

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 of the
6 Securities Act of Washington by:

7 Primefund, Inc., dba WealthFlex,
8 Joseph John DiDomenico,

9 Respondents.

Order No. S-17-2323-19-SC01

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, TO IMPOSE A FINE, AND TO CHARGE
COSTS

10 THE STATE OF WASHINGTON TO:

Primefund, Inc., dba WealthFlex
Joseph John DiDomenico

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the state of Washington has reason to believe
13 that Respondents Primefund, Inc., dba WealthFlex, and Joseph John DiDomenico have each violated the
14 Securities Act of Washington. The Securities Administrator believes these violations justify the entry of an
15 order against Respondents to cease and desist from such violations and to charge costs pursuant to RCW
16 21.20.390, and to impose a fine pursuant to RCW 21.20.395. The Securities Administrator finds as follows:

17 **TENTATIVE FINDINGS OF FACT**

18 **Respondents**

19 1. Primefund, Inc., dba WealthFlex, (WealthFlex) is a Delaware corporation that was
20 incorporated on December 4, 2014. Its principal place of business is Bellevue, Washington. WealthFlex is in
21 the business of providing services to owners of self-directed investment retirement accounts.

22 2. Joseph John DiDomenico (DiDomenico) is the founder and CEO of WealthFlex, and he is a
23 Washington resident. Between 1994 and 2006, DiDomenico was registered with the Securities Division as a
securities salesperson and investment adviser representative. His Central Registration Depository (CRD)
number is 2447443.

1 **Related Parties**

2 3. Homes2Mend, LLC (Homes2Mend) is a Nevada limited liability company that was formed on
3 June 6, 2016. Its principal place of business is Woodinville, Washington. Homes2Mend is in the business of
4 real estate.

5 4. Steven Pyeatt (Pyeatt) is a resident of Washington State. During the time period relevant to
6 this Statement of Charges, Pyeatt was a manager of Homes2Mend.

7 5. Spartan Investment Group, LLC (Spartan Investment) is a District of Columbia limited liability
8 company that was formed on February 13, 2014. Its principal place of business is Washington, DC. Spartan
9 Investment is in the business of developing and offering real estate investments.

10 6. Black Diamond Self Storage, LLC (Black Diamond) is a Washington limited liability company
11 that was formed on July 24, 2017. Its principal place of business is Black Diamond, Washington. Black
12 Diamond was formed to issue securities in order to build and manage a self-storage facility.

13 **Nature of the Conduct**

14 *Overview*

15 7. Between July 2016 and September 2017, WealthFlex and DiDomenico offered and sold
16 approximately \$478,000 of unregistered investments to six investors. Four of these investors were Washington
17 residents. DiDomenico and WealthFlex offered and sold investments in two different offerings: a house flip
18 investment by Homes2Mend, and a self-storage investment by Black Diamond. For each offering,
19 DiDomenico represented that WealthFlex would create a trust to invest in the specified investment.
20 DiDomenico and WealthFlex then offered and sold interests in each trust to WealthFlex clients.

21 *WealthFlex*

22 8. WealthFlex helps its clients use their retirement funds to invest in alternative investments, such
23 as private real estate investments. Some investment retirement account (IRA) custodians restrict the ability of

1 their clients to directly invest in alternative investments. WealthFlex helps its clients arrange the transfer of
2 funds from the IRA to a checking account held by a trust owned and created by the client. WealthFlex clients
3 can then transfer the funds from their trust's checking account to the preferred investment. WealthFlex advises
4 its clients on transferring their retirement funds in a manner that avoids tax consequences, and WealthFlex
5 assists its clients in filing required reports with the Internal Revenue Service. WealthFlex also pays some fees
6 to IRA custodians on behalf of WealthFlex's clients. For these services, WealthFlex charges its clients an
7 initial setup fee and annual fees. For the most part, WealthFlex and DiDomenico do not have access to the
8 funds of WealthFlex's clients.

9 *Homes2Mend Real Estate Investment*

10 9. Between July 2016 and July 2017, DiDomenico and WealthFlex offered and sold about
11 \$378,000 of investments in a real estate investment to four WealthFlex clients. The investment was in a
12 WealthFlex trust, which DiDomenico and WealthFlex would form to invest in a Homes2Mend house-flip
13 investment. DiDomenico and WealthFlex failed to disclose material information to the investors, including
14 WealthFlex's compensation from the investment, the structure of the investment, the security of the
15 investment, the experience of Homes2Mend and Pyeatt, the risks of investing, and the use of funds.

16 10. In June 2016, Pyeatt and DiDomenico agreed that DiDomenico and WealthFlex would raise
17 funds for a house-flip project in Fall City, Washington. The project would be managed by Pyeatt and
18 Homes2Mend. DiDomenico and Pyeatt agreed that, after the remodeled house sold, Homes2Mend would pay
19 WealthFlex 10% of the funds that WealthFlex raised. If the house sold for more than \$600,000, Homes2Mend
20 would pay WealthFlex 40% of the net amount above \$600,000.

21 11. In July 2016, DiDomenico and WealthFlex offered the Homes2Mend investment to
22 WealthFlex clients. DiDomenico and WealthFlex told the clients that WealthFlex was raising \$425,000 for
23 the investment, with \$275,000 going to the purchase of the house and \$150,000 to the remodel. DiDomenico

1 and WealthFlex told investors that Pyeatt would contribute up to \$75,000 to the investment. DiDomenico and
2 WealthFlex told investors that Homes2Mend would reconfigure the floor plan and remodel the house. They
3 said that houses similar to the remodeled house had sold for \$575,000 to \$600,000, but that they expected the
4 Fall City house to sell for \$625,000 to \$650,000 because of its location and Homes2Mend's plans for the
5 house. The expected duration of the investment was four to six months.

6 12. DiDomenico and WealthFlex told investors that each investor would receive a return of 9% of
7 the funds that the investor invested. Investors would also receive a prorated share of 30% of any net amount
8 above a sales price of \$600,000. DiDomenico and WealthFlex failed to disclose to at least one investor that
9 WealthFlex would receive compensation from the deal of 1% of the funds WealthFlex raised plus 10% of any
10 profit above \$600,000.

11 13. On August 5, 2016, Homes2Mend purchased the house in Fall City for about \$277,000.
12 DiDomenico and WealthFlex had raised about \$195,000 for the purchase from an investor, and Homes2Mend
13 contributed \$50,000. To close the purchase, about \$32,000 was wired from the account of WealthFlex client.
14 At the time, DiDomenico had access to the client's funds. DiDomenico denied to the Securities Division that
15 the WealthFlex client was an investor. When asked how it came to be that the client's funds were used to
16 purchase the house, DiDomenico took the 5th Amendment.

17 14. DiDomenico misrepresented the structure of the investment to investors. DiDomenico and
18 WealthFlex represented to investors that WealthFlex would create a trust for the investment. The trust would
19 own the property, and each investor would have a prorated ownership in the trust based on how much they
20 invested. While WealthFlex created a trust called 562 Wealth Trust with a checking account for Homes2Mend
21 to receive investor funds, the investors did not receive any ownership in the trust. WealthFlex did not provide
22 the investors with a trust agreement to review or sign before they invested. In addition, the Fall City house
23 was never transferred to the trust. DiDomenico and WealthFlex also represented that WealthFlex would have

1 access to all the records related to the real estate project. In reality, Homes2Mend never provided WealthFlex
2 with access to 562 Wealth Trust's bank account or other records related to the project.

3 15. DiDomenico and WealthFlex misrepresented the security of the investment to investors. When
4 offering the investment, DiDomenico and WealthFlex represented to investors that each investor would own
5 a prorated share of a WealthFlex trust, which would own the Fall City house. In the profit participation
6 agreements signed by investors, WealthFlex represented that the Fall City house would be quitclaimed to an
7 LLC, and that each investor would own a prorated share of the LLC. In the investment purchase agreements
8 signed by investors, WealthFlex represented that it was issuing and selling "a secured investment" in real
9 estate. At least one investor understood that the investment was secured by the Fall City house. In reality, the
10 investment was not secured by any assets, and the house was never transferred to a trust or quitclaimed to an
11 LLC owned by the investors.

12 16. DiDomenico and WealthFlex misrepresented the experience of Pyeatt and Homes2Mend to
13 investors. DiDomenico and WealthFlex told at least one investor that Pyeatt was an "experienced rehabber."
14 They told another investor that DiDomenico had seen Pyeatt have "good success" on Pyeatt's other projects.
15 DiDomenico and WealthFlex failed to disclose that Pyeatt had completed only one previous house flip, and
16 that Pyeatt had never completed a house flip using investors' funds. DiDomenico and WealthFlex also failed
17 to disclose that DiDomenico did not conduct any due diligence on Pyeatt to determine Pyeatt's experience in
18 flipping houses.

19 17. DiDomenico and WealthFlex failed to provide adequate risk disclosures to investors.
20 DiDomenico and WealthFlex provided investors with written risk disclosures in the investment purchase
21 agreement, but the risk disclosures were largely unrelated to the investment the investors were making in a
22 trust and related house flip. Instead, the risk disclosures mostly related to investing in WealthFlex.
23 DiDomenico and WealthFlex failed to disclose specific risks of investing in a house flip, including that cost

1 overruns could delay or stall the remodel, that the project was reliant on the contractor being available to
2 complete the work, and that the planned house remodel might not result in a higher sales price.

3 18. DiDomenico and WealthFlex misrepresented the use of funds to investors. In August and
4 September 2016, DiDomenico and WealthFlex sold about \$158,000 of the Homes2Mend investment to three
5 investors. DiDomenico and WealthFlex represented to each investor that their funds would be used by
6 Homes2Mend to remodel the Fall City house. In reality, only about \$132,000 of the investment funds went to
7 Homes2Mend. DiDomenico and WealthFlex spent the remaining \$26,000 of investment funds on WealthFlex
8 business expenses, including salary, fees to IRA custodians, and marketing.

9 19. In January 2017, at least one Homes2Mend investor contacted DiDomenico and Pyeatt about
10 the pace of the remodel on the Fall City house. DiDomenico told the investor that progress was being made
11 on the house, and that Pyeatt was hoping to complete the remodel in March.

12 20. In or around June 2017, DiDomenico and WealthFlex offered the Homes2Mend investment to
13 an additional WealthFlex client. On June 26, 2017, the WealthFlex client invested \$25,000. DiDomenico and
14 WealthFlex failed to disclose to this new investor material information related to the Homes2Mend
15 investment, including the status of the investment and the use of funds.

16 21. DiDomenico and WealthFlex misrepresented the status of the investment to the new investor.
17 DiDomenico represented to the investor that WealthFlex was raising \$160,000 to remodel the Fall City house,
18 and the investor understood that she was investing at the beginning of the remodel. DiDomenico failed to
19 disclose that he and WealthFlex had first offered the investment about a year earlier, that DiDomenico and
20 WealthFlex had already raised about \$158,000 for the remodel nine months earlier, that Homes2Mend had
21 been remodeling the house for about nine months, and that at least one investor had raised concerns about the
22 pace of the remodel.

1 required that prospective investors complete the questionnaire before they could access information about the
2 investment. In the questionnaire, DiDomenico falsely represented that the trust was an accredited investor. In
3 truth, the trust was not an accredited investor because it was formed for the purpose of investing in Black
4 Diamond, and it did not, and would not, have \$5 million in assets.

5 27. In August and September 2017, DiDomenico and WealthFlex offered the Black Diamond
6 investment to at least three WealthFlex clients. When a client expressed interest in the investment,
7 DiDomenico asked Spartan Investment to allow the client access to the Black Diamond offering documents.
8 The Black Diamond offering documents included information about the property, the planned self-storage
9 building, and the risks of investing.

10 28. In August and September 2017, DiDomenico and WealthFlex sold \$100,000 of the Black
11 Diamond investments to two investors. The investors agreed to pay WealthFlex 0.6% of any returns they
12 received from their investment. After investing, the investors reviewed and signed a trust agreement for 547
13 Wealth Trust.

14 **Registration Status**

15 29. Primefund, Inc., dba WealthFlex, is not currently registered to sell its securities in the state of
16 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

17 30. Joseph John DiDomenico is not currently registered as a securities salesperson or broker-dealer
18 in the state of Washington and was not so registered during the time period described above.

19
20 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

21 **CONCLUSIONS OF LAW**

22 1. The offer and sale of an investment in a trust as described above constitutes the offer and sale
23 of a security as defined in RCW 21.20.005(14) and RCW 21.20.005(17).

1 2. Joseph John DiDomenico and Primefund, Inc., dba WealthFlex, have each violated RCW
2 21.20.140 because, as set forth in the Tentative Findings of Fact, Respondents offered and sold securities for
3 which no registration is on file with the Securities Administrator.

4 3. Joseph John DiDomenico has violated RCW 21.20.040 because, as set forth in the Tentative
5 Findings of Fact, DiDomenico offered and sold securities while not being registered as a securities salesperson
6 or broker-dealer in the state of Washington.

7 4. Joseph John DiDomenico and Primefund, Inc., dba WealthFlex, have each violated RCW
8 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents made untrue statements of
9 material fact or omitted to state material facts necessary to make the statements made, in light of the
10 circumstances in which they were made, not misleading.

11 **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

12 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
13 Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondents Joseph John DiDomenico
14 and Primefund, Inc., dba WealthFlex, and their agents and employees, shall each cease and desist from
15 violations of RCW 21.20.010 and RCW 21.20.140, and that Respondent Joseph John DiDomenico, and their
16 agents and employees, shall each cease and desist from violations of RCW 21.20.040.

17 **NOTICE OF INTENT TO IMPOSE A FINE**

18 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions
19 of Law, the Securities Administrator intends to order that Respondent Primefund, Inc., dba WealthFlex, shall
20 be liable for and shall pay a fine of \$10,000; and that Respondent Joseph John DiDomenico shall be liable for
21 and shall pay a fine of \$10,000.

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1 **NOTICE OF INTENT TO CHARGE COSTS**

2 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions
3 of Law, the Securities Administrator intends to order that Respondents Primefund, Inc., dba WealthFlex, and
4 Joseph John DiDomenico shall be jointly liable for and shall pay the costs, fees, and other expenses incurred
5 in the administrative investigation and hearing of this matter, in an amount not less than \$7,500.

6 **AUTHORITY AND PROCEDURE**

7 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
8 to the provisions of Chapter 34.05 RCW. Respondents Primefund, Inc., dba WealthFlex, and Joseph John
9 DiDomenico may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY
10 FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time
11 allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions
12 of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines
13 sought against that respondent, and to charge any costs sought against that respondent.

14 Signed and Entered this 18th day of December 2019.

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18 _____
19 William M. Beatty
20 Securities Administrator

21 Approved by:

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23 _____
Suzanne Sarason
Chief of Enforcement

Presented By:



Holly Mack-Kretzler
Financial Legal Examiner

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Reviewed by:



Brian Guerard
Financial Legal Examiner Supervisor