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

IN THE MATTER OF DETERMINING) Order No.: S-16-2072-17-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO
Viktor Toth,) ENTER ORDER TO CEASE AND DESIST,
a/k/a Viktor T. Schonberger,) TO IMPOSE A FINE,
a/k/a Viktor Beeman;) AND TO CHARGE COSTS
Tree Wonders LLC;)
Tree Wonders Inc.;)
)
Respondents.)

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THE STATE OF WASHINGTON TO: Viktor Toth
a/k/a Viktor T. Schonberger
a/k/a Viktor Beeman
d/b/a Tree Wonders Co.
d/b/a Tree Wonders
d/b/a Slab Men
Tree Wonders LLC
Tree Wonders Inc.

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents Viktor Toth, Tree Wonders LLC, and Tree Wonders Inc. 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 a fine. The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

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Respondents

1. Viktor Toth (“Toth”), also known as (a/k/a) Viktor T. Schonberger, a/k/a Viktor T. Beeman, resided in Carnation, Washington and Redmond, Washington during the relevant time period. Toth previously did business as (d/b/a) Tree Wonders, Tree Wonders Co., and Slab Men.

1 2. Tree Wonders LLC is a Washington limited liability company formed on January 21, 2014
2 that became inactive on May 1, 2015. Tree Wonders LLC was dissolved on February 23, 2016. Toth was the
3 manager of Tree Wonders LLC. Tree Wonders LLC operated a sawmill and woodworking business, which
4 sold custom wood furniture, wood slabs, and other products. Tree Wonders used business addresses in
5 Carnation, Washington and Duvall, Washington

6 3. Tree Wonders Inc. (“Tree Wonders”) is an inactive Washington corporation formed on
7 February 23, 2016. Toth was the President of Tree Wonders Inc. Tree Wonders Inc. became inactive on July
8 3, 2017.

9 **Nature of the Conduct**

10 *Overview*

11 4. Between 2014 and 2016, Toth raised more than \$800,000 from at least six Washington
12 residents. Toth sold these investments as part of fundraising for his business, Tree Wonders LLC, which later
13 did business as Tree Wonders Inc. (hereinafter, collectively referred to as “Tree Wonders”). Toth met with
14 potential investors at his business, and also communicated with them by phone, email, and text messages.
15 Investors made investments ranging from as little as \$4,000 to more than \$300,000. Toth led several investors
16 to believe that he would double or triple their investment within a few weeks, when in fact, several of them
17 suffered significant losses.

18 5. Toth represented to investors that he would use their funds to purchase specific trees, wood, or
19 equipment for Tree Wonders. Toth claimed that he would process and resell the trees and wood, and use the
20 newly-purchased equipment to generate huge short-term profits for investors. Most investors were passive
21 and not involved in the operations of Tree Wonders. Toth led investors to believe that he was responsible for
22 managing the investment and generating the profits. As Toth summarized in an email to one investor: “I do
23 all the work including transportation, and processing the wood and ultimately selling it.”
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1 Days later, Toth solicited the investor regarding a \$90,000 investment. Toth claimed he would use the funds
2 to purchase and process six walnut trees, and repay the investor \$230,000 in three weeks. In April 2016, Toth
3 solicited a Redmond resident and stated that he needed funds to purchase some old-growth cedar wood in
4 California. Toth called the investor numerous times per day and spoke to him in his native language,
5 Hungarian. A couple of weeks later, Toth solicited the investor again, representing that he had an urgent need
6 for additional funds to purchase a large walnut tree in Oregon.

7 9. Toth told other investors that he would use their funds for other specific business purposes
8 relating to Tree Wonders. In October 2015, Toth solicited a Seattle resident for a \$330,000 investment
9 involving Starbucks. Toth represented that he would use the funds to purchase barn wood in Alaska and
10 equipment. Toth stated that he had meetings with corporate personnel from Starbucks, and represented that
11 Starbucks had committed to purchasing \$10 million of products from him, including conference tables for
12 Starbucks' corporate offices. Toth represented that he would pay the investor \$200,000 on December 15, and
13 that he would make three additional \$400,000 payments on January 15, February 15, and March 15 -- a total
14 profit of more than \$1 million in approximately five months. In April 2016, Toth solicited a Kirkland resident
15 and stated that he needed \$60,000 to purchase a vacuum wood dryer at a substantial discount. Toth
16 represented that the wood dryer would enable Tree Wonders to generate large profits quickly, by finishing a
17 number of open orders that were waiting to be completed. In August 2016, Toth represented to a Duvall
18 resident that he needed funds to ship a container of walnut slabs to a buyer in Hungary, and that the investor
19 would triple his \$15,000 investment within approximately five weeks.
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21 *Returns on Investment*

22 10. Toth misleadingly represented to investors that they would earn very large returns on their
23 investment within weeks. The following table summarizes some examples of the large returns that Toth
24 offered to his investors:
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Investment Date	Investment Amount	Total Return	Return on Investment (%)	Term of Investment (approx.)
10/26/15	\$330,000	\$1,400,000	324.24%	20 weeks
8/15/16	\$15,000	\$45,000	200.00%	5 weeks
10/15/15	\$90,000	\$230,000	155.56%	3 weeks
6/17/16	\$4,000	\$8,000	100.00%	1 week
11/30/14	\$20,000	\$38,000	90.00%	10 weeks
8/13/15	\$80,000	\$110,000	37.50%	2 weeks

11. For example, on October 1, 2015, Toth represented in an email to a Seattle investor that a \$50,000 investment would earn a “100% return in 4 weeks.” Toth described it as “extremely good profits” and stated that he put 5 weeks on the agreement “just in case.” Toth represented to the same investor that a \$330,000 investment would generate over \$1 million in profits within approximately five months, a return of more than 300%. In April 2016, Toth told a Redmond resident that he would double or triple his investment in a week. In August 2016, Toth represented to an investor that a \$15,000 investment would generate a total return of \$45,000 within about five weeks, including \$15,000 within approximately one week. Toth failed to provide investors with written materials that disclosed the assumptions and basis for these projected returns.

Failure to Disclose Risks and Misleading Statements Regarding Collateral and Security

12. Toth made misleading statements concerning the risks of the investments he sold. Toth did not provide investors with any written disclosure document regarding the specific risks of the investments he offered. Toth represented to some investors that he already had buyers for the wood or wood products. Toth failed to disclose the risk that future re-sales of the wood and wood products may not transpire or could be significantly delayed. Toth also failed to disclose that Tree Wonders was highly dependent on the continuing services of Toth and other personnel, and that the loss of any such key persons could have a materially adverse impact on the investment. Toth failed to disclose the risk that the equipment he wanted to purchase could be damaged or could malfunction, and that this could delay repayment. In October 2015, Toth provided a Seattle investor with multiple written loan agreements for various investments. Each loan agreement misleadingly

1 represented that the investor would receive his original investment back, plus an additional specified amount
2 of “guaranteed” profit. Toth failed to disclose the basis for his financial ability to guarantee the payment of
3 these returns.

4 13. Toth misleadingly represented to multiple investors that their investments were secured by
5 collateral, including wood slabs. In April 2016, Toth solicited a Kirkland resident and provided a handwritten
6 agreement for a \$50,000 investment. Toth represented that he would repay the investor’s principal, plus an
7 additional profit of \$10,000, in less than two weeks. The agreement specified that the investment was secured
8 by collateral, in the form of 30,000 board feet of “prime hardwood slabs.” Based on these assurances, the
9 Kirkland resident invested \$50,000 using funds that were advanced from a home equity line-of-credit. Around
10 the same time, Toth raised \$40,000 from another investor in Redmond. Toth provided that investor with a
11 promissory note which represented that investment was secured by 20,000 board feet of maple or redwood
12 slabs. About two weeks later, Toth signed another promissory note with the Redmond investor for an
13 additional \$50,000 investment and represented that the investment was secured by 25,000 board feet of maple
14 or redwood slabs.
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16 14. Toth failed to disclose to investors that other investors could have competing claims to the
17 same collateral. The Securities Division has been unable to establish that Toth or Tree Wonders made any
18 UCC filings with the State of Washington, or that investors had any perfected security interest in the collateral
19 that purportedly secured the investments. Toth failed to disclose to investors that there could be substantial
20 delays, costs, and expenses associated with acquiring, transporting, storing, and reselling wood collateral.
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22 *Failure to Disclose Financial Condition and Track Record*

23 15. As described above, Toth made misleading statements concerning guarantees and projected
24 returns on investment, but failed to disclose material information regarding his personal financial condition
25 or the financial condition of Tree Wonders. Toth led some investors to believe that Tree Wonders was

1 profitable and showed them banking information which indicated that he had previously received several large
2 deposits of funds. Toth failed to provide investors with copies of financial statements, including a balance
3 sheet, income statement, or statement of cash flows for Tree Wonders. In August 2016, Toth failed to disclose
4 to an investor that he had written multiple checks in June 2016 that were returned for insufficient funds. Toth
5 also failed to provide investors with detailed information regarding the operating history of Tree Wonders and
6 his prior track record in repaying investors and noteholders. In 2016, Toth failed to disclose to investors that
7 he owed tens of thousands of dollars to prior investors who invested in 2014 and 2015.

8 *Lulling*

9 16. In 2016 and 2017, Toth made numerous lulling statements in phone calls and text messages to
10 investors with repeated promises of repayment. Toth promised to repay one investor approximately 30 to 40
11 times, but no funds were ever received by the investor. Toth sent text messages to some investors, which led
12 them to believe that he would repay them imminently. When no payment was received, Toth made various
13 excuses ranging from illness to legal issues. While Toth provided some investors with wood or cash payments
14 ranging from approximately \$1,000 to \$7,000, several investors have not been repaid their original investment
15 principal.
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17 **Registration Status**

18 17. Tree Wonders LLC is not currently registered to sell its securities in the state of Washington
19 and has not previously been so registered, nor has it filed a claim of exemption from registration.

20 18. Tree Wonders Inc. is not currently registered to sell its securities in the state of Washington
21 and has not previously been so registered, nor has it filed a claim of exemption from registration.

22 19. Viktor Toth is not currently registered as a securities salesperson or broker-dealer in the state
23 of Washington and has not previously been so registered.
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25 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

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

2. Viktor Toth, Tree Wonders LLC, and Tree Wonders Inc. have each violated RCW 21.20.140, because, as set forth in the Tentative Findings of Fact, Respondents offered and/or sold securities for which no registration is on file with the Securities Administrator.

3. Viktor Toth has violated RCW 21.20.040 by offering and/or selling said securities while not being registered as a securities salesperson or broker-dealer in the state of Washington.

4. Viktor Toth, Tree Wonders LLC, and Tree Wonders Inc. have each violated RCW 21.20.010, because, as set forth in the Tentative Findings of Fact, Respondents made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order, pursuant to RCW 21.20.390(1), that Viktor Toth, Tree Wonders LLC, and Tree Wonders Inc., their agents and employees each shall cease and desist from violations of RCW 21.20.010 and RCW 21.20.140, and that Respondent Viktor Toth and his agents and employees each shall cease and desist from violations of RCW 21.20.040.

NOTICE OF INTENT TO IMPOSE A FINE

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Viktor Toth shall be liable for and shall pay a fine of \$30,000.

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NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Viktor Toth shall be jointly liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$2,500.

AUTHORITY AND PROCEDURE


This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The Respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that Respondent, to impose any fine sought against that Respondent, and to charge any costs sought against that Respondent.

Signed and Entered this 22nd day of August 2017.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Robert Kondrat
Financial Legal Examiner Supervisor