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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING) Order No.: S-16-1870-16-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) SUMMARY ORDER TO CEASE AND DESIST, AND
) NOTICE OF INTENT TO IMPOSE FINES,
Travis Moegling;) AND TO CHARGE COSTS
Yellowstone Capital, LLC;)
Bainbridge Views, LLC;)
Imperium Builder, LLC;)
Respondents.)

THE STATE OF WASHINGTON TO: Travis Moegling
Yellowstone Capital, LLC
Bainbridge Views, LLC
Imperium Builder, LLC

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents Yellowstone Capital, LLC; Bainbridge Views, LLC; Imperium Builder, LLC; and Travis Moegling have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose fines. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Yellowstone Capital, LLC (“Yellowstone Capital”) is a Washington limited liability company formed on March 8, 2016, that uses a business address in Sequim, Washington.

1 2. Imperium Builder, LLC (“Imperium Builder”) is a Washington limited liability company
2 formed on March 17, 2015.

3 3. Bainbridge Views, LLC (“Bainbridge Views”) is a Washington limited liability company
4 formed on January 23, 2015.

5 4. Travis Lee Moegling (“Moegling”) is a resident of Washington and is the Manager of
6 Yellowstone Capital, Imperium Builder, and Bainbridge Views.

7 **Nature of the Conduct**

8 *2015 Enforcement Action*

9 5. On April 29, 2015, the Securities Division entered a Statement of Charges against Moegling
10 and his business, Partner Fund, LLC (“Partner Fund”), alleging that they violated the Securities Act of
11 Washington in the offer and sale of promissory note investments secured by real property. Moegling failed
12 to respond to a subpoena that was issued to him during the investigation. After the Statement of Charges
13 was served on Moegling, he submitted an application for an adjudicative hearing. On July 7, 2015, the
14 Office of Administrative Hearings (OAH) issued an order dismissing the case, after Moegling failed to
15 appear for a prehearing conference. On August 18, 2015, the Director of the Department of Financial
16 Institutions entered a Final Order against Moegling and Partner Fund and ordered them to cease and desist
17 from violating the Securities Act of Washington. The Final Order also ordered Moegling to pay a \$15,000
18 fine and \$1,000 in investigative costs.

19 *Overview*

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21 6. In 2015, Moegling raised \$110,000 through the sale of promissory note investments to
22 investors in Washington and California, and offered another promissory note investment to an Idaho
23 resident. Moegling made a number of false and misleading representations to investors concerning his
24 background, track record, and the properties that would secure the investments. After receiving investor
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1 funds, Moegling defaulted on the notes and failed to make monthly payments to the investors. In March
2 2016, Moegling formed Yellowstone Capital, which has offered investments to the public through its
3 website and advertisements on Craigslist.

4 *Imperium Builder Promissory Note (Sequim Property)*

5 7. In March 2015, Moegling sold a \$90,000 promissory note investment to an 80-year-old
6 resident of California. The promissory note investment was secured by a first position deed of trust on a
7 home in Sequim, Washington. On March 10, 2015, Moegling sent an email solicitation to the California
8 investor and attached an Investment Memorandum that provided details of what he described as a “High
9 Yield Secured Investment” opportunity. The Investment Memorandum indicated that Imperium Builder,
10 LLC was offering the investment, but failed to disclose that Imperium Builder had not yet been formed as a
11 legal entity, or provide any information about its operating history, management, or track record.

12 8. Moegling made misleading representations concerning the return on the investment, which
13 Moegling repeatedly claimed was “guaranteed.” Moegling represented that the investor would earn 12%
14 interest per year on a one-year promissory note. Moegling claimed that because the home would be sold
15 “well in advance” of a year, he was offering six months of guaranteed interest payments. Moegling failed to
16 disclose material information regarding the financial condition of Imperium Builder or its ability to
17 guarantee investment returns.

18 9. Moegling made misleading representations concerning the Sequim property that would
19 secure the investment. Moegling described it as a “brand new home”; a “Brand New Single Family Home”;
20 and an “unfinished new home.” In fact, county property records indicate that it was originally constructed
21 in 2000, approximately 15 years earlier, as a garage to store a recreational vehicle (RV). While Moegling’s
22 Investment Memorandum stated that the “home” had three bedrooms, listing records stated that it only had
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1 two bedrooms. After investing, the California investor discovered that the property's septic system will
2 only support a one bedroom apartment.

3 10. Moegling made misleading statements concerning the current value of the property and the
4 "Loan-To-Value" (LTV) ratio of the investment. In the process of approving mortgages, lenders use Loan-
5 To-Value ratios to assess risk, with lower LTV ratios representing less risk. Loan-to-value ratios are
6 generally determined by dividing the loan amount by the lesser of the home's appraised value or its
7 purchase price. Moegling claimed that a \$90,000 investment would have a "58% Loan to Value" --
8 implying that the property's value was approximately \$155,000. Moegling failed to disclose that his Loan-
9 to-Value ratio was not based on the appraised value or purchase price of the home, but rather on its possible
10 *future* value. Moegling stated that "My broker has indicated [a] quick sale in \$155,000.00 price range."
11 Moegling failed to disclose the identity of his broker or provide any additional information regarding the
12 basis for this projected sales price. Moegling failed to disclose that the 2015 tax assessed value of the
13 property was only \$55,383, substantially less than the investment amount. Two days after sending the
14 Investment Memorandum to the California investor, Moegling signed a purchase and sale agreement and
15 agreed to purchase the property for \$65,000. If Moegling had used the purchase price, the LTV ratio of the
16 investment would have been 138%, more than double the 58% figure that Moegling used.

18 11. Moegling made misleading statements and failed to disclose material information regarding
19 the use of the investor's funds. Moegling's Investment Memorandum indicated that he would use the
20 investor's \$90,000 to pay off the balance of a contract and complete additional renovation work. Moegling
21 failed to specify how much he would need to complete the additional renovation work. Moegling led the
22 investor to believe that Imperium Builder was a construction company and that his "crew" would quickly
23 "finish the home to a very nice quality – ready to be sold." Moegling represented that he would paint and
24 finish the interior by adding new flooring, carpets, tile, and appliances. Moegling stated that he would also
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1 add new French doors and a second-floor deck. The California investor later determined that Moegling did
2 not complete any renovation work after receiving the investment funds.

3 12. Moegling made misleading statements concerning the amount of time that it would take to
4 complete the renovations. Moegling claimed that the home was “85% completed” and that “When floors
5 are installed all [that] is left is painting.” Moegling indicated that he would need “less than 30 days to
6 complete work on the home to ready for immediate sale.” Moegling represented that the home required
7 “very little work to finish” and that there would be a “very quick turnaround on the sale.” Moegling
8 represented that the home would “sell quickly” after “basic work” was completed to “finish the home.”
9 While Moegling noted that an occupancy permit had not yet been issued for the home, he failed to disclose
10 that this posed substantial risks of additional costs and delays, as detailed below.

11 13. Moegling directed the California investor to wire \$90,000 to an escrow company in
12 Washington. Moegling subsequently executed a promissory note on behalf of Imperium Builder and
13 recorded a deed of trust to secure the note. Moegling used \$65,000 of the investor’s funds to purchase the
14 property. Moegling received a check for most of the remaining funds, which totaled approximately
15 \$24,000. Under the terms of the note, Imperium Builder was required to make monthly payments to the
16 investor beginning in April 2015.

17 14. Contrary to his promises of “guaranteed” interest payments, Moegling made no payments to
18 the investor. The California investor had to initiate costly and time-consuming foreclosure proceedings to
19 secure ownership of the property. The California investor later determined that prior renovation work on
20 the property (converting it from an RV garage) had not been permitted or approved by county authorities,
21 which impaired his ability to sell the property. Contrary to Moegling’s claims about an “immediate sale” in
22 less than 30 days, the California investor had to spend several months and thousands of dollars on
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1 permitting and engineering plans, and will have to spend more than \$30,000 to bring the property into
2 compliance with building codes.

3 *Yellowstone Capital Offer (Tacoma Property)*

4 15. On November 2, 2015, Moegling sent an e-mail to an Idaho resident and offered a \$15,000
5 promissory note investment that would be secured by a first position deed of trust on a two-bedroom home
6 near Tacoma, Washington. The next day, Moegling e-mailed an Investment Memorandum that provided
7 additional details of a “Secured High Yield” investment that was being offered by his business, Yellowstone
8 Capital. The Investment Memorandum indicated that the owner of the property was going to renovate the
9 home and sell it. The Investment Memorandum represented that the investor would earn a 12% return as
10 part of a one-year promissory note. Moegling failed to specify how the investor’s funds would be used or
11 what Moegling’s compensation would be for his role in the transaction.

12 16. Moegling made a number of misleading representations about the present and future value of
13 the home that would secure the investment. Moegling misleadingly represented that in its present condition,
14 the home had a value in the “\$100k range” (\$100,000) and that a \$15,000 investment would have a “Loan to
15 Value” of 15%. Moegling claimed the home would be worth \$140,000 after the homeowner completed a
16 “rehab.” Moegling failed to disclose the basis and assumptions for this projected future value, and failed to
17 disclose that the 2015 tax assessed value of the home was only \$63,000. While Moegling provided several
18 photos in his Investment Memorandum, he failed to include any photographs of the interior of the home.
19 Moegling failed to disclose that according to Pierce County property records, the home is “Uninhabitable.”
20 The Idaho resident declined to invest.

21 *Bainbridge Views Promissory Note (Bainbridge Island Property)*

22 17. In November 2015, Moegling sold a \$20,000 promissory note investment to a 63-year old
23 resident of Spokane, Washington, who invested through a self-directed individual retirement account (IRA).
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1 The promissory note investment was secured by a first position deed of trust on a waterfront home on
2 Bainbridge Island. The Spokane investor first learned of Moegling after the Idaho resident forwarded a
3 copy of the Investment Memorandum for the Tacoma property described above. After Moegling informed
4 the Spokane investor that the Tacoma investment opportunity was no longer available, he solicited her
5 regarding an investment in the Bainbridge Island property, which he purchased in January 2015 through
6 Bainbridge Views. Moegling stated that he was going to renovate the home and keep it long-term as a
7 rental property, but was leveraging it to raise funds for another home that he was purchasing to “fix and
8 sell.”

9 18. Moegling e-mailed an Investment Memorandum to the Spokane investor and provided
10 additional details of what Moegling described as a “High Yield Investment” and “Secured High Yield”
11 investment. Moegling stated that he was originally going to send the Investment Memorandum to “our pool
12 of investors” but wanted to give the Spokane investor the “first shot” at the investment because she was
13 unable to invest in the Tacoma property. According to the Investment Memorandum, a \$20,000 investment
14 would earn a 12% annual return that would be paid through monthly interest payments. The Investment
15 Memorandum indicated that the investment was being offered by Yellowstone Capital, which according to
16 its letterhead had been in operation “Since 2000.” In fact, Moegling did not form Yellowstone Capital, LLC
17 until several months later, in March 2016.

18 19. Moegling made misleading representations concerning the current value of the home that
19 secured the investment. Moegling misleadingly stated that the home had a “Zillow value” of \$350,000,
20 while failing to disclose that the 2015 tax assessed value of the property was only \$9,980. Moegling failed
21 to disclose that since at least 2010, the tax assessed value of the building structure was only \$1,000. The
22 Investment Memorandum misleadingly stated that a \$20,000 investment would have a Loan-To-Value
23 (LTV) ratio of only 5%. Moegling failed to disclose that his LTV ratio was not calculated using the
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1 appraised value or purchase price. Earlier that year, Moegling purchased the property for \$31,500. If
2 Moegling had used the purchase price, the LTV ratio of the investment would have been more than 60%,
3 rather than 5%.

4 20. Moegling made misleading representations concerning the future value of the home on the
5 property. Moegling stated that the home had been “boarded up” for the winter, but that he would complete
6 a “full remodel” in the spring of 2016. Moegling claimed that after the renovations were completed, the
7 property would be worth \$600,000. Moegling stated that his projected future value was based on a
8 “neighboring home” of the “same size” that been sold “earlier this year.” Moegling failed to provide any
9 other specifics for the purportedly comparable property, including its address, sale price, or sale date.
10 Moegling failed to disclose the risk that the proposed renovations would never be completed, or would be
11 substantially delayed by permitting requirements and other legal requirements, including shoreline laws.

12 21. Moegling failed to disclose material facts concerning access to the property. In his
13 Investment Memorandum, Moegling stated that the home had “direct drive access from the north via City
14 Street.” When Moegling attempted to obtain title insurance for the property, the title company declined
15 coverage after conducting a preliminary underwriting review. A subsequent title report from another title
16 company stated that access to the property “appears to be pedestrian, not vehicular” and it found no
17 recorded easement. Moegling failed to disclose the risk that the lack of access could adversely affect the
18 property’s value. Moegling failed to disclose how the lack of access could impede the proposed renovations
19 and impair the investor’s ability to sell the property, in the event that Moegling defaulted on the note.
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21 22. Moegling failed to disclose material information regarding his background and financial
22 condition. Moegling failed to disclose that a few months earlier, in August 2015, he filed a Chapter 7
23 bankruptcy petition and declared that he had no current employment or any source of income in the previous
24 six months. Moegling failed to disclose that in August 2015, he was subject to a Final Order by the
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1 Department of Financial Institutions for registration and anti-fraud violations in connection with the sale of
2 similar promissory note investments. Moegling failed to disclose that in August 2015, he was also the
3 subject of an eviction action for failing to pay the rent on his residential home lease. Moegling failed to
4 disclose that in April 2015, a \$22,998.88 judgment was entered against him in Pierce County Superior
5 Court. Finally, Moegling failed to disclose any information regarding his prior investment performance,
6 and the fact that he had previously failed to repay investors who had made similar promissory note
7 investments with him.

8 23. After the Spokane investor arranged for \$20,000 to be wired to an escrow company in
9 Washington, more than \$18,500 was disbursed to Moegling's business, Bainbridge Views. After receiving
10 the investor's funds, Moegling failed to make any interest payments and attempted to lull the investor by
11 repeatedly promising that repayment was imminent. In January 2016, Moegling stated that he would send a
12 cashier's check for the overdue interest payments. After no payment was received, the Spokane investor
13 informed Moegling that foreclosure proceedings would be initiated. In March 2016, Moegling represented
14 to the investor that he was "getting ready to do [a] payoff" of the entire investment, including 12 months of
15 interest payments "for the trouble." In April 2016, after no payment was made, Moegling stated that he
16 would pay off the investment by wiring funds directly to the Spokane investor's IRA account. To date,
17 Moegling has made no payments to the Spokane investor.

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19 *Yellowstone Capital Website Offerings*

20 24. Since at least March 2016, Yellowstone Capital has maintained a website, ystonecapital.com,
21 that offers investment opportunities to the general public. The website states that Yellowstone Capital is a
22 "private company based in Seattle" and includes a photograph of the Seattle skyline. In fact, Yellowstone
23 Capital's business address is more than 120 miles away in Sequim, Washington. The website allows
24 investors to subscribe to an Investor List and receive copies of offering memoranda. The website indicates
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1 that Yellowstone Capital offers investments that are secured by first position deeds of trust, as well as
2 fractional interests in deeds of trust.

3 25. The Yellowstone Capital website includes false and misleading statements concerning its
4 track record and experience. The website states that Yellowstone Capital is the “premier Pacific NW
5 private lending firm serving Washington, Oregon & Idaho...with [e]xperience that borrowers have trusted
6 for over 15 years.” The website further states that Yellowstone Capital “has been involved with originating
7 and placed many millions of dollars in trust deed investments with investors throughout the Pacific NW.”
8 Similarly, on the “Passive Income” section of the website, Yellowstone Capital claims that it has been
9 assisting “investors with their investments for over fifteen years.” In truth, Yellowstone Capital was not
10 formed until March 8, 2016. In a March 2016 e-mail to the Securities Division, Moegling stated:
11 “Yellowstone Capital is a recently established LLC. Less than two weeks old.”

12 26. Yellowstone Capital’s website has contained misleading statements concerning the risks and
13 returns of the investments. Yellowstone Capital claims that its investors are “Currently earning 9% to 12%
14 Annually” with lower risk and higher rates of return than other investments. Yellowstone Capital states that
15 its investments provide “the ultimate risk adjusted strategy” and that it offers “a more secure investment
16 with much lower risk.” The website states that if a borrower defaults, an investor can foreclose and that its
17 clients have “earned many hundreds of thousands of dollars on liquidating assets post foreclosure.” The
18 website fails to disclose the substantial costs, fees, and expenses associated with foreclosure, as well as the
19 costs to maintain and sell property, including insurances and taxes. When Moegling defaulted on the
20 \$20,000 promissory note investment described above, the Spokane investor notified Moegling that
21 foreclosure proceeding would be initiated against him. In response, Moegling sent an email that stated:
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1 “Let me just remind you that foreclosure law is very complicated. ... I will sue you for lender
2 fraud so fast, stay the foreclosure and promise (guarantee) before our case is slightly heard your
3 attorney cost will be over \$20k” [\$20,000]

4 *Yellowstone Capital Craigslist Offering*

5 27. On March 9, 2016, Moegling offered real estate related investment opportunities to the
6 general public through Craigslist, an online classified advertisements website. Moegling placed the
7 advertisement in the portion of the Craigslist website that is dedicated to residents of the Puget Sound region
8 of Washington. The advertisement contained the following caption: “**INVESTOR ALERT**LOOKING
9 FOR 100% SECURED PASSIVE INCOME? L@@k Here!” The advertisement included an email address
10 for Yellowstone Capital, provided instructions on how to receive an offering memorandum, and directed
11 investors to visit Yellowstone Capital’s website. The advertisement misleadingly stated that clients of
12 Yellowstone Capital “have grown millions of dollars in wealth over the years!” In fact, Yellowstone
13 Capital was formed as a Washington limited liability company the day before, on March 8, 2016.

14 **Failure to Comply with DFI Warning Letter and Subpoena**

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16 28. On March 15, 2016, the Securities Division sent a letter to the e-mail address provided in
17 Yellowstone Capital’s Craigslist ad. The letter directed Yellowstone Capital to provide certain documents
18 and information relating to its investments. Later that day, Moegling sent an e-mail response and stated that
19 Yellowstone Capital has “private investors” that are “primarily personal contacts of mine.” Moegling failed
20 to provide any documents or names of investors, claiming that he was exempt from the securities laws under
21 the Consumer Loan Act. The next day, Moegling filed an amended report with the Washington Secretary of
22 State’s Office, and added himself as the Manager of Yellowstone Capital. Approximately two weeks later,
23 on April 5, 2016, Yellowstone Capital posted a new advertisement on Craigslist that was similar to the
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1 March 9 advertisement. The advertisement directed investors to visit the Yellowstone Capital website and
2 to contact the company by e-mail to receive an offering memorandum.

3 29. On April 20, 2016, the Securities Division served a subpoena on Moegling, which required
4 him to produce documents relating to Bainbridge Views, Yellowstone Capital, and Imperium Builder by
5 May 6, 2016. The subpoena also required Moegling to testify under oath at the Securities Division's offices
6 on May 12, 2016. The following day, the Securities Division emailed a copy of the subpoena to Moegling.
7 Moegling failed to respond in any way to the subpoena or appear for testimony.

8 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

9 **CONCLUSIONS OF LAW**

10 1. The offer and/or sale of the promissory notes and investments described above constitute the
11 offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

12 2. Travis Moegling, Yellowstone Capital, LLC; Imperium Builder, LLC; and Bainbridge
13 Views, LLC; and Travis Moegling have each violated RCW 21.20.010, because, as set forth in the Tentative
14 Findings of Fact, they made untrue statements of material fact or omitted to state material facts necessary in
15 order to make the statements made, in light of the circumstances in which they were made, not misleading.
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17 3. The Securities Administrator finds and concludes that an emergency exists, and that the
18 continued violations of RCW 21.20.010 constitute a threat to the investing public. Accordingly, a Summary
19 Order to Cease and Desist from those violations is in the public interest and necessary for the protection of
20 the investing public.

21 **SUMMARY ORDER**

22 Based upon the foregoing, IT IS THEREFORE HEREBY SUMMARILY ORDERED that
23 Respondents Travis Moegling, Yellowstone Capital, LLC; Imperium Builder, LLC; and Bainbridge Views,
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1 LLC; and their agents, employees, and representatives, shall each cease and desist from violating RCW
2 21.20.010, the anti-fraud section of the Securities Act.

3 **NOTICE OF INTENT TO IMPOSE FINES**

4 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
5 Law, the Securities Administrator intends to order that:

- 6 a. Respondent Travis Moegling shall be liable for and shall pay a fine of \$40,000;
- 7 b. Respondent Yellowstone Capital, LLC shall be liable for and shall pay a fine of \$10,000;
- 8 c. Respondent Imperium Builder, LLC shall be liable for and shall pay a fine of \$10,000; and
- 9 d. Respondent Bainbridge Views, LLC shall be liable for and shall pay a fine of \$10,000.

10 **NOTICE OF INTENT TO CHARGE COSTS**

11 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of
12 Law, the Securities Administrator intends to order that Respondent Travis Moegling shall be liable for and
13 shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this
14 matter, in an amount not less than \$5,000.

15 **AUTHORITY AND PROCEDURE**

16 This Summary Order is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to
17 the provisions of Chapter 34.05 RCW. The Respondents may make a written request for a hearing as set
18 forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
19 accompanying this Order. If a Respondent does not make a hearing request in the time allowed, the
20 Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as
21 final and to enter a permanent order to cease and desist as to that Respondent, to impose any fines sought
22 against that respondent, and to charge any costs sought against that Respondent.
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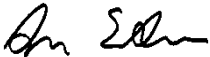
WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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Signed and Entered this 6th day of June 2016.



William M. Beatty
Securities Administrator



Suzanne Sarason
Chief of Enforcement



Robert Kondrat
Financial Legal Examiner Supervisor