

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of

PETITION FOR ORDER

JOHN RAMON REYES, and
DAVID BRUCE REYES,
doing business as BLUE TEA COMPANY,
BLUE HERBALS, INC., and
THE TULA TEA COMPANY, and
MEL DAWSON,

File No. S-210579 (EX)

Respondents,

The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, Bureau of Enforcement (“the Division”) has conducted an investigation in this matter pursuant to § 551.56, Wis. Stats.¹, and as a result thereof alleges as follows:

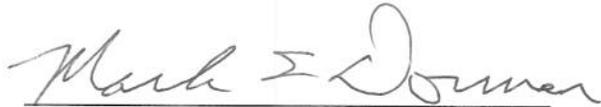
1. John Ramon Reyes (“John Reyes”) is an individual born in June 1953 with a last known home address of 1009 South Soto Street, Los Angeles, California 90041, and a last known business address of 793 Higuera Street, Suite 8, San Luis Obispo, California 93401.
2. David Bruce Reyes (hereinafter “David Reyes”) is an individual born in January, 1948, with a last known home address of 2828 August Street #25, San Luis Obispo, California 93401-5844, and a last known business address at the 793 Higuera Street address.
3. Since at least 2004, John Reyes and David Reyes have been doing business as partners in several different fictitiously named business entities, including but not limited to the Blue Tea Company, Blue Herbals, Inc., and the Tula Tea Company, all of which were located at the 793 Higuera Street address.
4. At all times material hereto, John Reyes and David Reyes have been owners, officers and/or controlling persons of the businesses known as Blue Herbals, Blue Tea and Tula Tea.
5. Research of the corporation records in California, Wisconsin and Nevada provided no indication that any of these entities were ever incorporated. In fact, the records of San Luis Obispo County indicates that Blue Tea Company is a fictitious business name owned by David Reyes, and Los Angeles County records show that Blue Herbals Incorporated [sic] filed a fictitious business name in November, 2000.
6. When interviewed, John Reyes told Division staff he was formerly licensed as a series 3 commodities broker; however, CRD did not contain a listing for him
7. Mel Dawson (“Dawson”) is an individual who at all material times was an agent of the Reyes brothers in their businesses, and upon information and belief worked from their Higuera Street offices.

¹ Unless otherwise noted, the statutory references are to the Wisconsin Statutes (2005-06), which were in effect at the time of the violations alleged herein and apply pursuant to § 551.703, Wis. Stats. (2007-08).

8. According to information provided to Division Staff by a Wisconsin investor, during the period of 2000 to 2008, Mel Dawson, on behalf of Blue Herbals, Blue Tea, Tula Tea, John Reyes, and David Reyes, offered and sold corporate debentures of Blue Herbals, Blue Tea and Tula Tea to that Wisconsin investor.
9. According to information provided by the Wisconsin investor, the investor invested an aggregate of at least \$197,500 in debentures of entities controlled by the Reyes brothers, and did so by obtaining a mortgage on his home, although the person is 78 years old and retired from full-time employment.
10. Corporate debentures are securities as defined in § 551.02(13), Wis. Stats.
11. The “corporate debentures” sold to the Wisconsin investor promised the investor would receive his principal back from the company as well as 25 % interest per annum, to be “made from the proceeds of an initial public offering of the common stock of the company or a private offering of the preferred stock of the company or from the profits of the company.” The debentures of each company are signed by either John Reyes as CEO or David Reyes as CFO.
12. According to information provided to Division Staff by John Reyes, Mel Dawson is a sales person of Blue Herbals, who made sales of investments in Blue Herbals, Blue Tea and Tula Tea to investors.
13. The debentures that Mel Dawson offered and sold to the Wisconsin investor have never been registered under Ch. 551, Wis. Stats., for their offer and sale in Wisconsin.
14. Each Respondent has violated § 551.21(1), Wis. Stats., by offering and selling unregistered securities to a person in Wisconsin.
15. In connection with the offers and sales of the securities to the Wisconsin investor as described above, Mel Dawson transacted business in Wisconsin as an "agent" for John Reyes, David Reyes, as that term is defined by § 551.02(2), Wis. Stats.
16. At no time was Mel Dawson licensed as a securities agent pursuant to Ch. 551, Wis. Stats.
17. Mel Dawson has violated § 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license.
18. John Reyes and David Reyes have violated § 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in offers and sales of securities to a Wisconsin investor.
19. All respondents referred to the companies as if they were legal entities, as denoted by the terms “corporate debenture” and “Blue Herbals, Inc.,” despite the fact that the businesses were merely fictitious business names and not formally organized entities, and none of the respondents ever disclosed this true status to the Wisconsin investor in the course of soliciting his investment.
20. The conduct of all respondents alleged in ¶19 constitutes a violation of § 551.41(2), Wis. Stats., which provides that it is unlawful for any person, in connection with the offer, sale or purchase of a security in this state, directly or indirectly ... to make any untrue statement of fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
21. Staff of the Division have requested specific information and documents from John Reyes and David Reyes about the securities-related transactions of persons in Wisconsin but to date have received only substantially incomplete responses.

Therefore, the staff of the Division petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Dated this 27th day of September, 2010.



Mark E. Dorman
Examiner



Leslie Van Buskirk
Attorney Supervisor