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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

PrimeFund, Inc., dba WealthFlex,
Joseph John DiDomenico,

Respondents.

Order No. S-17-2323-20-CO01

CONSENT ORDER

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INTRODUCTION

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On December 18, 2019, 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 Impose a Fine, and to Charge Costs (“Statement of Charges”), Order Number S-17-2323-19-S01, against Respondents PrimeFund, Inc. and Joseph John DiDomenico. Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Division and Respondents do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents PrimeFund, Inc. and Joseph John DiDomenico neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondents

1. PrimeFund, Inc., dba WealthFlex, (PrimeFund) was a Delaware corporation that was active between about December 4, 2014 and December 17, 2019. Its principal place of business was Bellevue, Washington. PrimeFund was in the business of providing services to owners of self-directed investment retirement accounts.

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

5 **Related Parties**

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

9 4. Steven Pyeatt (Pyeatt) is a resident of Washington State. During the time period relevant to
10 this Consent Order, Pyeatt was a manager of Homes2Mend.

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

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

17 **Nature of the Conduct**

18 *Overview*

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

3 *PrimeFund's Business*

4 8. PrimeFund, doing business as WealthFlex, helped its clients use their retirement funds to invest
5 in alternative investments, such as private real estate investments. Some investment retirement account (IRA)
6 custodians restrict the ability of their clients to directly invest in alternative investments. PrimeFund helped
7 its clients arrange the transfer of funds from the IRA to a checking account held by a trust owned and created
8 by the client. PrimeFund clients could then transfer the funds from their trust's checking account to the
9 preferred investment. PrimeFund advised its clients on transferring their retirement funds in a manner that
10 avoided tax consequences, and PrimeFund assisted its clients in filing required reports with the Internal
11 Revenue Service. PrimeFund also paid some fees to IRA custodians on behalf of PrimeFund's clients. For
12 these services, PrimeFund charged its clients an initial setup fee and annual fees. For the most part, PrimeFund
13 and DiDomenico did not have access to the funds of PrimeFund's clients.

14 *Homes2Mend Real Estate Investment*

15 9. Between July 2016 and July 2017, DiDomenico and PrimeFund offered and sold about
16 \$378,000 of investments in a real estate investment to four PrimeFund clients. The investment was in a
17 PrimeFund trust, which DiDomenico and PrimeFund would form to invest in a Homes2Mend house-flip
18 investment. DiDomenico and PrimeFund failed to disclose material information to the investors, including
19 PrimeFund's compensation from the investment, the structure of the investment, the security of the
20 investment, the experience of Homes2Mend and Pyeatt, the risks of investing, and the use of funds.

21 10. In June 2016, Pyeatt and DiDomenico agreed that DiDomenico and PrimeFund would raise
22 funds for a house-flip project in Fall City, Washington. The project would be managed by Pyeatt and
23 Homes2Mend. DiDomenico and Pyeatt agreed that, after the remodeled house sold, Homes2Mend would pay

1 PrimeFund 10% of the funds that PrimeFund raised. If the house sold for more than \$600,000, Homes2Mend
2 would pay PrimeFund 40% of the net amount above \$600,000.

3 11. In July 2016, DiDomenico and PrimeFund, doing business as WealthFlex, offered the
4 Homes2Mend investment to PrimeFund clients. DiDomenico and PrimeFund told the clients that PrimeFund
5 was raising \$425,000 for the investment, with \$275,000 going to the purchase of the house and \$150,000 to
6 the remodel. DiDomenico and PrimeFund told investors that Pyeatt would contribute up to \$75,000 to the
7 investment. DiDomenico and PrimeFund told investors that Homes2Mend would reconfigure the floor plan
8 and remodel the house. They said that houses similar to the remodeled house had sold for \$575,000 to
9 \$600,000, but that they expected the Fall City house to sell for \$625,000 to \$650,000 because of its location
10 and Homes2Mend's plans for the house. The expected duration of the investment was four to six months.

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

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

22 14. DiDomenico misrepresented the structure of the investment to investors. DiDomenico and
23 PrimeFund represented to investors that PrimeFund would create a trust for the investment. The trust would

1 own the property, and each investor would have a prorated ownership in the trust based on how much they
2 invested. While PrimeFund created a trust called 562 Wealth Trust with a checking account for Homes2Mend
3 to receive investor funds, the investors did not receive any ownership in the trust. PrimeFund did not provide
4 the investors with a trust agreement to review or sign before they invested. In addition, the Fall City house
5 was never transferred to the trust. DiDomenico and PrimeFund also represented that PrimeFund would have
6 access to all the records related to the real estate project. In reality, Homes2Mend never provided PrimeFund
7 with access to 562 Wealth Trust's bank account or other records related to the project.

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

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

1 17. DiDomenico and PrimeFund failed to provide adequate risk disclosures to investors.
2 DiDomenico and PrimeFund provided investors with written risk disclosures in the investment purchase
3 agreement, but the risk disclosures were largely unrelated to the investment the investors were making in a
4 trust and related house flip. Instead, the risk disclosures mostly related to investing in PrimeFund.
5 DiDomenico and PrimeFund failed to disclose specific risks of investing in a house flip, including that cost
6 overruns could delay or stall the remodel, that the project was reliant on the contractor being available to
7 complete the work, and that the planned house remodel might not result in a higher sales price.

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

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

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

21 21. DiDomenico and PrimeFund misrepresented the status of the investment to the new investor.
22 DiDomenico represented to the investor that PrimeFund was raising \$160,000 to remodel the Fall City house,
23 and the investor understood that she was investing at the beginning of the remodel. DiDomenico failed to

1 disclose that he and PrimeFund had first offered the investment about a year earlier, that DiDomenico and
2 PrimeFund had already raised about \$158,000 for the remodel nine months earlier, that Homes2Mend had
3 been remodeling the house for about nine months, and that at least one investor had raised concerns about the
4 pace of the remodel.

5 22. DiDomenico and PrimeFund misrepresented the use of funds to the investor. DiDomenico and
6 PrimeFund represented to the new investor that the investment funds would go towards remodeling the Fall
7 City house. In reality, none of the investor's funds went towards the remodel. Instead, DiDomenico used the
8 funds for PrimeFund business expenses, including salary, rent, and fees to IRA custodians.

9 23. In July 2017, the largest Homes2Mend investor, who contributed about three-quarters of the
10 funds invested, contacted DiDomenico and Pyeatt about the investment. The investor told DiDomenico and
11 Pyeatt that the investment was taking too long, and that he needed his funds returned to him. In March 2018,
12 the investor sued DiDomenico, PrimeFund, Homes2Mend, and Pyeatt. The complaint alleged multiple
13 violations of the law and requested that the Fall City property be quitclaimed to the investor.

14 24. In or around November 2018, PrimeFund repaid the most recent investor with a 9% return.
15 The other investors were not repaid. In June 2019, in settlement of the investor's lawsuit, Homes2Mend agreed
16 to quitclaim the Fall City property to the investor. In the settlement agreement, the investor agreed to pay the
17 remaining investors a portion of the proceeds from the sale of the Fall City house. The house remodel is
18 currently suspended due to lack of funds.

19 *Black Diamond Self Storage Investment*

20 25. In or around July 2017, Spartan Investment notified DiDomenico that Spartan Investment was
21 offering an investment in Black Diamond, an entity formed to build and manage a self-storage facility. Spartan
22 Investment and DiDomenico agreed that DiDomenico and PrimeFund would raise up to \$250,000 for the
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1 offering from PrimeFund clients. To raise the funds, DiDomenico would create a trust to invest in the Black
2 Diamond offering. DiDomenico and PrimeFund would then sell investments in the trust to PrimeFund clients.

3 26. In August 2017, DiDomenico completed a purchaser questionnaire for the Black Diamond
4 investment on behalf of 547 Wealth Trust, the trust that would invest in Black Diamond. Spartan Investment
5 required that prospective investors complete the questionnaire before they could access information about the
6 investment. In the questionnaire, DiDomenico falsely represented that the trust was an accredited investor. In
7 truth, the trust was not an accredited investor because it was formed for the purpose of investing in Black
8 Diamond, and it did not, and would not, have \$5 million in assets.

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

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

18 **Registration Status**

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

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

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

2 **CONCLUSIONS OF LAW**

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

5 2. Joseph John DiDomenico and PrimeFund Inc., dba WealthFlex, have each violated RCW
6 21.20.140 because, as set forth in the Findings of Fact, Respondents offered and sold securities for which no
7 registration is on file with the Securities Administrator.

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

11 4. Joseph John DiDomenico and PrimeFund, Inc., dba WealthFlex, have each violated RCW
12 21.20.010 because, as set forth in the Findings of Fact, Respondents made untrue statements of material fact
13 or omitted to state material facts necessary to make the statements made, in light of the circumstances in
14 which they were made, not misleading.

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

16 **CONSENT ORDER**

17 IT IS AGREED AND ORDERED that Respondents Joseph John DiDomenico and Primefund, Inc.
18 and their agents and employees, shall each cease and desist from violating RCW 21.20.140, the securities
19 registration section of the Securities Act of Washington.

20 IT IS FURTHER AGREED AND ORDERED that Respondent Joseph John DiDomenico, and his
21 agents and employees, shall cease and desist from violating RCW 21.20.040, the securities salesperson and
22 broker-dealer registration section of the Securities Act of Washington.

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 IT IS FURTHER AGREED AND ORDERED that Respondents Joseph John DiDomenico and
2 PrimeFund, Inc. and their agents and employees, shall each cease and desist from violating RCW 21.20.010,
3 the anti-fraud section of the Securities Act of Washington.

4 IT IS FURTHER AGREED AND ORDERED that Respondent Joseph John DiDomenico shall be
5 liable for and shall pay a fine of \$5,000, and that Respondent PrimeFund, Inc. shall be liable for and shall pay
6 a fine of \$5,000.

7 IT IS FURTHER AGREED AND ORDERED that Respondents Joseph John DiDomenico and
8 PrimeFund, Inc. shall be jointly liable for and shall pay investigative costs of \$7,500.

9 IT IS FURTHER AGREED AND ORDERED that payment of the fines and costs as described above
10 shall be made as follows: Respondent Joseph John DiDomenico shall pay the fine of \$5,000 on or before the
11 entry of this Consent Order, and Respondents Joseph John DiDomenico and PrimeFund, Inc. shall pay the
12 remaining fine and costs totaling \$12,500 on or before 30 days from the entry of this Consent Order.

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

14 IT IS FURTHER AGREED that Respondents Joseph John DiDomenico and PrimeFund, Inc. entered
15 into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

16 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Joseph John
17 DiDomenico and PrimeFund, Inc. waive their right to a hearing and to judicial review of this matter pursuant
18 to RCW 21.20.440 and Chapter 34.05 RCW.

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

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1 Signed this 8th day of June, 2020.

2 Signed by:

Signed by:
Primefund, Inc.

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5 /s/
Joseph John DiDomenico, Individually

/s/
Joseph John DiDomenico
Chief Executive Officer

6 Approved as to form by:

7
8 /s/
9 Jack Orr, Attorney for Respondents
WSBA No. 6807

10 SIGNED and ENTERED this 25th day of June, 2020.

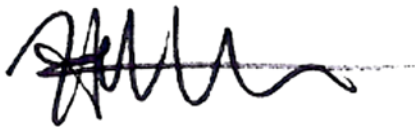
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13 _____
William M. Beatty
Securities Administrator

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15 Approved by:

Presented by:

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18 _____
Suzanne Sarason
Chief of Enforcement

19 _____
Holly Mack-Kretzler
Financial Legal Examiner

20 Reviewed by:

21 

22 _____
Brian Guerard
Financial Legal Examiner Supervisor

23
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