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

In the Matter of: John D. Regier, Respondent.	Case No. S-16-0311 FINAL ORDER TO CEASE AND DESIST, DENYING USE OF EXEMPTIONS, IMPOSING PERMANENT BAR, AND ASSESSING CIVIL PENALTIES, ENTERED BY CONSENT

The Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter the "***Director***"), acting in accordance with the Oregon Securities Law, Oregon Revised Statutes ("***ORS***") 59.005 to 59.451, 59.991 and 59.995, and Oregon Administrative Rules ("***OAR***") chapter 441, has investigated the business activities of John D. Regier ("***Respondent***") and makes the following Findings of Fact and Conclusions of Law.

Respondent wishes to resolve this matter with the Director.

Now, therefore, as evidenced by the authorized signature subscribed herein, Respondent hereby CONSENTS to entry of this Order.

FINDINGS OF FACT

The Director FINDS that:

1. At all times material to this Order, Respondent was a resident of Oregon.

2. J.D.R. Property Investments, LLC ("***JDR Property***") was an Oregon limited liability company (Oregon Secretary of State Registry No. 409921-90) that was formed in 2007 and administratively dissolved on March 27, 2015. Respondent was the sole manager and sole member of JDR Property. Prior to its dissolution, JDR Property had a principal place of business located at 7170 Ridgegate Drive, Gladstone, Oregon 97027.

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3. JSR Investments, LLC ("***JSR Investments***") was an Alaskan limited liability company registered to do business in Oregon (Oregon Secretary of State Registry No. 525140-99) between 2008 and August 1, 2014, at which time its registry was administratively revoked. Respondent was the sole member of JSR Investments. Prior to its revocation, JSR Investments had a principal place of business located at 3840 Pacific Avenue, Forest Grove, Oregon, 97116.

4. Between at least January 2007 and December 2013, Respondent, individually and by and through his companies JDR Property and JSR Investments, solicited money from private investors for use in his real estate "flipping" business venture. The business venture involved the purchase of real property in Oregon and Washington that Respondent intended to remodel and sell in a short timeframe, typically 90 days. Respondent promised prospective investors returns on these short-term investments ranging from 12% to 24%.

I. <u>The Investors</u>:

5. The Oregon resident referred to herein as "***DO***" invested, through a series of transactions, no less than $270,000 with Respondent in 2012, and no less than $370,000 in 2013. DO's investment funds were to be used exclusively to purchase properties and/or remodel the properties Respondent had already purchased for the real estate flipping venture.

6. Respondent promised to pay DO a return on his investments in an amount ranging from 18% to 24%. The return was to be payable either in monthly interest payments, or in a lump sum upon the sale of property, which was to occur shortly after the property was purchased and remodeled.

7. Respondent promised DO that he would receive a secured lien on each of the real properties that his investment funds were being used to purchase and/or remodel. Respondent represented that DO would receive a first position lien, except in instances

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where Respondent had already borrowed funds for the subject property from a lender, in which case the lender would receive a first position lien and DO would receive a second position lien. In truth and in fact, Respondent did not provide DO with a perfected lien on one or more of the subject properties, or provided DO with a lien that was in a lower position of lien priority than Respondent had promised.

8. While DO did receive some payments on his investment, Respondent failed to repay approximately $370,000 of DO's principal investment.

9. The Oregon resident referred to herein as "***JW***" invested no less than $145,000 with Respondent in 2013. The investment funds were to be used exclusively to purchase properties and/or remodel the properties Respondent had already purchased for the real estate flipping venture.

10. In exchange for his funds, JW received a promissory note wherein Respondent promised to pay JW interest on his investment at the rate of 14% annually. JW was to receive full payment of the principal and all interest upon sale of the subject properties, which was to occur shortly after the property was purchased and remodeled.

11. Respondent promised JW that he would receive a secured lien on each of the properties that his investment funds were being used to purchase and/or remodel. In truth and in fact, Respondent did not provide JW with a perfected lien on one or more of the subject properties.

12. While JW did receive some interest payments on his investment, Respondent failed to repay approximately $120,000 of JW's principal investment.

13. The funds provided to Respondent from the DO and JW (collectively the "***Investors***") were pooled by Respondent in the bank account for JDR Property, and comingled with funds from other sources, including other investors.

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14. The Investors did not have any control over the use of the investment funds delivered to Respondent. Rather, the Investors relied solely on Respondent's managerial efforts and expertise to carry out the real estate flipping business venture and produce a return on their investments.

II. <u>Respondent's Financial Difficulties</u>:

15. In addition to receiving the Investors' funds described above, among other private money investor funds, Respondent also incurred substantial debt from various non-traditional lending companies to fund his real estate flipping business.

16. In 2012 and 2013, Respondent borrowed no less than $1 million and $2.5 million in funds, respectively, from non-traditional lending companies. Generally, these loans were short term (12 months or less), high interest loans, which were secured by a first position lien on the properties purchased and/or remodeled using the loan funds.

17. Respondent failed to fully disclose the above-described lending company debt obligations to the Investors prior to their investments with Respondent. While one or more of the Investors may have had some knowledge of Respondent's use of the lending companies as an alternative source of funds, neither of the Investors had knowledge of the extensive debt obligations Respondent owed to the lending companies.

18. If Respondent would have disclosed his lending company debt obligations to the Investors, the Investors would not have invested in Respondent's real estate flipping business venture.

19. Respondent defaulted on one or more of his loans from the lending companies. In at least one instance, a lending company foreclosed its first position lien on the property Respondent pledged as collateral for the loan, and in the process eliminated DO's second position lien on the property. DO did not receive any of the proceeds from the sale of the subject property.

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20. If Respondent would have disclosed to the Investors that they would not receive a perfected lien on the real estate in which they invested, that such lien would be subordinated to other lenders, or that there was a risk the proceeds from the sale of the subject real estate would be insufficient to repay their investments, the Investors would not have invested in Respondent's real estate flipping business venture.

21. In January 2015, Respondent filed a Chapter 7 bankruptcy petition in the United States Bankruptcy Court for the District of Oregon (Case No. 15-30009-rld7) (the "***Bankruptcy***"). On the Bankruptcy schedules, Respondent asserted he owed over $3.7 million to creditors holding unsecured claims, including $376,232.22 owed to DO and $119,582.62 owed to JW. An Order of Discharge was entered in the Bankruptcy case on or about June 3, 2015, thereby discharging the debts that Respondent owed to DO and JW, among approximately 19 other investors that were owed more than $1.7 million at the time of the Bankruptcy filing.

22. At all times material to this Order, neither Respondent nor any of his companies were licensed to sell securities in the state of Oregon.

23. At all times material to this Order, Respondent's real estate flipping business venture and related projects were not registered as securities in the state of Oregon.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

24. The above-described investments offered and sold by Respondent to the Investors were "securities" within the meaning of ORS 59.015(19)(a).

25. The securities that Respondent sold to the Investors were not registered with the Director, in violation of ORS 59.055.

26. Respondent sold securities to the Investors without being licensed to sell securities in Oregon, in violation of ORS 59.165.

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27. In connection with the sale of securities to the Investors, Respondent omitted to state the following material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of ORS 59.135(2):

A. That Respondent had millions of dollars in debt owing to non-traditional lending companies as related to his real estate flipping business; and

B. That the Investors would not receive a perfected lien on the real estate in which they invested, that such lien would be subordinated to other lenders, or that there was a risk the proceeds from the sale of the subject real estate would be insufficient to repay their investments.

ORDERS

The Director issues the following ORDERS:

28. As used herein, the term "Respondent" shall mean Respondent and any business entity owned, operated or controlled by Respondent, and those individuals or entities acting directly on their behalf.

29. The Director, pursuant to ORS 59.245(4), hereby ORDERS Respondent to CEASE AND DESIST from violating any provision of the Oregon Securities Law, including ORS Chapter 59 and Oregon Administrative Rules Chapter 441.

30. The Director, pursuant to ORS 59.045, hereby DENIES Respondent the use of any exemptions that would otherwise be available under ORS 59.025 or ORS 59.035, concerning persons, securities, or transactions exempt from the registration requirements of the Oregon Securities Law.

31. Respondent is PROHIBITED from engaging in any business activities related to securities, including, but not limited to, offering to sell, materially aiding or participating in the sale, or aiding or abetting the sale of any security, whether the security or transaction is exempt or non-exempt under the Oregon Securities Laws,

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without the Director's prior written consent. This prohibition shall remain in effect indefinitely, or until the Director waives the prohibition in writing.

32. Pursuant to the authority of ORS 59.995(1), the Director may assess CIVIL PENALTIES against persons who violate the Oregon Securities Law in an amount not to exceed $20,000.00 per violation and, in the case of a continuing violation, each day's continuance is a separate violation, but the maximum penalty for any continuing violation shall not exceed $100,000.

33. Pursuant to the authority of ORS 59.995, the DIRECTOR hereby ORDERS Respondent to pay CIVIL PENALTIES in the total amount of Fifty Thousand Dollars ($50,000), as follows:

A. A CIVIL PENALTY of Five Thousand Dollars ($5,000) for selling unregistered securities, in violation of ORS 59.055;

B. A CIVIL PENALTY of Five Thousand Dollars ($5,000) for selling securities without a license, in violation of ORS 59.165; and

C. A CIVIL PENALTY of Twenty Thousand Dollars ($20,000) for the each of the omissions described in Paragraph 27 of this Order, in violation of ORS 59.135(2), for a total CIVIL PENALTY of Forty Thousand Dollars ($40,000).

34. The Director SUSPENDS the collection of the entire Fifty Thousand Dollar ($50,000) in CIVIL PENALTIES assessed above, so long as Respondent complies with all terms and conditions of this Order and all requirements of the Oregon Securities Law. If Respondent complies with the terms of this Order and the Director has not initiated an enforcement action for new violations of the Oregon Securities Law during the seven (7) year period from the effective date of this Order, the Director WAIVES the collection of the suspended CIVIL PENALTIES assessed herein.

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35. This Order is a "Final Order" under ORS 183.310(6)(b). Subject to that provision, entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may be available to the Director under Oregon law to enforce this Order, for violations of this Order, for conduct or actions of Respondent that are not covered by this Order, or against any party not covered by this Order.

SO ORDERED this 2nd day of December, 2016.

PATRICK M. ALLEN, Director
Department of Consumer and Business Services

/s/ David Tatman
David C. Tatman, Chief of Enforcement
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CONSENT TO ENTRY OF ORDER

I, John D. Regier, 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 in this matter; that I have been represented by counsel in this matter; that I voluntarily and without any force or duress, consent to the entry of this Order, expressly waiving any right to a hearing in this matter; that I execute this Order as a settlement of the matters referred to in the foregoing Order; that I understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law, and; that I will fully comply with the terms and conditions stated herein.

I further understand that this Order is a public document.

/s/ John D. Regier
John D. Regier

State of Oregon

County of Clackamas

There appeared before me this 23rd day of November, 2016, John D. Regier.

/s/ Joseph Ken Lin
Notary Public – Oregon
Commission No. 946870
Expires January 25, 2020

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