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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

TO: Anthony C. Schwartz also known as Tony Schwartz  
REI Exchange also known as Real Estate Investor Exchange  
22355 SW Stafford Road  
Tualatin, OR 97062

**DESIST AND REFRAIN ORDER**  
**(For violations of section 25110 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. REI Exchange, also known as Real Estate Investor Exchange (“REI”), is an entity whose legal status is unknown. REI’s business office is located at 22355 SW Stafford Road, Tualatin, Oregon 97062. REI maintains a website at [www.rei-exchange.com](http://www.rei-exchange.com). REI purportedly conducts business, including not limited to, offering and selling real estate investments to the general public.
2. At all relevant times herein, Anthony C. Schwartz, also known as Tony Schwartz (“Schwartz”) was, chief executive officer and president of REI.
3. Since at least September 2006 and continuing thereafter, Schwartz and REI have offered or sold securities in the form of investment contracts of REI comprising fractional shares in real estate contracts to the public, including California residents.
4. By means that include, but are not limited to, REI’s website and advertisements in the Los Angeles Times’ website at [www.latimes.com/classified](http://www.latimes.com/classified), REI and Schwartz offer potential investors securities in the form of investment contracts of REI that they claim “...offer a safe, clean, and easy way for you to cash-in on one of the highest return opportunities available.” REI’s advertisements represent that “... investors can now be in a passive role while earning 30, 40, or even 80% on real estate secured deals.” The securities REI and Schwartz are offering to the public provide potential investors with an opportunity to purchase fractional shares of existing real estate contracts,

1 which REI and Schwartz promise to locate and manage as “financial managers.” In managing the  
2 real estate investments, REI and Schwartz promise that they would collect rent, pay necessary  
3 mortgages and proceed to evict an errant tenant before selling an investment property to cash in  
4 investors’ investment. REI and Schwartz further claim that after an investment property is sold,  
5 investors would receive a pro-rated portion of the net income from the transaction, paid monthly and  
6 that at the end of 12-18 months, investors would get a “large payment.”

7 5. REI and Schwartz represent that the risk associated with the investment is “Almost  
8 nothing.” REI and Schwartz claim that investors would receive at least 5%-10% return on their  
9 investment in “... extremely serious market drops ... or in the event of “... something tragic  
10 happening economically ... such as a 9/11 type situation ....” REI and Schwartz further inform  
11 potential investors that when a borrower defaults on a mortgage payment, REI will liquidate the  
12 property and “investors often earn 70-140% on their investment.”

13 6. The purported purpose of the offerings includes, but is not limited to, raising funds for  
14 further investment in purchasing fractional interests in real estate contracts.

15 7. These securities were offered or sold in this state in issuer transactions. The  
16 Department of Corporations has not issued a permit or other form of qualification authorizing any  
17 person to offer and sell these securities in this state.

18 Based upon the foregoing findings, the California Corporations Commissioner is of the  
19 opinion that securities in the form of investment contracts of REI that were offered or sold, are  
20 securities subject to qualification under the California Corporate Securities Law of 1968 and are  
21 being or have been offered or sold without being qualified in violation of Corporations Code section  
22 25110. Pursuant to section 25532 of the Corporate Securities Law of 1968, Anthony C. Schwartz  
23 also known as Tony Schwartz and REI Exchange also known as Real Estate Investor Exchange are  
24 hereby ordered to desist and refrain from the further offer or sale in the State of California of  
25 securities, including but not limited to, investment contracts unless and until qualification has been  
26 made under the law or unless exempt.

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This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: October 10, 2006.  
Los Angeles, California

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
ALAN S. WEINGER  
Supervising Attorney  
Enforcement Division