STATE OF WASHINGTON

2	DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION
3 4 5 6 7 8	IN THE MATTER OF DETERMINING Whether there has been a violation of the Securities Act of Washington by: STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST AND TO IMPOSE FINES Halydean Corporation; Taylor Forrester Moffitt a.k.a. Taylor Moffitt of Halydean Respondents Order Number S-19-2736-20-SC01 STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST AND TO IMPOSE FINES Respondents
10	THE STATE OF WASHINGTON TO: Halydean Corporation and Taylor F. Moffitt a.k.a. Taylor Moffitt of Halydean
11	STATEMENT OF CHARGES
12	Please take notice that the Securities Administrator of the State of Washington has reason
13 14	to believe that Respondents, Halydean Corporation and Taylor Forrester Moffitt a.k.a. Taylor
15	Moffitt of Halydean have each violated the Securities Act of Washington and that their violation
16	justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each
17	to cease and desist from such violations, to charge costs pursuant to RCW 21.20.390, and under
18	RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:
19	TENTATIVE FINDINGS OF FACT
20	RESPONDENTS
21	1. Halydean Corporation ("Halydean") is a Delaware corporation with its principal
22	place of business in Hayward, Wisconsin. Halydean holds itself out as an agricultural land
23	holding company that specializes in dairy and beef production.
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25	STATEMENT OF CHARGES AND NOTICE OF 1 DEPARTMENT OF FINANCIAL INSTITUTIONS INTENT TO ENTER ORDER TO CEASEAND Securities Division

DESIST, TO IMPOSE FINES AND RECOVER COSTS

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2. Taylor Forrester Moffitt a.k.a. Taylor Moffitt of Halydean ("Moffitt"), an Iowa resident, is a founder and former Chief Financial Officer and Director of Halydean.

MOFFITT BANKRUPTCY

3. In 2009, Moffitt voluntarily filed for Chapter 7 Bankruptcy in the Bankruptcy Court for the Northern District of Iowa, Case Number 0901215, and was granted a discharge that same year.

MOFFITT SEC RELATED EVENTS

- 4. On October 7, 2016 Moffitt caused to be filed with the U. S. Securities and Exchange Commission ("SEC") on behalf of Halydean a Form D. The purpose of the form D was to notify the SEC of Halydean's intention to raise an estimated \$24,000,000 under the exemptions of either SEC Rule 504(b)(1), SEC Rule 505, or SEC Rule 506(c). Moffitt stated on the Form D that the company would only accept a minimum investment of \$10,000 from any outside investor. Halydean failed to notice file its claim of exemption with the Washington State Securities Division as required under WAC 460-44A-503.
- 5. In 2018, the SEC charged Moffitt and others with selling an unregistered stock offering in the U.S. District Court for Northern Iowa in the matter titled *United States Securities* and Exchange Commission v. Moffitt et al, case #3:18-cv-03034. The SEC alleged that from 2014 to 2015, Moffitt and his co-defendants acquired, offered, and sold over a billion of shares of unregistered Bud Genius, Inc. stock. Without admitting or denying the SEC's allegations, Moffitt agreed to a judgment enjoining him from violating Sections 5(a) and 5(c) (the registration section) of the Securities Act of 1933. Moffitt agreed to pay the SEC disgorgement, to pay a \$35,000 fine and to be barred from selling penny stock for three years.

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STATEMENT OF CHARGES AND NOTICE OF

INTENT TO ENTER ORDER TO CEASEAND DESIST, TO IMPOSE FINES AND RECOVER COSTS

NATURE OF THE OFFERING

- 6. In 2016, Tyler Moffitt met a Washington resident, "Investor A," online through a mutual hobby interest. After becoming acquainted with Investor A, Moffitt offered to give him the opportunity to acquire Halydean stock. In exchange for approximately \$4,500 of hobby equipment, Moffitt gave Investor 500 shares of Halydean stock.
- 7. Investor A referred a group of friends, all Washington residents, to Moffitt, who communicated with them by telephone, Skype, and/or email. Moffitt offered each of the friends the opportunity to buy Halydean stock.
- 8. Moffitt provided some of the friends a Halydean document titled "Confidential Private Placement Offering Memorandum, 14,814,814 shares common stock" ("PPM"). The PPM contained a lengthy description of a proposed offering of Halydean stock to what it described as "only a limited number of individuals and / or companies, who by definition fall within certain exemptions contained in the Securities Exchange Act of 1934 as amended." Under Washington law, the definition of "accredited investor" includes, among other things, "any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000" or "any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year."
- 9. In or about February 2016, Moffitt communicated with Investor B, a WA resident, who had been referred to Moffitt by Investor A, by email and telephone. Moffitt offered Investor B the opportunity to buy Halydean stock. Moffitt provided Investor B a Halydean PPM. Moffitt provided Investor B instructions to wire the \$5,000 purchase price. Moffitt caused a

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stock certificate for 500 shares of Halydean stock to be issued to Investor B. At the time of the sale, Investor B did not meet the definition of accredited investor.

- 10. In or about March 2016, Moffitt communicated with Investor C, a WA resident, who had been referred to Moffitt by Investor A, by email and telephone. Moffitt offered Investor Investor C the opportunity to buy Halydean stock. Moffitt provided Investor C a Halydean PPM. Moffitt provided Investor C instructions to pay the \$5,000 purchase price. Moffitt caused a stock certificate for 500 shares of Halydean stock to be issued to Investor C. At the time of the sale, Investor C did not meet the definition of accredited investor.
- 11. In or about October 2016, Moffitt communicated with Investor D, a WA resident, who had been referred to Moffitt by Investor A, by email and telephone. Moffitt offered Investor Investor D the opportunity to buy Halydean stock. Moffitt provided Investor D a Halydean PPM. Moffitt provided Investor D instructions to pay the \$5,000 purchase price. Moffitt caused a stock certificate for 500 shares of Halydean stock to be issued to Investor D. At the time of the sale, Investor D did not meet the definition of accredited investor.
- 12. In or about 2017, Moffitt communicated with Investor E, a WA resident, who had been referred to Moffitt by Investor A, by email and telephone. Moffitt offered Investor Investor E the opportunity to buy Halydean stock. Moffitt provided Investor E a Halydean PPM. Moffitt provided Investor E instructions to pay the \$10,000 purchase price. Moffitt caused a stock certificate for 500 shares of Halydean stock to be issued to Investor E. At the time of the sale, Investor E did not meet the definition of accredited investor.

MISREPRESENTATIONS AND OMISSIONS

13. Moffitt failed to disclose to certain of the investors that he had filed for personal bankruptcy in 2009.

- 14. Moffitt and Halydean provided the prospective investors with pro forma financial statements in the PPM that indicated that Halydean expected to have assets of over \$116,000,000 before a planned Initial Public Offering ("IPO") of its stock and that it expected to have assets of over \$305,000,000 after the IPO. Neither Moffitt nor Halydean had a reasonable basis for the forecast.
- 15. Moffitt and Halydean represented to investors in the PPM that the offering was only being made available to "accredited investors" when they knew or should have known that the Washington investors did not satisfy the "accredited investor" criteria. To claim an exemption under Regulation D Rule 506(c), all investors must be accredited and the issuer must take reasonable steps to verify that purchasers are accredited investors. Respondents failed to sell their offering only to accredited investors and did not take reasonable steps to verify that their purchasers were accredited.
- 16. For an offering exempt from registration under federal Regulation D Rules 504 and 505, an issuer must provide investors, who are not accredited, with specific information relating to the business in order to qualify for an exemption. The issuer must provide unaccredited investors with financial information (such as an audited balance sheet, an income statement, and a cash flow statement). Respondents failed to provide investors, who were not accredited investors, with the financial information required by Regulation D.

REGISTRATION

- 17. Halydean is not currently registered and has never filed a registration application or notice of claim of exemption to offer and sell its securities in the state of Washington.
- 18. Moffitt is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

The Securities Administrator finds that the continued offering of Halydean stock in the manner described in Tentative Finding of Fact paragraphs 1 to 18, presents a threat to the investing public.

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

CONCLUSIONS OF LAW

- 1. The offer or sale of Halydean stock described above constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: stock
- 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no registration or notification of claim of exemption for such offer or sale is on file with the Securities Administrator and no valid claim of exemption under Regulation D exists.
- 3. Moffitt has violated RCW 21.20.040 by offering or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.
- 4. The offer or sale of said securities was made in violation of RCW 21.20.010 because Moffitt and Halydean misrepresented or omitted to disclose material facts about the offering of Halydean stock.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intend to order that Halydean and Moffitt; their agents and employees each cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE FINES

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 Taylor Forrester Moffitt and Halydean Corporation shall be jointly and severally liable for and pay a fine of \$24,500.

STATEMENT OF CHARGES AND NOTICE OF 6 DEPARTMENT OF FINANCIAL INSTITUTIONS

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASEAND DESIST, TO IMPOSE FINES AND RECOVER COSTS

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 Taylor Forrester Moffitt and Halydean Corporation shall be jointly and severally 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 \$16,470.17.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW, subject to the provisions of RCW 34.05. The respondents, Taylor Forrester Moffitt and Halydean Corporation, 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 request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent order to cease and desist, impose fines sought and to charge the costs sought against the respondents.

Dated this 8th day of April , 2020

WILLIAM BEATTY
Securities Administrator

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASEAND DESIST, TO IMPOSE FINES AND RECOVER COSTS

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3	Approved by:
4	An Som
5	SUZANNE SARASON
6	Chief of Enforcement
7	Reviewed by:
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9	Jack McClellan Financial Legal Examiner
10	Supervisor
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Presented by:

Martin Cordell

MARTIN CORDELL Financial Legal Examiner

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