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

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

First Line Finance, LLC; Carl Cravens; and
Thomas Rudland;

Respondents.

Order Number S-06-204-10-CO01

CONSENT ORDER

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Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents, First Line Finance, LLC; Carl Cravens; and Thomas Rudland, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law stated below.

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FINDINGS OF FACT

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I. Respondents

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First Line Finance, LLC (First Line) is a Washington State limited liability company formed in 2004 and whose principal place of business is located in Lynnwood, Washington.

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Carl Cravens (Cravens), a King County, Washington resident, is the founding and managing member of First Line Finance, LLC.

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Thomas Rudland (Rudland), a Snohomish County, Washington resident, is a principal of and registered agent for First Line Finance, LLC.

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CONSENT ORDER

1 **II. Nature of the Offering**

2 From 2005 to 2006, Respondents offered promissory notes secured by deeds of trust to Washington
3 State residents. First Line offered the promissory note investments through advertisements in various
4 newspaper publications; on Craig’s List; in online classified advertisements; and on its website,
5 www.firstlineinvestments.com. The advertisements included representations that borrowers could earn
6 “10% interest, guaranteed,” or earn from 8 to 15%. In a 2006 email to a prospective offeree, Rudland
7 represented that First Line “fully administered” the Deed of Trust; that First Line would “continue your
8 payments even in the event of default by the Borrower,” and that interest rates may adjusted if interest rates
9 are rising, but, they will never go down...” At least twenty investors responded to the First Line
10 advertisements and solicitations and communicated with Rudland about the investments offered.

11 In offering promissory notes to prospective investors, Respondents represented that an
12 investor/lender would be protected because the promissory notes offered would be secured by a deed of
13 trust. First Line told prospective investors that it would screen borrowers and the property securing the
14 investment. First Line represented to investors that it would pay fees and costs associated with an
15 investment, including closing costs. First Line represented that it would arrange for the collection and
16 distribution of borrower payments. First Line represented that an investor or his assigns would be named as
17 a beneficiary of the note and deed of trust. First Line represented that an investor could cancel an
18 investment, subject to the payment of a cancellation fee if the investment was cancelled within three years.
19 First Line also represented to investors that it would pay all cost of collection and enforcement of the
20 underlying note and deed of trust in the event of a default by a borrower.

21 In 2005 and 2006, Respondents sold approximately at \$300,000 of promissory notes secured by
22 deeds of trust to at least two Washington State residents. One of the Washington residents received a

1 promissory note and loan agreement signed by Carl Cravens and Thomas Rudland, both in their individual
2 capacity and on behalf of First Line Finance, LLC. The other investor received an “Investor Agreement”
3 signed by Thomas Rudland as “Manager” for First Line Finance, LLC. Respondents provided the investors
4 with borrowers that it had pre-screened and arranged for assignments deeds of trust to be issued to secure
5 the notes. Respondent also arranged for the collection of borrower payments and pursued collection efforts
6 on one of the notes that went into default.

7 **III. Misrepresentations and Omissions of Material Facts**

8 In connection with the offer and sale of the promissory notes on its 2006 website, First Line
9 misrepresented the background of its principals by claiming that “we have substantial experience in real
10 estate lending” when they had little to no prior experience in real estate lending.

11 Respondents failed to provide prospective investors with material information about the investments.
12 In offering promissory notes to investors, Respondents did not adequately disclose the risks of the
13 investments. Although Respondents represented to investors that First Line would provide substantial
14 ongoing services in connection with the investment, they failed to provide prospective investors with
15 information such as financial statements that would allow an investor to assess First Line’s financial ability
16 to provide the promised services.

17 **IV. Registration Status**

18 Respondent First Line is not currently registered to sell its securities in the state of Washington
19 and has not previously been so registered. There is no notification of claim of exemption from
20 registration from First Line on file with the state of Washington.

21 Respondent Thomas Rudland is not registered as a securities salesperson or broker-dealer in the
22 State of Washington and has not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 **I.**

4 The offer and/or sale of the promissory note investments described above constitutes the offer and/or
5 sale of a security as defined in RCW 21.20.005(10) and (12), to wit: a note or investment contract.

6 **II.**

7 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because
8 Respondents made untrue statements of material facts or omitted to state material facts necessary in order to
9 make the statements made, in the light of the circumstances under which they were made, not misleading.

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11 **III.**

12 The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration for
13 such offer and/or sale is on file with the Administrator of Securities, state of Washington.

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16 **IV.**

17 Respondent Thomas Rudland has violated RCW 21.20.040 by offering and/or selling said securities
18 while not registered as a securities salesperson or broker-dealer in the state of Washington.

19 **CONSENT ORDER**

20 Based upon the foregoing:

1 IT IS FURTHER AGREED AND ORDERED that Respondents, First Line Finance, LLC; Carl
2 Cravens; and Thomas Rudland, their agents and employees each shall cease and desist from violating
3 RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

4 IT IS AGREED AND ORDERED that Respondents, First Line Finance, LLC; Carl Cravens; and
5 Thomas Rudland, their agents and employees each shall cease and desist from offering or selling
6 securities in violations of RCW 21.20.140, the securities registration section of the Securities Act of
7 Washington.

8 IT IS FURTHER AGREED AND ORDERED that Respondent Thomas Rudland shall cease and
9 desist from acting as an unregistered securities broker-dealer or salesperson in violation of RCW
10 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act of
11 Washington.

12 IT IS FURTHER AGREED that Respondents, First Line Finance, LLC; Carl Cravens; and Thomas
13 Rudland shall reimburse the Securities Division for its investigative costs in the amount of \$1,000.

14 IT IS FURTHER AGREED that Respondents, First Line Finance, LLC; Carl Cravens; and Thomas
15 Rudland each enter into this Consent Order freely and voluntarily and with a full understanding of its
16 terms and significance.

17 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.

18 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents First Line Finance,
19 LLC; Carl Cravens; and Thomas Rudland, each waive their rights to a hearing in this matter and judicial
20 review of this order.

21 SIGNED this 26th day of July, 2010.

22 Signed for First Line Finance, LLC by:

23 CONSENT ORDER

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_____/s/_____
Carl Cravens, Managing Member

_____/s/_____
By Carl Cravens, individually

SIGNED this 19th day of July, 2010 by

_____/s/_____
Thomas Rudland, individually

SIGNED and ENTERED this 5th day of August, 2010



WILLIAM M. BEATTY
Securities Administrator



Presented by:

MARTIN CORDELL
Financial Legal Examiner