional funds from the private party investors described herein for down
16 payments, rehabilitation or remodeling expenses.

17 5. Reifer was the borrower of record for the loans obtained by Wishbone from
18 commercial lenders. He was also the person that executed the documentation related to the
19 private party investment transactions.

20 6. Preble was responsible for soliciting private party investors and was the “face”
21 of Wishbone.

22 7. Respondents maintained an internet website for Wishbone at
23 wishbonegroup.org and another website for Fidelity Homes at usfidelityhomes.com.

24 8. The Wishbone website asserted that “US Fidelity Homes is the Real Estate
25 Investment arm of Wishbone Group, LLC.” The Fidelity Homes website solicited private
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1 money lenders in return for “attractive rates” secured by a mortgage or deed of trust. These
2 websites were accessible in Oregon.

3 9. At least five Oregonians invested in Wishbone between May 2017 and May
4 2018. The total amount of funds invested by the seven Oregonians was more than
5 \$238,000. The list provided by Respondents indicated that funds provided by the investors
6 were secured by a “Note and Trust Deed.”

7 10. During the Division’s investigation, it received five promissory notes related to
8 the transactions described herein. Each promissory note states that “[b]orrower agrees that
9 until the principal and interest owed under this promissory note are paid in full, this note is
10 secured by the deed of trust covering the real estate commonly known as” followed by the
11 property description. Each promissory note was signed by Reifer as “Manager, Wishbone
12 Group, LLC.”

13 11. Investors relied on the representations set forth in the promissory note that
14 provided that their investments would be secured by real property, and such representations
15 were material to the investors’ decision to invest.

16 12. During the Division’s investigation, it received four deeds of trust related to the
17 transactions described herein. Each of the deeds of trust provided:

18
19 On default by grantor in payment of any indebtedness secured hereby or in
20 performance of any agreement hereunder, all sums secured hereby shall
immediately become due and payable at the option of the beneficiary.

21 ...

22 After deducting all costs, fees, and the expenses of trustee and of this trust,
23 including cost of evidence of title and reasonable counsel fees in connection
24 with sale, trustee shall apply the proceeds of sale to payment of or to all
25 sums expended under the terms hereof, not then repaid, with accrued
interest at six (6%) per annum; to the obligation secured by the trust deed;
26 to the holders of any recorded liens subsequent to the interest of trustee in
the trust deed as their interest may appear; and the remainder, if any, to the
person or persons legally entitled thereto.

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1 13. Investors relied on the representations set forth in the deed of trust that provided
2 that in the event of a default, the proceeds of the sale would be used to repay the obligation
3 secured by the deed of trust with accrued interest at six (6%) per annum, and such
4 representations were material to the investors’ decision to invest.

5 14. When the Division requested all documentation related to all transactions in
6 Oregon, Respondents were unwilling or unable to provide documentation related to three
7 investors and provided incomplete information for one investor.

8
9 *Investment in SE Harrison Street, Portland, OR 97233 (SE Harrison St)*

10 15. On or about May 16, 2017, CS of Portland, OR, invested \$41,000 towards the
11 SE Harrison St property. Respondents provided a promissory note and a deed of trust
12 related to this transaction. The deed of trust was recorded on the SE Harrison Street
13 property for the benefit of CS.

14
15 *Investment in SE 158th Ave, Portland, OR 97236 (SE 158th Ave)*

16 16. CS also invested \$25,000 towards a second property, SE 158th Ave.
17 Respondents failed to provide documentation related to this transaction. A public records
18 search revealed that no liens were recorded against the SE 158th Ave property for the
19 benefit of CS.

20
21 *Investment in SE Johnson St, Hillsboro, OR 97123 (SE Johnson St)*

22 17. In or about June 2017, Preble met with a husband and wife, hereinafter
23 collectively referred to as MW¹, of Wilsonville, Oregon. During the meeting, MW received
24 a copy of the “Wishbone Group LLC Real Estate Prospectus” (“the

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26 ¹ A husband and wife are considered a single investor under securities law. ORS 59.350(1).

1 Prospectus”). On June 14, 2017, Preble sent MW an email discussing the previous meeting
2 and asking if they had an opportunity to review the Prospectus.

3 18. The Division requested a copy of the Prospectus from Respondents, but they
4 have failed to provide a copy for this investigation.

5 19. On or about October 16, 2017, MW invested \$34,000 towards the SE Johnson
6 St property. According to documents provided by Respondents, the principal investment
7 and 6% interest was to be paid following the sale of the property. A deed of trust was
8 recorded for MW’s benefit against the property.

9
10 *Investment in SW Capital Hwy, Portland, OR 97219 (SW Capital Hwy)*

11 20. On or about June 7, 2017, RS of Hillsboro, OR, invested \$71,000 towards the
12 SW Capital Hwy property. Respondents failed to provide documentation related to this
13 transaction. A deed of trust was recorded for RS’s benefit against the property, but it was
14 junior to the lien of a commercial lender.

15 21. The senior lender and lienholder foreclosed on the property and RS’s lien was
16 eliminated and RS did not receive any proceeds from the foreclosure sale.

17
18 *Investments in SW Market St, Portland, OR 97201 (SW Market St)*

19 22. On or about May 19, 2017, AG of Portland, OR, invested \$33,000 towards the
20 SW Market St property. According to documents provided by Respondents, the principal
21 investment and 10% to 18% interest was to be paid following the sale of the property. A
22 deed of trust was recorded for AG’s benefit against the property.

23 23. On or about May 19, 2017, HT invested \$35,000 towards the same SW Market
24 St property that AG invested in and had a recorded lien on. According to documents
25 provided by Respondents, the principal investment and 6% interest was to be paid to HT
26 following the sale of the property.





1 24. HT believed that he had a lien on the SW Market St property that was in a
2 second position behind a commercial lender. In fact, HT's deed of trust was recorded in
3 third position behind the commercial lender and investor AG. HT was not aware of AG's
4 pre-existing second lien position.

5 25. In early 2018, HT was advised by Preble that the SW Market St property was
6 being sold and there would not be enough money to fully repay his investment plus the
7 owed interest. Information obtained by the Division through the title company revealed
8 that Respondents paid HT \$5,856.20 and Respondents paid themselves \$14,000 from the
9 proceeds of the SW Market St property sale, which could have been paid to HT.

10 26. Preble promised that he would move HT's lien to another property held by
11 Respondents on SW Capital Hwy and that he would hold a second lien position behind a
12 commercial lender. Respondents offered HT \$4,000 in exchange for HT authorizing the
13 lien to be transferred.

14 27. HT agreed to allow the lien to be moved to the SW Capital Hwy property.
15 Contrary to Preble's assertion, HT's lien on the SW Capital Hwy property was again
16 recorded in third position, not a second position, behind the commercial lender and another
17 private investor, RS, described above.

18 28. Later in 2018, the senior lender and lienholder foreclosed on the property and
19 HT's lien was eliminated and HT did not receive any proceeds from the foreclosure sale.
20 It is unclear whether the second lienholder, RS, received a return of any of his investment
21 as part of the foreclosure sale.

22 29. At no relevant time did Respondents register any of the above-described
23 investment transactions with the Division.

24 30. All investors mentioned herein were passive, in that they did not play an active
25 role in Respondents' business operations, did not have control over the use of the

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1 investment funds, and rather relied solely on the management and expertise of Respondents
2 to earn a return on their investments.

3 31. At no relevant time did Preble or Reifer hold an Oregon securities salesperson
4 license. At no relevant time was Wishbone or Fidelity Homes licensed as a broker-dealer
5 in Oregon.

6 **CONCLUSIONS OF LAW**

7 The Director CONCLUDES that:

8 32. The investments sold by Respondents to the investors through the use of
9 promissory notes are “securities” as either “investment contractors,” “notes,” or “evidence
10 of indebtedness,” as defined by ORS 59.015(19)(a).

11 33. Under ORS 59.055, it is unlawful to offer or sell any security in Oregon unless
12 the security is registered with the Division.

13 34. The securities which Respondents sold, as described above, were not registered
14 for sale in Oregon in violation of ORS 59.055.

15 35. Under ORS 59.165(1), it is unlawful for any person to transact business in this
16 state as a broker-dealer or salesperson unless the person is licensed under the Oregon
17 Securities Law.

18 36. Respondents sold securities in Oregon without being properly licensed, in
19 violation of ORS 59.165(1).

20 37. Under ORS 59.135(2), it is unlawful for any person, directly or indirectly, in
21 connection with the purchase or sale of any security or the conduct of a securities business
22 to make any untrue statement of a material fact or to omit to state a material fact necessary
23 in order to make the statements made, in the light of the circumstances under which they
24 are made, not misleading.

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1 38. In connection with the sales of the above-described securities, Respondents
2 directly or indirectly made untrue statements of material fact in violation of ORS 59.135(2)
3 as follows:

4 A. That investor CS would receive a lien on certain pledged property when in fact
5 no such lien was recorded; and

6 B. That investor HT would receive a second position lien on the SW Market St
7 property when in fact he received a third position lien.

8 C. That investor HT would receive a second position lien on the SW Capital Hwy
9 property when in fact he received a third position lien.

10 39. Under ORS 59.245(4), if the Director has reason to believe that any person has
11 engaged, is engaging, or is about to engage in any violation of the Oregon Securities Law,
12 the Director may issue an order, subject to ORS 59.295, directed to the person to cease and
13 desist from the violation or threatened violation.

14 40. Because the Director has reason to believe that Respondents have been engaged
15 and are engaging in the foregoing violations of the Oregon Securities Law, the Director
16 may issue an order under ORS 59.245(4) directed to Respondents to cease and desist from
17 violating ORS 59.055, ORS 59.165(1), and ORS 59.135(2).

18 41. Under ORS 59.045(2), the Director may by order withdraw, condition, or deny
19 the use of any exemption by a person if the Director has reason to believe that the person
20 has engaged in or is about to engage in an act or practice constituting a violation of the
21 Oregon Securities Law or that the use of any exemption by that person would work a fraud
22 or imposition on purchasers.

23 42. Because the Director has reason to believe that Respondents have engaged in
24 the foregoing acts or practices that constitute violations of the Oregon Securities Law and
25 further that the use of exemptions by Respondents would work a fraud or imposition on

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1 purchasers, the Director may deny Respondents the use of exemptions set forth in ORS
2 59.025 and ORS 59.035.

3 **ORDERS**

4 The Director ISSUES the following ORDERS:

5 Order to Cease and Desist

6 43. Pursuant to ORS 59.245(4), the Director hereby ORDERS Reifer, Preble,
7 Wishbone, Fidelity Homes, and all entities owned or controlled by such Respondents, its
8 successors and assignees, to CEASE AND DESIST from violating ORS 59.055, ORS
9 59.165(1), and ORS 59.135(2).

10 Order Denying Use of Exemptions

11 44. Pursuant to ORS 59.045(2), the Director hereby DENIES Reifer, Preble,
12 Wishbone, Fidelity Homes, and all entities owned or controlled by such Respondents, its
13 successors and assignees, the use of securities and transactions exemptions that would
14 otherwise be available under ORS 59.025 and ORS 59.035.

15 Order Assessing Civil Penalties

16 45. Pursuant to the authority of ORS 59.995(1), the Director may assess CIVIL
17 PENALTIES of not more than \$20,000 for every violation against persons who violate or
18 who procure, aid, or abet in the violation of ORS 59.005 to 59.505.

19 46. The Director hereby assesses CIVIL PENALTIES against Respondents, jointly
20 and severally, in the amount of fifty thousand dollars (\$50,000.00) as follows:

21 A. A CIVIL PENALTY of ten thousand dollars (\$10,000.00) for offering and
22 selling securities to five Oregon investors without the securities being registered,
23 in violation of ORS 59.055.

24 B. A CIVIL PENALTY of ten thousand dollars (\$10,000.00) for selling
25 securities in this state without being licensed under the Oregon Securities Law, in
26 violation of ORS 59.165(1).

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1 C. A CIVIL PENALTY of thirty thousand dollars (\$30,000.00) for directly or
2 indirectly, in connection with the purchase or sale of any security, making an
3 untrue statement of a material fact, in violation of ORS 59.135(2), as more fully
4 described in paragraph 38 of this order.

5 47. The Director hereby suspends payment of \$47,000 of the CIVIL PENALTY for
6 a period of three years, provided that Respondents do not violate the Oregon Securities
7 Law or terms of this Order, including payment of the \$3,000 non-suspended civil penalty.

8 48. The non-suspended CIVIL PENALTY (\$3,000) is due and payable within 18
9 months of the date this order is signed by the Director. Failure to pay will result in the full
10 \$50,000 civil penalty being due and owing. No further notice or invoice will be sent by the
11 Division regarding the \$3,000 payment obligation.

12 49. If Respondents fail to satisfy the above conditions, the \$47,000 in suspended
13 civil penalties shall immediately become due and owing. If Respondents satisfy the above
14 conditions, the Director shall waive the suspended civil penalties three years after the date
15 of this Order.

16 50. This Order is binding upon Respondents' successors and assigns.

17 51. Entry of this Order in no way limits or prevents further remedies, sanctions, or
18 actions which may be available to the Director under Oregon law to enforce this Order, for
19 violations of this Order, for conduct or actions of Respondents that were not covered by
20 this Order, or against any party not covered by this Order.

21 SO ORDERED this 15th day of January, 2021 in
22 Salem, Oregon.

23 ANDREW R. STOLFI, Director
24 Department of Consumer and Business Services

25 /s/ Dorothy Bean
26 Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

ENTITY CONSENT TO ENTRY OF ORDER

I, Robert Reifer, am an officer or manager of Wishbone Group LLC (“Wishbone”) dba US FIDELITY HOMES. I am authorized to act and sign on behalf of Wishbone. I have read the foregoing Order, and I know and fully understand the contents hereof, without admitting or denying the Findings of Fact and Conclusions of Law. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. Wishbone voluntarily consents to the entry of this Order with no force or duress, expressly waiving any right to a hearing in this matter and any rights to administrative or judicial review of this Order. Wishbone understands that the Director reserves the right to take further action to enforce this Order or to take action upon discovery that Wishbone has committed other violations of the Oregon Securities Law. Wishbone, along with its officers, directors, employees, or agents, shall comply with the terms and conditions stated herein.

Wishbone understands that this Order is a public document.

Signature: /s/ Robert Reifer

Position Held: Manager

ACKNOWLEDGMENT

State of Oregon

County of Washington

Signed or attested before me on the 12th of January, 2021.

/s/ Angela Marie Williams
Notary Public

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350 Winter Street NE, Suite 410
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CONSENT TO ENTRY OF ORDER

I, EDWARD PREBLE, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of my right to a hearing, and that I have been advised of my right to be represented by counsel in this matter; that, without admitting to the allegations of the Order’s Findings of Fact or Conclusions of Law, I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order; that I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of violations of the Oregon Securities Law by me that are not currently covered in this order that are unknown to the Director at the time of its investigation or that take place subsequent to the date of this Order; and that I will fully comply with the terms and conditions stated herein.

Signature: /s/ Edward Preble

State of Oregon

County of Washington

Signed or attested before me on this 12th of January, 2021

by EDWARD PREBLE.

/s/ Angela Marie Williams
Notary Public

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CONSENT TO ENTRY OF ORDER

I, ROBERT REIFER, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of my right to a hearing, and that I have been advised of my right to be represented by counsel in this matter; that, without admitting to the allegations of the Order’s Findings of Fact or Conclusions of Law, I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order; that I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of violations of the Oregon Securities Law by me that are not currently covered in this order that are unknown to the Director at the time of its investigation or that take place subsequent to the date of this Order; and that I will fully comply with the terms and conditions stated herein.

Signature: /s/ Robert Reifer

State of Oregon

County of Washington

Signed or attested before me on this 12th of January, 2021

by ROBERT REIFER.

/s/ Angela Marie Williams
Notary Public

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