

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600

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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

<p>IN THE MATTER OF:</p> <p><b>JAOUNI ENTERPRISES, LLC, and</b></p> <p><b>MOHAMMED IBRAHIM JAOUNI,</b></p> <p>Respondents.</p>	<p style="text-align: center;"><b>STIPULATION AND CONSENT ORDER</b></p> <p style="text-align: center;">SD-23-0015</p> <p style="text-align: center;">SD-23-0016</p>
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The Utah Division of Securities (“Division”), by and through its Senior Enforcement Manager, Liz Blaylock, and Jaouni Enterprises, LLC (“Jaouni Enterprises”), and Mohammed Ibrahim Jaouni (“Mr. Jaouni”), (collectively referred to as “Respondents”) hereby stipulate and agree as follows:

1. Respondents have been the subject of an investigation by the Division into allegations of violations of the Utah Uniform Securities Act (the “Act”),<sup>1</sup> 61-1-1(2) (securities fraud), 61-1-1(3) (securities fraud), 61-1-3(2)(a) (unlicensed activity), 61-1-3(1) (unlicensed activity) and 61-1-7 (sale of unregistered securities).
2. On or about March 27, 2023, the Division initiated an administrative action against Respondents by filing an Order to Show Cause.

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<sup>1</sup> Utah Code §§ 61-1-1 to 61-1-32.

3. Respondents hereby agrees to settle this matter with the Division by way of this Stipulation and Consent Order (“Order”). If entered, the Order will fully resolve all claims the Division has against Respondents pertaining to the Order to Show Cause.
4. Respondents admit to the Division’s jurisdiction over Respondents and over the subject matter of this action.
5. Respondents hereby waive any right to a hearing to challenge the Division’s evidence and present evidence on their behalf.
6. Respondents have read this Order, understands its contents, and voluntarily agrees to the entry of the Order as set forth below. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce Respondents to enter into this Order, other than as described in this Order.
7. Respondents have obtained counsel and is represented by attorney Dusten Heugly. Respondents are satisfied with the legal representation they have received.
8. Based upon the Division’s investigation, the Division concludes the following Findings of Fact and Conclusions of Law outlined below.

### **FINDINGS OF FACT**

#### **THE RESPONDENTS**

9. Jaouni Enterprises, LLC (“Jaouni Enterprises”) was a manager managed, Utah limited liability company established on January 22, 2020, with a principal place of business located in Saint George, Utah. At the time of its formation, Jaouni Enterprises’ stated business purpose was “selling athletic shoes.” On June 15, 2023, Jaouni Enterprises’ became an expired LLC for failure to file a renewal with the Utah Division of Corporations. At the time of the Division’s investigation, Jaouni Enterprises maintained a

bank account at Mountain America Federal Credit Union (the "MACU Account").<sup>2</sup> The MACU Account was opened by Mr. Jaouni's son, A.J. (name withheld for confidentiality) on January 22, 2020, and, A.J. was listed as a signatory on the MACU Account. Jaouni Enterprises and its D/B/A Moto Pros received deposits into the MACU Account.

10. Mr. Jaouni is a resident of California with an address in Laguna Beach, California. In the past Mr. Jaouni spent approximately three months each year living with family in Utah. Mr. Jaouni is not registered to sell securities and has never been licensed in the securities industry in any capacity.

#### **GENERAL ALLEGATIONS**

11. Commencing in the Spring of 2021 and continuing through June 2021, while conducting business in the state of Utah, Mr. Jaouni offered and sold an investment opportunity in Jaouni Enterprises to an investor who paid \$30,000 to invest in Jaouni Enterprises.
12. Mr. Jaouni offered and sold an investment opportunity consisting of a 33% share of a new kebab restaurant that Mr. Jaouni was starting in Utah.
13. The investment opportunity Mr. Jaouni offered and sold was an investment contract which are securities as defined by Utah Code § 61-1-13. At no time was Mr. Jaouni licensed in the securities industry nor were the offered securities registered.
14. In connection with the offer and/or sale of securities, the Division claims, Mr. Jaouni, either directly or indirectly, made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements made, not misleading; including that Mr. Jaouni had all the equipment necessary to open a turnkey restaurant

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<sup>2</sup> Mountain America Credit Union Account ending in 7324.

within a month's time, Jaouni represented he would not commingle the investor's funds with other personal or business accounts, and he would keep an accounting of the funds – which he did not do.

#### THE SOLICITATIONS

15. From April through June 2021, while conducting business in Utah, Mr. Jaouni offered and sold an investment opportunity in Jaouni Enterprises for \$30,000 to a Utahn to be identified as S.S. (name withheld for confidentiality).
16. Mr. Jaouni purported and represented to be an experienced restaurateur and the owner of his family business, Jaouni Enterprises.
17. Mr. Jaouni's investment offering in Jaouni Enterprises to S.S. promised a 33% ownership share of the new kebab restaurant Jaouni was starting.
18. Around May 2021, Jaouni solicited an investment opportunity in Jaouni Enterprises from S.S. on several occasions both over the phone and in-person.
19. There is a dispute about the role the investor would play in the restaurant and whether the investor, S.S., was supposed to be a silent investor in the restaurant and play no role other than providing investment funds.
20. During the solicitations, Jaouni made numerous statements and representations to S.S. regarding the investment opportunity in Jaouni Enterprises, including, but not limited to, the following:
  - a. Mr. Jaouni had experience running restaurants, including Ali Baba, a Mediterranean restaurant;
  - b. Jaouni was abandoning his Kebab House restaurant idea and would instead open a sandwich shop because installation of a grease trap interceptor at the Kebab House

- restaurant location was prohibitively expensive (costing \$25,000);
- c. S.S.'s \$30,000 investment would fully cover the installation of the grease trap and all other necessary items and equipment to complete and open the restaurant;
  - d. that Jaouni would acquire all the necessary items and equipment for a "turnkey" restaurant including purchasing the grease trap and air intake for a kitchen hood, hiring the chef to manage the day-to-day operations, and creating the menus.
  - e. the restaurant would be fully operational on June 1, 2021;
  - f. Jaouni had profit figures and projections based on the Ali Baba restaurant which indicated the kebab restaurant would be profitable;
  - g. Jaouni was contributing \$100,000 of his own capital into the restaurant;
  - h. S.S.'s company would receive a 33% stake in the new business.
  - i. Jaouni Enterprises was Mr. Jaouni's family business owned exclusively by Mr. Jaouni;
  - j. Jaouni Enterprises would receive a 67% stake in the new business;
  - k. Mr. Jaouni was the managing partner and was responsible for overseeing daily operations;
  - l. S.S. would be a passive investor but would share operating expenses once the restaurant opened;
  - m. S.S.'s initial capital contribution would be credited to an individual capital account that Jaouni would create;
  - n. S.S.'s funds would not be commingled with the funds from any other person or entity;
  - o. accurate books of accounting would record partnership transactions and would be

managed personally by Jaouni, as the managing partner; and

p. partners would have the right to request an audit of the books and records at any time.

21. Based on Mr. Jaouni's statements and representations, S.S. invested \$30,000 in Jaouni Enterprises.

#### **THE INVESTMENT AGREEMENT**

22. In exchange for the investment, Mr. Jaouni provided S.S. with a contract titled Partnership Agreement which memorialized the terms Jaouni and S.S. allegedly had discussed, and Mr. Jaouni and S.S. signed the contract the same day, on May 8, 2021.

23. Under the direction of Mr. Jaouni, on May 8, 2021, S.S. transferred \$30,000 from his personal savings account to the MACU Account.

24. S.S. understood he would receive a 33% interest in a new restaurant and his funds would be used toward start up costs including purchasing the grease trap and hood to get the restaurant operational by June 1, 2021.

#### **FRAUDULENT CONDUCT: USE OF INVESTOR FUNDS**

25. Prior to the deposit of S.S.'s \$30,000 investment on May 8, 2021, the balance in the MACU Account was \$897.29 in checking and \$174.01 in savings. Immediately following the receipt of \$30,000, some of S.S.'s funds were transferred from the MACU Account to a bank account associated with Mr. Jaouni's son, A.J..<sup>3</sup>

26. At least some investor funds were used to fund Jaouni's personal lifestyle.<sup>4</sup>

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<sup>3</sup> Mountain America Credit Union Account ending in 3108.

<sup>4</sup> According to bank records, of S.S.'s \$30,000 investment, \$9,761 was withdrawn in cash and could not be traced, \$6,000 was spent on a lease agreement unrelated to the Jaouni Enterprises restaurant, \$7,650 was transferred to VENMO and Cash App, and the remaining amount was largely spent on miscellaneous personal expenses such as dining, auto payments, personal

27. Mr. Jaouni never opened the kebab restaurant.

#### MISSTATEMENTS AND OMISSIONS

28. In connection with the offer and/or sale of securities, the division claims, Mr. Jaouni made material misstatements to investors including, but not limited to, the following:
- a. Jaouni Enterprises was owned by Mr. Jaouni as part of Jaouni's family business when, in fact, Mr. Jaouni was not the owner of Jaouni Enterprises;
  - b. investor funds would be used for installing a grease interceptor and all other expenses necessary to complete and open the kebab restaurant when, in fact, the funds were not used towards the restaurant;
  - c. investor funds would produce a "turnkey" restaurant by June 1, 2021;
  - d. Mr. Jaouni was contributing \$100,000 of personal capital toward the restaurant;
  - e. S.S.'s investment funds would be credited to an individual capital account created by Mr. Jaouni and would not be commingled with the funds of any other person or entity when, in fact, S.S.'s investment funds were deposited in the MACU Account where they were comingled with other funds, and a portion of S.S.'s investment funds were subsequently transferred to Mr. Jaouni's son, A.J.; and
  - f. accurate accounting books and records would be maintained and managed personally by Mr. Jaouni when, in fact, no accounting books or records were ever maintained or managed.
29. In connection with the offer or sale of securities, Mr. Jaouni failed to disclose material information to investors including, but not limited to, the following:
- a. Jaouni was not licensed to sell securities;

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shopping, and personal utilities bills.

- b. Much of S.S.'s investment funds would be sent to Jaouni's children;
- c. Jaouni was not keeping accurate accounting books for the kebab restaurant; and
- d. Some or all of the information typically provided in an offering circular or prospectus concerning Jaouni Enterprises relevant to the investment opportunity, such as:
  - i. Business and operating history;
  - ii. Financial statements;
  - iii. Information regarding principals involved in the company;
  - iv. Conflicts of interest;
  - v. Risk factors;
  - vi. Suitability factors for investment; and
  - vii. Whether the securities offered were registered in the state of Utah

### **CONCLUSIONS OF LAW**

#### **Securities Fraud under § 61-1-1(2) of the Act**

30. As described herein, in connection with the offer and/or sale of securities, Respondents directly or indirectly misrepresented material facts and/or omitted material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Section 61-1-1(2) of the Act.

#### **Securities Fraud under § 61-1-1(3) of the Act**

31. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to: engage in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person.
32. Mr. Jaouni offered and sold securities to a Utah investor. The offering was not registered,



no accounting of the funds was kept, and the business lacked traditional financial controls or standards allowing investor funds to be commingled and misused for Mr. Jaouni's personal use.

**Unlicensed Activity under § 61-1-3(2)(a) of the Act**

33. It is unlawful for an issuer to employ or engage an agent, unless the agent is licensed in the securities industry in the state of Utah.
34. Mr. Jaouni was not licensed in the securities industry in any capacity when he offered and sold securities on behalf of Jaouni Enterprises to investors, and received compensation in connection therewith, in violation of Section 61-1-3(2)(a) of the Act.

**Unlicensed Activity under § 61-1-3(1) of the Act**

35. It is unlawful for a person to transact business in this state as an agent unless the person is licensed under the Act.
36. Respondent Mr. Jaouni was not licensed in the securities industry in any capacity when he offered and sold securities to one Utah resident and was not licensed with the Division. The sale was documented via a signed contract and a money wire transfer.

**Sale of Unregistered Securities under § 61-1-7 of the Act**

37. It is unlawful for any person to offer or sell any security in this state unless it is registered, an exempted security or transaction, or is a federal covered security for which notice filing has been made.
38. The investments offered and sold by Jaouni were not registered with the Division, do not qualify for an exemption from registration, and were not federal-covered securities for which any notice filing was made, in violation of Section 61-1-7 of the Act.

**REMEDIAL ACTIONS / SANCTIONS**

39. Respondents agrees to cease and desist from violating the Utah Uniform Securities Act (Utah Code §§ 61-1-1 to 61-1-32) and to comply with the requirements of the Act in all future business in Utah.
40. Respondents agree to be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
41. Pursuant to Utah Code §§ 61-1-6 and -20, and in consideration of the fine factors set forth in Utah Code § 61-1-31, the Division and Respondents agree the Commission impose two financial sanctions: (1) a fine of \$20,000 and restitution in the amount of \$30,000 paid to S.S. The Division will reduce the amount of restitution owed based on Respondents' proof of any previous payments to investor S.S.<sup>5</sup> Within 30 days after the Commission approves the Order, Respondents must begin making monthly payments of \$1,000 towards restitution. Restitution payments will be paid directly to investor S.S., and Respondents will provide proof of payment to the Division. Once restitution is fully paid to S.S., Respondents will continue making monthly payments of \$1,000 towards the fine. Fine payments will be paid directly to the Division. If Respondents successfully complete all monthly payments for restitution and pays \$10,000 of the fine within 36 months from when the Order is approved by the Commission, the Division will waive the remaining amount of \$10,000.

#### **FINAL RESOLUTION**

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<sup>5</sup> To date, investor S.S. has received a total of \$12,500 in restitution from the Respondents.

42. Respondents and the Division acknowledge that this Order, upon approval by the Commission, shall be the final compromise and settlement of this matter. Respondents acknowledges that the Commission is not required to approve this Order, in which case the Order shall be null and void and have no force or effect. In the event the Commission does not approve this Order, however, Respondents expressly waives any claims of bias or prejudgment of the Commission, and such waiver shall survive any nullification.
43. If Respondents materially violate any term of this Order, after notice and an opportunity to be heard before an administrative judge solely as to the issue of a material violation, Respondents consent to entry of an order in which the total fine and disgorgement amount is increased by 20% and becomes immediately due and payable, less any payments already made. Notice of the violation will be provided to Respondents at his last known addresses, and to counsel for Respondents if he has obtained counsel. If Respondents fail to request a hearing, or fails to cure any missed fine payment, within ten (10) days following the notice, there will be no hearing and the order granting relief will be entered.
44. In addition, the Division may institute judicial proceedings against Respondents in any court of competent jurisdiction and take any other action authorized by the Act or under any other applicable law to collect monies owed by Respondents or to otherwise enforce the terms of this Order. Respondents further agrees to be liable for all reasonable attorneys' fees and costs associated with any collection efforts pursued by the Division, plus the judgment rate of interest.
45. Respondent acknowledges that the Order does not affect any civil or arbitration causes of action that third parties may have against him arising in whole or in part from his actions,

and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein. Respondent also acknowledges that any civil, criminal, arbitration or other causes of actions brought by third parties against him have no effect on, and do not bar this administrative action by the Division against him.

46. This Order constitutes the entire agreement between the parties herein and supersedes and cancels all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way. Upon entry of the Order, any further scheduled hearings involving Respondent are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this <sup>10</sup> day of October 2023.

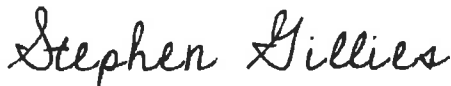
Dated this \_\_\_\_ day of \_\_\_\_\_ 2023.



Liz Blaylock  
Senior Enforcement Manager  
Utah Division of Securities

Mohammed Ibrahim Jaouni  
Mohammed Ibrahim Jaouni

Approved:



Stephen Gillies  
Assistant Attorney General  
Utah Office of the Attorney General  
Counsel for the Division

Dusten L. Heugly  
Dusten Heugly  
Counsel for Respondents

**ORDER**

**IT IS HEREBY ORDERED THAT:**

1. Respondents shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah.
2. Respondents shall be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
3. Pursuant to Utah Code Ann. §§ 61-1-6, and -20, and in consideration of the fine factors set forth in Utah Code Ann. § 61-1-31, Respondents shall pay a fine and restitution pursuant to the terms set forth in paragraph 41.

**BY THE UTAH SECURITIES COMMISSION:**

DATED this 16<sup>th</sup> day of October 2023.

  
Lyndon Ricks (Oct 13, 2023 11:46 MDT)

Lyndon Ricks

  
Mark F. Zimbelman (Oct 13, 2023 12:07 MDT)

Mark Zimbelman

  
Dawn Dachenhausen

Melanie Vartabedian

  
Dan Debry

**CERTIFICATE OF SERVICE**

I certify that on the 16<sup>th</sup> day of October 2023, I sent a true and correct copy of the foregoing **Stipulation and Consent Order** to the following as indicated:

**Administrative Law Judge**


Nathaniel Gallegos  
Su Chon  
Utah Department of Commerce  
PO Box 146701  
Salt Lake City, UT 84111-6701  
ngallegos@utah.gov  
schon@utah.gov  
 Email

**Respondents' Counsel of Record**

Dusten Heugly  
Sage Bludworth  
Law Office of Dusten L. Heugly, PLLC  
11576 S. State St., #202  
Draper, UT 84020  
dh@dhattorney.com  
sagesbludworth@gmail.com  
 Email

**Counsel for the Division**

Stephen Gillies  
Jen Korb  
Assistant Attorneys General  
Office of the Utah Attorney General  
Commercial Enforcement Division  
160 East 300 South  
P.O. Box 140872  
Salt Lake City, UT 84114-0872  
Email: sgillies@agutah.gov, jkorb@agutah.gov  
 Email

  
Ashlee Buchholz, Administrative Assistant