

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

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

7 Kevin George Healy,
8 Domlex Destiny Five Limited Liability
9 Company,
10 Domlex Destiny Five Group Limited Liability
11 Company,

12 Respondents

Order Number S-08-360-13-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AND TO
IMPOSE A FINE

13 **INTRODUCTION**

14 On September 8, 2009, the Securities Administrator of the State of Washington issued Statement of
15 Charges and Notice of Intent to Enter an Order to Cease and Desist and to Impose a Fine (“Statement of
16 Charges”), Order Number S-08-360-09-SC01, against Respondents, Kevin George Healy, Domlex
17 Destiny Five Limited Liability Company, and Domlex Destiny Five Group Limited Liability Company.
18 The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing
19 (“Notice”) and an Application for Adjudicative Hearing (“Application for Hearing”) were served on
20 Respondents on March 30, 2013.

21 The Notice advised that a written application for an administrative hearing on the Statement of
22 Charges must be received within twenty days from the date of receipt of the Notice. On April 17, 2013,
23 Kevin Healy submitted a letter for consideration by the Securities Administrator and a blank Application
24 for Hearing, but Respondents each failed to request an administrative hearing within twenty days of
25 receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for
Hearing provided or otherwise.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AND TO
IMPOSE A FINE

1 Having considered the letter submitted by Mr. Healy, the Securities Administrator will now adopt as
2 final the Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a
3 final order against Respondents, Kevin George Healy, Domlex Destiny Five Group Limited Liability
4 Company, and Domlex Destiny Five Limited Liability Company, to cease and desist from violations of
5 the Securities Act and to impose a fine.

6 The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

7 **FINDINGS OF FACT**

8 Respondents

9 1. Domlex Destiny Five Limited Liability Company (“Domlex”) is a Washington limited liability
10 company that was formed on March 22, 2006 and had its principal place of business in
11 Bellevue, Washington. During 2006 and 2007, Domlex purchased three apartment buildings in
12 Tacoma, Washington.

13 2. Domlex Destiny Five Group Limited Liability Company (“Domlex Group”) is a Washington
14 limited liability company that was formed on February 21, 2007 and had its principal place of business
15 in Bellevue, Washington. Domlex Group did not own any real estate.

16 3. Kevin George Healy (“Healy”) was the managing member of Domlex and Domlex Group.
17 From at least 2006 until 2008, Healy resided in Bellevue, Washington. From 1986 until 2008, Healy
18 was an attorney who was licensed to practice law in the State of Washington. On August 13, 2008,
19 Healy resigned in lieu of disbarment from the Washington State Bar Association.

20 Offer and Sale of Promissory Notes and LLC Membership Interests

21 4. From at least 2006 through 2008, Healy offered and sold to at least ten Washington investors
22 more than \$3 million worth of promissory notes that were issued by Healy and by one of his companies,
23 either Domlex or Domlex Group. Healy also represented that as long as the notes were outstanding, the

1 investors would have a non-voting membership interest in an LLC that would be managed by Healy.
2 To date, the investments have not been repaid.

3 5. Several of the notes had a term of one year or less. Many of the notes had a term of three years
4 and four months. Those notes generally had 20% annualized interest payments, or more, that were due
5 at the end of each year. All of the notes called for “bonus interest” payments of 20% to 40% that would
6 be due after ten years.

7 6. Healy personally solicited each investment. Some of the investors were clients from Healy’s
8 law practice. Some of the investors were friends of Healy’s parents or neighbors of
9 Healy. Several of the investors were elderly persons who wanted to use the earnings from their
10 investments to fund charitable donations.

11 7. When offering and selling the notes and LLC membership interests, Healy appealed to the
12 investors to trust him. He gave investors letters that said “I would not do this deal if I did not trust you
13 with my whole heart, and feel you in return trust me.” He assured investors that he would “take care of”
14 them and that he would “do the right thing.” Healy told investors that he wanted them to have “relative
15 freedom, comfort and a non-fretful heart” during their final years.

16 8. Healy persuaded many of the investors to obtain home equity loans from a bank, in order to
17 invest the loan proceeds with Healy. These investors pledged their homes as collateral for the bank
18 loans. Some of the investors were retired and had paid off their homes before they invested with Healy.

19 9. The investors did not have any control over the use of their invested funds and the investors did
20 not participate in the management of Domlex or Domlex Group. The investors relied upon Healy to
21 manage their funds and to generate a return on their investments. Healy represented that investor funds
22 would be pooled together and that Healy would use the funds to purchase and renovate apartments and
23

1 rental houses. Healy represented that the investors would be repaid from the sale of the commercial real
2 estate.

3 Misrepresentations and Omissions

4 10. When offering and selling the promissory notes and LLC membership interests, Healy did not
5 specifically identify the LLC in which the investors would have a non-voting
6 membership interest. Healy did not disclose the financial condition or the capital structure of the LLC.
7 Healy did not give the investors any financial statements for Healy, Domlex or Domlex Group.

8 11. When offering and selling the promissory notes and LLC membership interests, Healy
9 represented that he would make all of the principal and interest payments on the home equity loans that
10 investors took out to finance their investments. Healy failed to disclose that he might have insufficient
11 funds to make the investors' loan payments and to repay the investors. Healy represented that he would
12 personally "guarantee" the investments, but he failed to disclose that the "guarantee" had no added
13 value because Healy was already obligated to repay the notes.

14 12. When offering and selling the promissory notes and LLC membership interests, Healy
15 represented to some investors that he had two million dollars worth of life insurance that would repay
16 the investors, even if the LLCs "somehow ceased to exist." Healy failed to disclose that a two million
17 dollar life insurance policy would have been inadequate to repay the full amount of the outstanding
18 notes and that life insurance would not protect the investors against a failure of the LLCs while Healy
19 was still alive.

20 13. When offering and selling the promissory notes and LLC membership interests, Healy failed
21 to identify any specific properties that he intended to purchase with investor
22 funds. Healy failed to disclose the amount of funds that would be required to purchase
23

1 any properties. Healy failed to disclose the assessed value or the appraised value of any properties that
2 would be purchased. Healy failed to disclose the rental history and the vacancy rate for any apartments
3 or rental houses that would be purchased. Healy failed to disclose whether the properties would have
4 property insurance and whether the investors would have any interest in the insurance. Healy failed to
5 disclose his companies' operating history and his experience with renovating and reselling commercial
6 real property.

7 Registration Status

8 14. Although Healy gave investors documents that referenced Rule 505 of Regulation D, Domlex
9 and Domlex Group have never filed a claim of exemption from securities registration in the State of
10 Washington and have never been registered to sell their securities in the State of Washington.

11 15. Kevin George Healy has never been registered as a securities broker-dealer or a securities
12 salesperson in the State of Washington.

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

14 **CONCLUSIONS OF LAW**

15 1. The offer or sale of the investments described above constitutes the offer or sale of a security,
16 as defined in RCW 21.20.005(10) and (12), whether in the form of a promissory note, investment
17 contract, or evidence of indebtedness.

18 2. Respondents have each violated RCW 21.20.140, the securities registration provision of the
19 Securities Act, because no registration for such offer or sale is on file with the Securities Administrator.

20 3. Kevin George Healy has violated RCW 21.20.040 by offering or selling said securities while
21 not registered as a securities broker-dealer or securities salesperson in the State of Washington.

22 4. Respondents have each violated RCW 21.20.010, the anti-fraud provision of the Securities Act,
23 because, in connection with the offer and sale of said securities, Respondents have each made untrue

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

3 **FINAL ORDER**

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

5 It is hereby ORDERED that Respondents, Kevin George Healy, Domlex Destiny Five Group
6 Limited Liability Company, and Domlex Destiny Five Limited Liability Company, and their agents and
7 employees each shall cease and desist from offering or selling securities in violation of RCW
8 21.20.010, RCW 21.20.040, and RCW 21.20.140.

9 It is further ORDERED that Respondent Kevin George Healy shall be liable for and shall pay a
10 fine in the amount of \$50,000.

11 **AUTHORITY AND PROCEDURE**

12 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and
13 is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents, Kevin George
14 Healy, Domlex Destiny Five Group Limited Liability Company, and Domlex Destiny Five Limited
15 Liability Company, each have the right to petition the superior court for judicial review of this agency
16 action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition for Judicial
17 Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this
18 order may be filed in Superior Court. If so filed, the clerk shall treat the order in the same manner as a
19 Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

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

21 DATED and ENTERED this 13th day of May, 2013

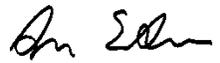
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25



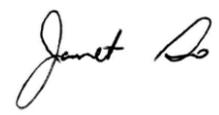
WILLIAM M. BEATTY
Securities Administrator

Approved by:

Presented by:



Suzanne E. Sarason
Chief of Enforcement



Janet So
Enforcement Attorney

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor