

**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:

Shaun Brog;
Ryan Brog;
Kenyon Capital Investment Holdings LLC,

Respondents

Order No.: S-17-2137-18-CO01

CONSENT ORDER

INTRODUCTION

On August 3, 2018, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Deny Future Registrations, to Impose Fines, and to Charge Costs (“Statement of Charges”), Order Number S-17-2137-18-CO01, against Respondents Shaun Brog, Ryan Brog, and Kenyon Capital Investment Holdings LLC. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents Shaun Brog, Ryan Brog, and Kenyon Capital Investment Holdings LLC hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents Shaun Brog, Ryan Brog, and Kenyon Capital Investment Holdings LLC neither admit, nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Kenyon Capital Investment Holdings LLC (“Kenyon Capital”) is a Washington entity formed on October 27, 2014, with its principal place of business in Richland, Washington. Kenyon Capital operated as a pooled investment vehicle, primarily seeking to invest in alternative assets.

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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Olympia, WA 98507-9033
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1 potential investments, deciding whether Kenyon Capital would invest in particular assets, structuring Kenyon
2 Capital’s portfolio, finding investors in the fund, and updating investors on Kenyon Capital’s activities and
3 performance.

4 6. Between late 2015 and at least early 2018, while operating from Richland, Washington, Shaun
5 and Ryan Brog served as unregistered investment advisors to Kenyon Capital, an unregistered private fund.
6 By failing to appropriately register with the Securities Division (“the Division”), the Brogs circumvented
7 Washington laws which require independent, third-party checks and balances on their use of investor funds,
8 particularly the fees they took from the fund. As detailed further below, the Brogs made regular cash
9 withdrawals and personal expenditures directly from Kenyon Capital’s account, without notifying investors
10 about how they were using investor funds. The Brogs also charged fees to investors which they were legally
11 prohibited from charging and omitted material facts about the fund when selling interests to investors. Shaun
12 Brog also failed to appear for testimony before the Division to answer questions about their use of investor
13 money.

14 **Custody Requirements**

15 7. Washington’s securities laws include specific requirements for investment advisers who have
16 custody of client funds, with additional duties for advisers who can directly deduct fees from client accounts
17 and advisers who manage pooled investment vehicles. Kenyon Capital was a pooled investment vehicle, and
18 the Brogs had custody of client funds and the ability to directly deduct fees from client accounts. As a result,
19 Washington law imposes several different duties on the Brogs to help assure that they use investor funds
20 appropriately. These duties include, but are not necessarily limited to: (a) engaging a qualified custodian to
21 send account statements to investors or an independent CPA to examine and verify the fund’s assets; (b)
22 providing clients with itemized invoices when deducting fees; and (c) engaging an independent party to
23 authorize fee withdrawals or providing investors with yearly audited financial statements. The Brogs did not

1 engage a qualified custodian to send account statements to investors or an independent CPA to verify the
2 fund's assets, did not provide clients with itemized invoices when taking fees, did not engage an independent
3 party to authorize their fee withdrawals, and never provided investors with audited financial statements. The
4 Respondents also have not provided investors with quarterly account statements for either the first or second
5 quarter of 2018. Kenyon Capital, and Shaun and Ryan Brog, failed to disclose to investors that the fund had
6 no established policies or procedures to verify that they were charging appropriate fees, or to guard against
7 potential misuse of investor funds.

8 8. As a result of their failures to comply with Washington's custody requirements, the Brogs were
9 able to determine their own compensation because they valued the fund's assets and evaluated their own
10 performance with no independent oversight. The Brogs continued to ignore Washington's custody
11 requirements even after receiving a warning from the Division in April 2017 that the fund could be a pooled
12 investment vehicle which would need to comply with such requirements. The Brogs' failure to comply with
13 custody requirements also enabled them to use Kenyon Capital's fund accounts for personal expenses, write
14 checks to themselves, and make regular cash withdrawals as purported "fees," without notifying investors of
15 such uses.

16 **Use of Investor Funds**

17 9. Rather than withdrawing their performance fees or salary on a lump-sum basis, Shaun and
18 Ryan Brog regularly used the fund's account to directly pay personal expenses as needed, commingling both
19 Kenyon Capital's business expenses and their own personal expenses within the fund account. Throughout
20 2016 and 2017, the Brogs made both business and personal expenditures with Kenyon Capital's money which
21 significantly exceeded the fees they would have been allowed to charge by the fund's operating agreement
22 and Washington law.
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1 10. From at least December 2015 to February 2017, Kenyon Capital’s contract with most investors
2 provided that the fund’s managers would receive the following fees:

- 3 a. An annual maintenance fee of 2% of fund assets for the business expenses of Kenyon
4 Capital (not as personal compensation for the Brogs);
- 5 b. A management fee of 0.75% of fund assets; and
- 6 c. A performance fee of 15% or 20% of the fund’s gains “on a bi-annual basis,” depending on
7 whether the fund’s performance exceeded, respectively, the Barclays Aggregate Bond
8 Index or the S&P 500 Benchmark Index.²

9 11. For the 2% annual maintenance fee, the Brogs maintained an American Express card, which
10 they represented to the Division was used for all of Kenyon Capital’s business expenses. As described further
11 below, Kenyon Capital’s operating agreement with investors allows for a maintenance fee of 2% of fund
12 assets to be used for business expenses (not for personal use by the Brogs). Based on the purported size of
13 Kenyon Capital’s asset base at the end of 2016 and 2017 (approximately \$1.11 million and \$1.46 million
14 respectively), the Division estimates that this fee would total no more than \$50,000 for both years combined.
15 Kenyon Capital paid \$144,902.91, nearly triple that amount, to American Express.³

16 12. In addition to the American Express payments, Shaun and Ryan Brog both regularly withdrew
17 money from Kenyon Capital’s account at ATMs, took advances on the Visa card connected to Kenyon
18

19 ² For five of the investors who rolled over their investments from Kenyon Capital NY, the contract provided that Shaun and Ryan
20 Brog, through Kenyon Capital, would charge the same maintenance fee capped at 2% of assets, but a management fee of 0.5% of
21 assets and a performance fee of 15% of gains “on a twice yearly basis only if said returns are realized by the closure of trades,
distribution of cash from partnership and LLC interests or otherwise tangibly acquired by the company.” Kenyon Capital’s
performance appears to have come primarily from unrealized gains based on the Brogs’ own asset valuations, rather than realized
gains, but the Brogs do not appear to have made this distinction when calculating performance fees.

22 ³ It is likely that some of this amount represents investments by the fund, rather than general business expenses. The Brogs
23 represented to the Division that \$9,800 was spent on wine investments in 2016 out of \$51,693.77 in total spending on the American
Express card.

1 Capital's account, and wrote checks to themselves from Kenyon Capital's account. These expenditures totaled
2 \$148,874.26, specifically including:

- 3 a. \$72,419.26 in ATM withdrawals by Shaun Brog;
- 4 b. \$27,135.00 in ATM withdrawals by Ryan Brog;
- 5 c. \$7,950 in checks to Shaun Brog;
- 6 d. \$32,620.00 in checks to Ryan Brog;⁴
- 7 e. \$3,000 in Visa cash advances to Shaun Brog;
- 8 f. \$5,750.00 in Visa cash advances to Ryan Brog;

9 The Brogs often made multiple ATM withdrawals in the same day for hundreds of dollars, particularly in the
10 latter part of 2017. These withdrawals substantially increased in early 2017, shortly after the Brogs received
11 an inquiry from the Securities and Exchange Commission about the fund. The chart below shows the
12 combined monthly amounts withdrawn by the Brogs from December 2015 to February 2018.

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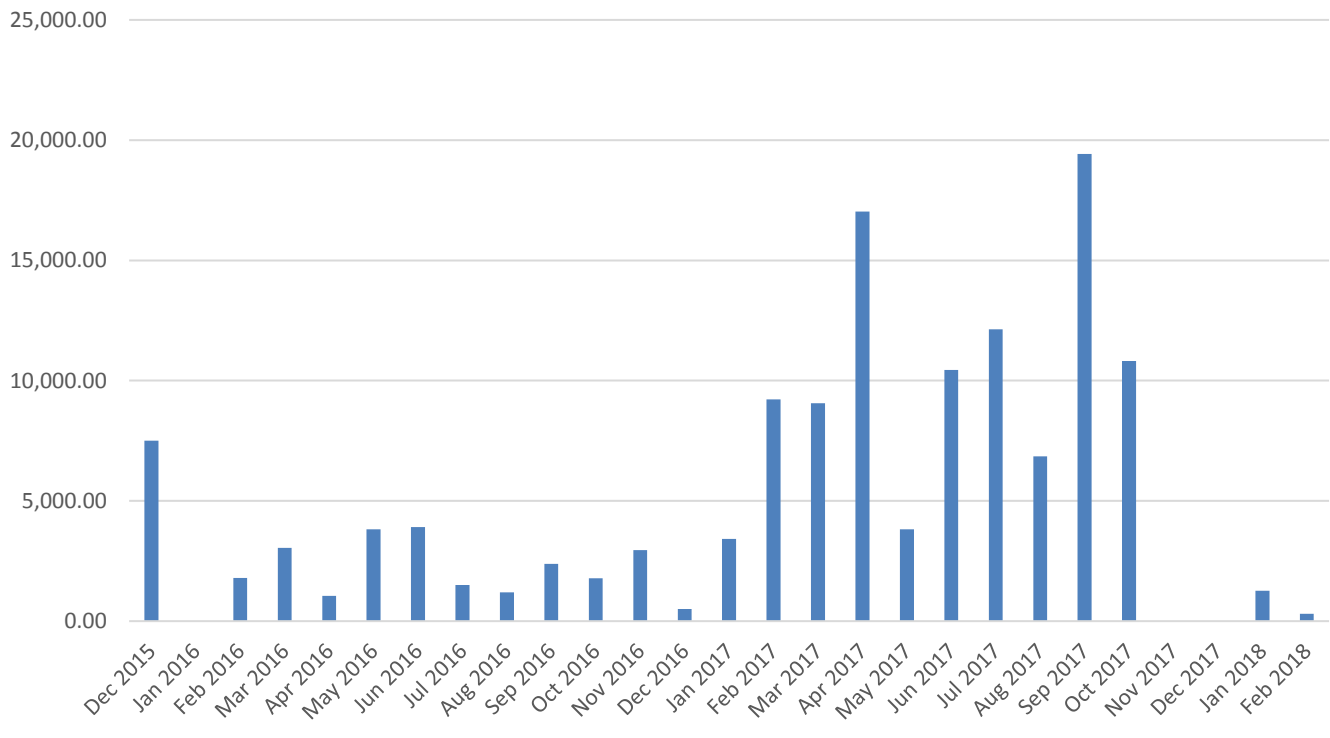
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23 ⁴ Ryan Brog wrote a total of \$5,225 in checks to Kenyon Capital during the relevant period, for a net amount of \$27,395.

Total Cash, Cash Advances, and Checks by Month



13. In addition to the cash, cash advances, and checks, the Brogs also spent other money directly from Kenyon Capital’s account on what appear to be personal uses. These expenditures, totaling \$48,166.38, include but are not necessarily limited to:

- a. A net total of \$27,438.14 in transfers to a Scottrade account in Ryan Brog’s name (\$60,360 from Kenyon Capital to the Scottrade account and \$32,921.82 in transfers from the Scottrade account to Kenyon Capital)
- b. \$11,037.50 in apartment rent; and
- c. \$9,690.74 on retail and services.

14. The Brogs first overdrew Kenyon Capital’s Merrill Lynch account in July 2017, and repeatedly overdrew the account on at least five separate occasions during the remainder of 2017. The Brogs generally repaid overdrafts within a day or two. However, in late October 2017, the Brogs overdrew Kenyon Capital’s

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1 account by \$1,268.53, and did not fully repay the overdraft until approximately two months later. The Brogs
2 also incurred approximately 102 separate returned-check fees, totaling over \$2,000, between July 2017 and
3 January 2018.

4 15. As of the end of February 2018, Kenyon Capital's Merrill Lynch account was overdrawn by
5 \$100. An existing investor in the fund invested an additional \$15,000 approximately two weeks later. The
6 Respondents failed to disclose the fund's financial status and low levels of working capital to that investor
7 before the March 2018 investment.

8 Kenyon Capital's Improper Fees and Salary Payments

9 16. As described above, Kenyon Capital's operating agreement provided that the fund would
10 charge investors three different types of fees: a maintenance fee for the fund's business expenses, a
11 management fee of 0.75% of fund assets, and a performance fee of 15-20% of the fund's annual gains.
12 Additionally, the Respondents represented to the Division that Ryan Brog was paid a "salary" of \$1,000 per
13 month for 2016.

14 17. The Respondents represented to the Division that Shaun and Ryan Brog were collectively paid
15 \$16,935 in performance fees for 2015, and \$46,144 in performance fees for 2016.⁵ However, the numbers
16 which the Respondents provided for their performance fees and for Ryan Brog's salary bear no relation to
17 their actual withdrawals from the fund's accounts. Rather than withdrawing management and performance
18 fees in a lump sum at the end of the quarter or year, as is standard industry practice, the Brogs simply made
19 personal expenditures, wrote themselves checks, and withdrew cash directly from Kenyon Capital's Merrill
20 Lynch account at their discretion, without notifying investors that they were taking fees. To the extent that

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23 ⁵ It is unclear when Kenyon Capital and the Brogs calculated these fees or authorized Ryan Brog's salary because the documents provided to the Division are undated and Shaun Brog failed to appear for testimony.

1 the Brogs' expenditures and withdrawals from the fund accounts can be attributed to performance fees or
2 Ryan Brog's salary, these forms of compensation violated either Washington law or Kenyon Capital's
3 operating agreement with investors.

4 18. First, the Respondents entered into contracts with investors which contained performance fees
5 prohibited by Washington law. Investment advisers may charge fees based on a percentage of assets under
6 management, but may not enter into a contract to charge the client a percentage of the gains received unless
7 the client meets the definition of a "qualified client" as provided in WAC 460-24A-150. For example, if an
8 adviser's client had a portfolio of \$500,000, the adviser could charge the client a fee of 1% of the assets under
9 management, i.e. \$5,000. However, if the portfolio gained in value by \$50,000 for the year, the adviser could
10 not charge the client a fee based directly on those gains, unless they were a qualified client.⁶ As a result,
11 private funds are often open only to qualified clients, so that the fund adviser can charge both performance
12 fees and assets under management fees without the additional administrative issues of determining which fees
13 can be charged to which investors.⁷

14 19. Although the Respondents asked investors whether they were "accredited investors," they did
15 not inquire whether Kenyon Capital's investors were qualified clients. The net worth threshold for qualified
16 clients is currently \$2.1 million not including the investor's primary residence, double the \$1 million threshold
17 for accredited investors.⁸ Thus, an investor can be an accredited investor without being a qualified client if
18 their net worth falls between \$1 million and \$2.1 million. Of the fund's 22 investors, at least 14 were neither

19 ⁶ To be a qualified client, an investor generally must have at least one million dollars managed by the adviser, or have a total net
20 worth of at least \$2.1 million excluding their primary residence. A high-level director or manager of the investment adviser, or a
lower-level employee of the adviser who participates in the investment activities of the fund, can also be a qualified client.

21 ⁷ For instance, in a "2-and-20" structure, the adviser charges a management fee of 2% of assets under management, and a
22 performance fee of 20% of the gains over a certain period, as defined in their contract with investors. The specific numbers vary
depending on the fund.

23 ⁸ The threshold was increased from \$2 million on August 15, 2016.

1 accredited investors nor qualified clients; it is unknown whether the remainder (who were accredited
2 investors) were also qualified clients. Despite Kenyon Capital and the Brogs' lack of information about
3 whether their investors were qualified clients, all of the fund's contracts with investors included the
4 performance-based fees described above.

5 20. In April 2017, after examining Kenyon Capital's fee structure, the Division sent a warning
6 letter to Kenyon Capital and the Brogs, cautioning them (among other things) that their performance fees
7 likely violated Washington law. Rather than reducing their ATM withdrawals and personal expenditures from
8 the fund account, the Brogs significantly increased them. As detailed above, over half of the cash, cash
9 advances and check withdrawals by the Brogs were made between April 2017 and October 2017.

10 21. Second, to the extent that Ryan Brog was paid a salary, the payment violated Kenyon Capital's
11 operating agreement with investors from at least December 2015 to February 2017. While the operating
12 agreement provided that the Brogs could eventually receive cash compensation at their discretion, the Brogs
13 indicated in both the 2015 and the 2016 versions of the operating agreement that they had "agreed to forgo
14 compensation" during the 2016 calendar year while Kenyon Capital expanded. For at least one investor, who
15 invested in February 2017, the Brogs claimed in the operating agreement that "[t]he Managers of the Company
16 will be eligible for compensation in the form of Ownership Interest in the Company and/or cash compensation
17 at the discretion of the Initial Managers [the Brogs]. As of the effective date of this Agreement, the Managers
18 are not receiving any compensation." Kenyon Capital also does not appear to have meaningfully tracked or
19 controlled the payments to Ryan Brog which were labeled as salary, particularly in the latter part of 2017. For
20 instance, Kenyon Capital wrote Ryan Brog five separate checks in September 2017, totaling \$2,920. Three of
21 the checks, for \$640 each, were labeled "2 Days' Wages" or variants thereof, and two checks, for \$500 each,
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1 were labeled as “September Salary.”⁹ The Respondents misrepresented or failed to disclose to investors that,
2 contrary to the operating agreement, they were paying or had paid Ryan Brog a salary for 2016 and possibly
3 2017, and that the salary was not consistently tracked or controlled.

4 **Other Material Omissions**

5 22. Instead of investments like stocks and bonds, Kenyon Capital invested primarily in alternative
6 assets, including commercial real estate funds, residential real estate tax lien funds, equity interests or
7 convertible notes in early-stage small businesses, wine, silver, and personal loans. The Respondents marketed
8 this strategy to investors as offering low correlation with financial markets and the potential for better returns.
9 In their marketing materials, they claimed to have achieved a 34% return over the S&P 500 from 2012 to
10 2015.¹⁰

11 23. Because most of Kenyon Capital’s assets are not regularly traded in financial markets, they are
12 generally more difficult to value than more traditional assets such as stocks or bonds which can easily be
13 valued by reference to their recent trading prices. Shaun and Ryan Brog considered having an auditor examine
14 the fund, but found that due to the nature of the fund’s assets, the auditors’ fees would range from \$25,000 to
15 \$40,000, which they considered prohibitively expensive given the size of the fund. As a result, for most of
16 Kenyon Capital’s holdings, both the fund and its investors relied on Shaun and Ryan Brog to value the assets
17 using their own financial models. Because Shaun and Ryan Brog’s compensation depended on the asset value
18 of the fund and on the fund’s gains, this reliance created a substantial conflict of interest. The Respondents
19 failed to disclose this conflict of interest to investors. The Respondents also failed to disclose to at least one

21 ⁹ Given that Kenyon Capital appears to have agreed to pay Ryan Brog a salary between \$1,000 and \$1,500 per month, it is unclear
22 why \$640 would represent two days’ wages, as this figure extrapolated to a full month would be in the vicinity of a \$7,000 monthly
23 salary.

¹⁰ These claims were tied to the performance of the predecessor fund, Kenyon Capital NY, not to the Washington entity which is a
respondent in this matter.

1 investor that the historical return figures they presented had not been audited like most private funds would
2 have been, and that an audit to independently verify the fund's purported asset values would likely be
3 prohibitively expensive for the foreseeable future.¹¹

4 24. Additionally, Kenyon Capital's two largest loans presented substantial conflicts of interest
5 which were not disclosed to investors. Kenyon Capital made one loan for \$35,000 to an individual, T.B., who
6 was the largest investor in Kenyon Capital other than Shaun Brog. Kenyon Capital loaned \$70,000 to another
7 individual, J.H., who was also an investor in the fund and who provided assistance to Kenyon Capital with
8 accounting and reporting issues. The Respondents failed to disclose the conflicts of interest which could arise
9 from making loans to the fund's largest investor and a fund "insider," such as the possibility that Kenyon
10 Capital and the Brogs might treat these investor/borrowers more leniently in the event of default.

11 25. The Brogs also allowed family members to book travel arrangements on two separate
12 occasions using Kenyon Capital's American Express card, once for \$2,985 and once for \$2,145. The Brogs
13 represented to the Division that Kenyon Capital was paid in advance for these bookings, but the Division has
14 been unable to locate payments corresponding to these dollar amounts in Merrill Lynch's account records for
15 the fund. The Respondents failed to disclose to investors that the fund's business account could be used for
16 purposes such as booking travel for the managers' family members.

17 **Registration Status**

18 26. Kenyon Capital is not and has never been registered to sell its securities in the state of
19 Washington, nor has it filed a claim of exemption from registration.

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22 ¹¹ Although the fund purportedly established a "Valuation Oversight Committee" in early 2017 to verify asset values, the
23 committee consisted entirely of investors in the fund, who also had a conflict of interest because they could have incentives to push
for different valuations depending on their personal interests.

1 27. Shaun Brog is not and has never been registered as a securities salesperson, investment adviser,
2 or investment adviser representative in the state of Washington.

3 28. Ryan Brog is not and has never been registered as a securities salesperson, investment adviser,
4 or investment adviser representative in the state of Washington.

5 **Failure to Comply with Possible Exemptions**

6 29. In communications with the Division, Kenyon Capital purported to rely on an exemption from
7 registration under Regulation D, Rule 506(b), and Section 4(a)(2) of the federal Securities Act of 1933. Rule
8 506(b) of Regulation D prohibits an issuer or any person acting on behalf of an issuer from offering or selling
9 securities by general solicitation. Similarly, Section 4(a)(2), and Washington's accompanying exemption,
10 applies only to transactions "not involving any public offering." The Respondents advertised the fund on a
11 publicly available website, kenyoncapital.com, from at least March 2016 through at least February 2017. The
12 Respondents also failed to comply with Rule 506(b) by failing to provide their unaccredited investors with
13 the information required by 17 C.F.R. § 230.502(b), such as an audited balance sheet for the fund. As a result
14 of their general solicitation and public offering through the Internet, and failure to provide unaccredited
15 investors with the information required by law, the Respondents cannot meet their burden of demonstrating
16 compliance with the requirements of Rule 506 or Section 4(a)(2).

17 30. The Respondents raised additional money from at least one investor after having been
18 cautioned by the Division about likely securities registration violations. In April 2017, after its initial review
19 of Kenyon Capital's business, the Division sent a warning letter to Shaun Brog describing potential violations
20 of the securities registration provisions and indicating that Kenyon Capital likely would not be able to meet
21 the exemptions on which the Respondents were relying. Despite this warning, the Respondents raised an
22 additional \$15,000 from an existing investor in the fund in March 2018. The Respondents also appear to have
23 raised an additional \$25,000 from a new investor in October 2017.

1 **Failure to Comply with Testimonial Subpoena**

2 31. In October 2017, the Division issued a subpoena for Shaun Brog’s testimony. Shaun Brog
3 agreed to testify on November 29, 2017, but requested a postponement two days prior. The Division agreed
4 to postpone the testimony to the following week and attempted to confirm a new date, but Shaun Brog again
5 requested a postponement the day before the rescheduled testimony, claiming that the Division’s confirmation
6 emails had gone into his spam folder.¹² The Division attempted to reschedule the testimony for February 2018,
7 but Shaun Brog failed to reply to followup attempts, by email, phone, and letter, to arrange a new testimony
8 date. During the time the Division was attempting to schedule Shaun Brog’s testimony, Kenyon Capital’s
9 account balance was consistently overdrawn or near zero. As a result of Shaun Brog’s failure to appear for
10 testimony, the Division was unable to clarify remaining issues relating to the Respondents’ fees, their use of
11 funds, their valuation models, and the disclosures they made to investors.

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

13 **CONCLUSIONS OF LAW**

- 14 1. The offer and sale of the LLC interests in Kenyon Capital, as described above, constituted the
15 offer and sale of securities as defined in RCW 21.20.005(14) and (17).
- 16 2. Shaun Brog and Ryan Brog, as described above, engaged in the business of advising Kenyon
17 Capital as to the value of securities and the advisability of investing in, purchasing, or selling securities, and
18 are therefore investment advisers as defined in RCW 21.20.005(8).
- 19 3. Kenyon Capital, Shaun Brog, and Ryan Brog violated RCW 21.20.010(2), because, as set forth
20 in the Tentative Findings of Fact, in connection with the offer and sale of LLC interests in Kenyon Capital,
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22 _____
23 ¹² It is unclear why these emails would have been filtered as spam, given that the Division was replying to an email from two days earlier, in the same email chain, and had previously exchanged a substantial volume of email correspondence with Shaun Brog.

1 they made untrue statements of material fact or omitted to state material facts necessary to make the statements
2 made, in light of the circumstances in which they were made, not misleading.

3 4. Kenyon Capital, Shaun Brog, and Ryan Brog violated RCW 21.20.010(3), because, as set forth
4 in the Tentative Findings of Fact, in connection with the offer and sale of LLC interests in Kenyon Capital,
5 they engaged in an act, practice, or course of business which operated as a fraud on Kenyon Capital's investors
6 by using Kenyon Capital's funds for personal purposes, making business expenditures which substantially
7 exceeded the amounts allowed by the operating agreement with investors, and repeatedly overdrafting the
8 fund's account as a result.

9 5. Shaun and Ryan Brog violated RCW 21.20.020 by engaging in an act, practice, or course of
10 business which operated as a fraud on their investors by failing to comply with the requirements of:

- 11 a. WAC 460-24A-105, by failing to engage either a qualified custodian to send account
12 statements to clients or an independent CPA to verify client funds and securities;
- 13 b. WAC 460-24A-106, by failing to provide itemized invoices to clients or provide notice to
14 the qualified custodian of any fee deductions;
- 15 c. WAC 460-24A-107, by failing either to engage an independent party to authorize
16 withdrawals from Kenyon Capital's pooled account, or to provide audited financial
17 statements for the fund to all investors.

18 6. Shaun and Ryan Brog violated RCW 21.20.030 by entering into investment advisory contracts
19 which failed to provide in writing that they would not be compensated on the basis of a share of capital gains
20 upon or capital appreciation of client funds for non-qualified clients.

21 7. Shaun and Ryan Brog violated RCW 21.20.040 by acting as investment advisers to Kenyon
22 Capital while unregistered to do so in the state of Washington, and by acting as securities salespersons for
23 interests in Kenyon Capital while unregistered as such in the state of Washington.

1 8. Kenyon Capital, and Shaun and Ryan Brog, violated RCW 21.20.140, because, as set forth in
2 the Tentative Findings of Fact, they offered and sold securities for which no registration is on file with the
3 Securities Administrator.

4 Based upon the foregoing and finding it in the public interest:

5 **CONSENT ORDER**

6 IT IS AGREED AND ORDERED that Respondents Shaun Brog, Ryan Brog, and Kenyon Capital
7 Investment Holdings LLC, and their agents and employees, each shall cease and desist from violating RCW
8 21.20.010, the anti-fraud section of the Securities Act of Washington.

9 IT IS FURTHER AGREED AND ORDERED that Respondents Shaun Brog and Ryan Brog, and their
10 agents and employees, each shall cease and desist from violating RCW 21.20.020, the unlawful acts of persons
11 advising another section of the Securities Act of Washington, and the related custody provisions of WAC
12 460-24A-105, WAC 460-24A-106, and WAC 460-24A-107.

13 IT IS FURTHER AGREED AND ORDERED that Respondents Shaun Brog and Ryan Brog, and their
14 agents and employees, each shall cease and desist from violating RCW 21.20.030, the unlawful acts of
15 investment advisers of the Securities Act of Washington.

16 IT IS FURTHER AGREED AND ORDERED that Respondents Shaun Brog and Ryan Brog, and their
17 agents and employees, each shall cease and desist from violating RCW 21.20.040, the broker-dealer, securities
18 salesperson, investment adviser, and investment adviser representative registration section of the Securities
19 Act of Washington.

20 IT IS FURTHER AGREED AND ORDERED that Respondents Shaun Brog, Ryan Brog, and Kenyon
21 Capital Investment Holdings LLC, and their agents and employees, each shall cease and desist from violating
22 RCW 21.20.140, the securities registration section of the Securities Act of Washington.
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1 IT IS FURTHER AGREED AND ORDERED that any future applications for broker-dealer, securities
2 salesperson, investment adviser, or investment adviser representative registration, by Respondents Shaun
3 Brog, Ryan Brog, and Kenyon Capital Investment Holdings LLC, or any entity under their effective control,
4 shall be denied.

5 IT IS FURTHER AGREED AND ORDERED that Respondents Shaun Brog and Ryan Brog shall be
6 jointly and severally liable for and shall pay a fine of \$20,000 on or before December 1, 2019. The fine shall
7 be paid from the personal assets of Shaun Brog and Ryan Brog, and not from the assets of Kenyon Capital
8 Investment Holdings LLC.

9 IT IS FURTHER AGREED AND ORDERED that Respondents Shaun Brog and Ryan Brog shall be
10 jointly and severally liable for and shall pay investigative costs of \$5,000 as follows: Respondents Shaun Brog
11 and Ryan Brog shall pay \$500 toward the investigative costs on or before the first day of January 2019.
12 Respondents Shaun Brog and Ryan Brog shall then pay the remaining investigative costs in monthly payments
13 for the following nine consecutive months, with each monthly payment in the amount of \$500. Each payment
14 shall be due no later than the sixteenth day of each month, beginning February 2019. The investigative costs
15 shall be paid from the personal assets of Shaun Brog and Ryan Brog, and not from the assets of Kenyon
16 Capital Investment Holdings LLC.

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

18 IT IS FURTHER AGREED that Respondents Shaun Brog, Ryan Brog, and Kenyon Capital
19 Investment Holdings LLC enter into this Consent Order freely and voluntarily and with a full understanding
20 of its terms and significance.

21 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Shaun Brog, Ryan
22 Brog, and Kenyon Capital Investment Holdings LLC waive their right to a hearing and to judicial review of
23 this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

2
3 Signed this 15th day of January, 2019.

4 Signed by:

5 Kenyon Capital Investment Holdings LLC

6
7 /s
8 Shaun Brog
9 Manager

9 Signed by:

10 Kenyon Capital Investment Holdings LLC

11
12 /s
13 Ryan Brog
14 Manager

14 Signed by:

15
16 /s
17 Shaun Brog, Individually

17 Signed by:


18
19 /s
20 Ryan Brog, Individually

1 SIGNED and ENTERED this 30th day of January, 2018.

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4 

5 _____
6 William M. Beatty
7 Securities Administrator

8 Approved by:

9 

10 _____
11 Suzanne Sarason
12 Chief of Enforcement

13 Presented by:

14 

15 _____
16 Adam N. Yeaton
17 Financial Legal Examiner

18 Reviewed by:

19 

20 _____
21 Jack McClellan
22 Financial Legal Examiner Supervisor

23
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