

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

- BOB STUMP, Chairman
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

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In the matter of:

JONATHON JAMES MURRAY and
WENDY LYNN MURRAY, husband and
wife;

Respondents.

DOCKET NO. S-20883A-13-0112

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
ORDER FOR OTHER AFFIRMATIVE
ACTION

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondent JONATHON JAMES MURRAY has engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. At all times relevant, Respondent JONATHON JAMES MURRAY ("Murray" or "Respondent") has been a married man and a resident of the state of Arizona and/or Canada. Murray

1 has not been registered by the Commission as a securities salesman or dealer. At all times relevant,
2 Murray offered and sold unregistered securities within and from Arizona.

3 3. WENDY LYNN MURRAY was at all relevant times the spouse of Respondent
4 Murray, and may be referred to as "Respondent Spouse". Respondent Spouse is joined in this action
5 under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

6 4. At all times relevant, Respondent was acting for Respondent's own benefit and for the
7 benefit or in furtherance of Respondent and Respondent Spouse's marital community.

8 **III.**

9 **FACTS**

10 5. From at least early 2011 until at least April 2012, Murray offered and sold securities
11 in or from Arizona involving the purchase and rehabilitation of residential real estate. Murray
12 entered into agreements with investors to invest in "fix and flip" residential investment properties
13 located in Arizona. ("Fix and Flip Investment(s)")

14 6. From at least February 2012 until at least July 2012, Murray offered and sold
15 promissory notes to investors related to his fix and flip business ("Note Investment(s)").

16 7. The Note Investments contained one year terms and provided between annual 18% -
17 20% interest, with principal and interest to be paid at the end of the term. The Note Investments
18 contained a personal guarantee by Murray.

19 8. Murray held seminars in both Canada and Arizona in which the Fix and Flip
20 Investments and Note Investments were offered. Murray also sent emails to offerees offering the
21 Fix and Flip Investments and Note Investments. For many of these offerings, Murray used the
22 email address of jon@jowen.ca. Some seminar materials and emails referenced Murray as the
23 Owner/Operator of "Jowen Investments & Consulting", and referenced Jowen, Ltd. in the email.

24 9. At Murray's invitation, numerous offerees and investors traveled to Arizona to meet
25 with Murray and attend seminars where they were offered and/or sold the Fix and Flip Investments
26 and Note Investments.

1 10. Most offerees and investors had no pre-existing business and/or investing
2 relationship with Murray at the time they invested in the Fix and Flip Investments or Note
3 Investments.

4 11. At least one investor learned of the Fix and Flip Investment by visiting a publicly
5 available website operated by Murray, www.jowen.com.

6 12. The agreements entered into between Murray and investors for the Fix and Flip
7 Investments were titled in various ways, including but not limited to, "Partnership Agreement" and
8 "Joint Venture Agreement" (collectively, "Fix and Flip Investment agreement(s)").

9 13. The Fix and Flip Investment agreements required the investors to supply a fixed
10 amount of money to be used for the purchase, rehabilitation, selling, and other costs associated with
11 residential investment property to be purchased by Murray.

12 14. The Fix and Flip Investment agreements required Murray to use investor funds to
13 acquire, improve, and resell residential real estate. Specifically, under the Fix and Flip Investment
14 agreements, Murray did not provide any capital contribution, but was required to purchase an
15 investment property, obtain financing at 80% loan to value, handle the rehabilitation work, update
16 the investor, and sell the property for a profit to be shared on a percentage basis with the investor.

17 15. The real property that was to be the subject of the Fix and Flip Investment
18 agreements was not identified at the time of the investors' investments. The property address of the
19 real property that was the subject of the investors' investments was later identified by Murray for
20 some, but not all, investors.

21 16. After investment funds were provided to Murray by investors for the Fix and Flip
22 Investments, investors had no further input or control over the investment funds, including, but not
23 limited to, the purchase price of the investment property, rehabilitation costs, or selling price.

24 17. Multiple Fix and Flip Investment agreements entered into between Murray and
25 investors for the Fix and Flip Investment had a one year term. The majority of these agreements
26 required the principal to be paid to the investor at the end of the one year term, and all profits be

1 paid to the investor within 24 hours after the close of escrow when each investment property was
2 sold during the one year period.

3 18. Other Fix and Flip Investment agreements entered into between Murray and
4 investors for the Fix and Flip Investment also had a one year term, but required that the principal
5 and profits be paid to the investor at the end of the one year term. These agreements provided that
6 Murray and the investor would equally share the profits from the rehabilitation and sale of the
7 investment properties.

8 19. At least one Fix and Flip Investment investor was advised by Murray that his
9 investment funds would be pooled with the funds of another investor.

10 20. Murray represented to multiple offerees of the Fix and Flip Investments that
11 multiple fix and flip projects would be completed in a one year time period, and that the projected
12 net profit from each flip was between \$15,000 and \$50,000.

13 21. Murray told at least one Fix and Flip Investment investor that their funds would not
14 be affected by any bankruptcy, as the investment property would be held "in trust." The investment
15 property subject to the investment was not purchased in trust, but by Murray individually and
16 therefore subject to bankruptcy proceedings.

17 22. Under the terms of at least one Fix and Flip Investment agreement, Murray took
18 investor funds and promised a deed of trust on the investment property purchased to secure the
19 investment, but the property was unspecified at the time of the investment. Murray never provided
20 the investor with a deed of trust for any real property.

21 23. Investor funds were deposited in Murray's personal bank accounts, or in the bank
22 accounts of True North, LLC, an Arizona limited liability company operated and controlled by
23 Murray, and over which Murray had signatory control.

24 24. When properties were purchased for the Fix and Flip Investments, Murray took title
25 to them either under his own name or under True North, LLC.

26

1 25. For at least four investors in the Fix and Flip Investments, investor funds were not
2 used by Murray to purchase any investment property.

3 26. On at least one occasion, Murray used one Fix and Flip Investment investor's
4 investment funds to purchase investment property/properties, but designated the investment
5 property/properties purchased as the investment property of other investors.

6 27. Murray failed to provide numerous Fix and Flip Investment investors with timely
7 updates as to the status of their investment funds, including, but not limited to, failing to provide
8 investors with an accounting of work performed on the fix and flips to show profits realized (if any)
9 before or at the time of sale.

10 28. Murray ultimately profited from the purchase, rehab, and sale of multiple properties
11 that he had designated as the investment property for particular Fix and Flip Investment investors,
12 but failed to pay profits due to investors within 24 hours of close of escrow.

13 29. Murray failed to repay the full investment principle to numerous investors, all of
14 which have passed the one year term of the Fix and Flip Investment agreements or promissory
15 notes they executed with Murray. The total investments offered and sold by Murray in or from
16 Arizona total at least \$687,500.00. The outstanding unpaid investment principle for investors
17 offered or sold investments in or from Arizona totals at least \$682,166.67.

18 30. Murray had at least two judgments against him in British Columbia, including, but
19 not limited to, a judgment for approximately \$67,000 from June 2010, and another judgment for
20 over \$115,000 from July 2011, both resulting from lawsuits by investors ("Canadian Judgments").

21 31. Investors that invested after the date of one or both of the Canadian Judgments were
22 not advised about the Canadian Judgments when they invested with Murray.

23 32. On January 4, 2012, a petition was filed against Murray in the Supreme Court of
24 British Columbia to adjudicate Murray bankrupt due to outstanding debts ("Canadian Bankruptcy
25 Petition"). Murray was adjudicated bankrupt by that same court by Order dated May 9, 2012
26 ("Canadian Bankruptcy Order").

1 of material fact or omitted to state material facts that were necessary in order to make the statements
2 made not misleading in light of the circumstances under which they were made; or (iii) engaged in
3 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon
4 offerees and investors. Respondent's conduct includes, but is not limited to, the following:

5 a) Representing that at least one Fix and Flip investor's investment funds would
6 be unaffected by any future bankruptcy proceedings because the investment property was to be
7 purchased in "trust", but instead purchasing the property under Murray's individual name, which was
8 subject to bankruptcy proceedings;

9 b) Representing that one Fix and Flip investor would receive a deed of trust on the
10 investment property purchased to secure the investment, but failing to provide the investor with a deed
11 of trust for any real property;

12 c) Representing to Fix and Flip Investment investors that investor funds would be
13 used to acquire, rehab, and resell residential property/properties that would be the subject of their
14 investment, but, for at least four investors, failing to use investor funds to purchase any such
15 properties;

16 d) Representing that investor funds for the Fix and Flip Investment would be used
17 to purchase the investor's investment property, but, on at least one occasion, using one Fix and Flip
18 Investment investor's investment funds to purchase property/properties subsequently designated by
19 Murray as the investment property of other investors;

20 e) Representing that the investor would be updated as to the progress of the Fix
21 and Flip Investment, but failing to provide numerous Fix and Flip Investment investors with timely
22 updates as to the status of their investment funds, including, but not limited to, failing to provide
23 investors with an accounting of work performed on the fix and flips to show profits realized (if any)
24 before or at the time of sale.

25 f) Failing to disclose Murray's outstanding Canadian judgments and/or Canadian
26 Bankruptcy Petition and/or Canadian Bankruptcy Order;

1 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.

3 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
4 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
5 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
6 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
7 Opportunity for Hearing.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
10 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
11 Requests should be made as early as possible to allow time to arrange the accommodation.
12 Additional information about the administrative action procedure may be found at
13 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

14 **XIV.**

15 **ANSWER REQUIREMENT**

16 Pursuant to A.A.C. R14-4-305, if Respondent or Respondent Spouse requests a hearing, the
17 requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to
18 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007,
19 within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained
20 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
21 <http://www.azcc.gov/divisions/hearings/docket.asp>.

22 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
23 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
24 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
25 addressed to Stacy Luedtke, Esq.

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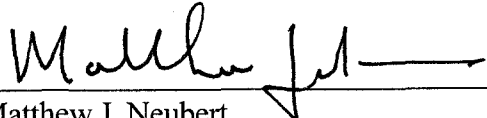
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The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 23 day of April, 2013.


Matthew J. Neubert
Director of Securities