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:

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Order No. S-23-3646-24-CO01

CONSENT ORDER

Capital Preservation Management, LLC (CRD 156188),

Respondent.

INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Capital Preservation Management, LLC do hereby enter into this Consent Order in settlement of the matters alleged herein. Capital Preservation Management, LLC neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

- 1. Capital Preservation Management, LLC (CPM) is a Washington entity formed on September 15, 2010, with its principal place of business in Vancouver, Washington. CPM is a registered investment adviser that provides services related to Regulation D real estate investment vehicles only. CPM's Central Registration Depository ("CRD") number is 156188. CPM manages and advises four Pooled Investment Vehicles (PIVs). CPM also advises investors as to the suitability and advisability of investing in the four funds it manages.
- 2. CPM's PIV management services include, but are not limited to, acquiring, holding, collecting, and replacing real property, land contracts, trust deeds and real estate mortgages and the accompanying promissory notes secured by such documents.

CONSENT ORDER

Nature of the Conduct

Overview

3. From May 18, 2019 through August 25, 2022, CPM offered and sold unregistered securities in the form of Pooled Investment Vehicle (PIV) membership interests to 275 investors pursuant to WAC 460-44A-506 and 17 C.F.R. §230.506(c), a Regulation D exemption from securities registration, without taking reasonable steps to verify those investors were accredited, as required by rule 506(c).

CPM's 506(c) PIV Offerings

- 4. CPM offers membership interests in two of its four PIVs pursuant to a Rule 506(c) exemption from securities registration. The unregistered securities offered pursuant to Rule 506(c) are Capital Preservation 200 LLC ("CP200") and Romano Capital Investment Fund, LLC ("RCIF").
- 5. CP200 is an evergreen offering with no set end date for the term of the fund. As of January 1, 2023, the total amount of assets under management amounted to approximately \$27,645,706, all of which are managed on a discretionary basis.
- 6. RCIF's minimum investment for a given investor is \$100,000. As of January 1, 2023, the total amount of assets under management amounted to approximately \$62,515,840, all of which are managed on a discretionary basis.

CPM Failed to Reasonably Verify Accredited Status of Investors as Required for 506(c) Offerings

- 7. In order to rely on the Rule 506(c) exemption from securities registration, the issuer of the exempt security must satisfy all conditions, including taking reasonable steps to verify the accredited status of investors.
- 8. CPM failed to take reasonable steps to verify PIV purchasers met the accredited investor definition, as defined by 17 CFR §230.501(a) and WAC 460-44A-501(1), for interests sold to 242 investors in RCIF and to 33 investors in CP 200.

CONSENT ORDER

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the last three months.

9. Regulation D provides three non-exhaustive methods of verifying that a natural person who purchases securities is an accredited investor. These include verifying income by reviewing an investor's most recent two years of IRS forms and obtaining written investor certification that they reasonably expect to reach the required income in the current year; reviewing verification of an investor's assets and liabilities within the immediately preceding three months via bank statements, brokerage statements, appraisal reports and a consumer report; or obtaining written confirmation from an investor's broker-dealer, investment adviser, attorney, or certified public accountant that the investor is accredited based upon information verified within

10. CPM relied on self-attestation by investors as to their accredited status based solely on an investor-completed questionnaire. CPM made no efforts to verify if a natural person, entity, or trust investor had sufficient income or net worth to qualify as accredited beyond reviewing the questionnaire investors completed and submitted along with their subscription application.

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

CONCLUSIONS OF LAW

- 1. The offer and/or sale of the Pooled Investment Vehicle membership interests described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).
- 2. Capital Preservation Management, LLC violated RCW 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or selling securities for which no registration is on file with the Securities Administrator.

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

	CONSENT ORDER					
IT IS AGREED AND ORDERED that Respondent Capital Preservation Management, LLC, and						
agents and employees, shall each cease and desist from offering and/or selling securities in any r						
violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.						
IT IS AGREED AND ORDERED that Respondent Capital Preservation Management, LLC sh						
	liable for and pay a fine in the amount of \$50,000.00.					
	IT IS AGREED AND ORDERED that Respondent Capital Preservation Management, LLC shall be					
	liable for and pay costs in the amount of \$1,500.00.					
	IT IS AGREED that Respondent Capital Preservation Management, LLC enters into this Consen					
	Order freely and voluntarily and with a full understanding of its terms and significance.					
	IT IS AGREED that the Securities Division has jurisdiction to enter this order.					
	IT IS AGREED that in consideration of the foregoing, the Respondent waives their right to a hearing					
	and to judicial review of this matter pursuant to Chapter 34.05 RCW.					
	WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.					
	Signed this 12th day of June 2024.					
	Signed by:					
	Capital Preservation Management, LLC					
	Kess Romano, Member					

1	Approved as to form by:			
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3	William Caffee, Attorney for Capital Preservation	on Management, LLC		
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5	SIGNED and ENTERED this 1st day of July, 2024.			
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12	A STATE OF THE PARTY OF THE PAR			
3		William M. Dantter		
4		William M. Beatty Securities Administrator		
5	Approved by:	Presented by:		
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7	<u>/s/</u> Brian J. Guerard	Denise Griffith		
	Chief of Enforcement	Financial Legal Examiner		
8	Reviewed by:			
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20	<u>/s/</u>			
,	Holly Mack-Kretzler			
21	Financial Legal Examiner Supervisor			
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