

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-08-360-09-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO ENTER AN
Kevin George Healy; Domlex Destiny Five) ORDER TO CEASE AND DESIST AND
Limited Liability Company; Domlex) TO IMPOSE A FINE
Destiny Five Group Limited Liability)
Company,)
Respondents)

THE STATE OF WASHINGTON TO: Kevin Healy; Domlex Destiny Five Limited
Liability Company; Domlex Destiny Five
Group Limited Liability Company

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Kevin George Healy; Domlex Destiny Five Limited Liability Company; and Domlex Destiny Five Group Limited Liability Company, have each violated the Securities Act of Washington (“Securities Act”) and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Domlex Destiny Five Limited Liability Company (“Domlex”) is a Washington limited liability company that was formed on March 22, 2006 and had its principal place of business in

1 Bellevue, Washington. During 2006 and 2007, Domlex purchased three apartment buildings in
2 Tacoma, Washington.

3 2. Domlex Destiny Five Group Limited Liability Company (“Domlex Group”) is a
4 Washington limited liability company that was formed on February 21, 2007 and had its
5 principal place of business in Bellevue, Washington. Domlex Group did not own any real
6 estate.
7

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

14 Offer and Sale of Promissory Notes and LLC Membership Interests

15 4. From at least 2006 through 2008, Healy offered and sold to at least ten Washington
16 investors more than \$3 million worth of promissory notes that were issued by Healy and by
17 one of his companies, either Domlex or Domlex Group. Healy also represented that as long as
18 the notes were outstanding, the investors would have a non-voting membership interest in an
19 LLC that would be managed by Healy. To date, the investments have not been repaid.
20

21 5. Several of the notes had a term of one year or less. Many of the notes had a term of
22 three years and four months. Those notes generally had 20% annualized interest payments, or
23 more, that were due at the end of each year. All of the notes called for “bonus interest”
24 payments of 20% to 40% that would be due after ten years.
25

1 6. Healy personally solicited each investment. Some of the investors were clients from
2 Healy's law practice. Some of the investors were friends of Healy's parents or neighbors of
3 Healy. Several of the investors were elderly persons who wanted to use the earnings from their
4 investments to fund charitable donations.
5

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

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

18 9. The investors did not have any control over the use of their invested funds and the
19 investors did not participate in the management of Domlex or Domlex Group. The investors
20 relied upon Healy to manage their funds and to generate a return on their investments. Healy
21 represented that investor funds would be pooled together and that Healy would use the funds to
22 purchase and renovate apartments and rental houses. Healy represented that the investors
23 would be repaid from the sale of the commercial real estate.
24
25

Misrepresentations and Omissions

1
2 10. When offering and selling the promissory notes and LLC membership interests,
3 Healy did not specifically identify the LLC in which the investors would have a non-voting
4 membership interest. Healy did not disclose the financial condition or the capital structure of
5 the LLC. Healy did not give the investors any financial statements for Healy, Domlex or
6 Domlex Group.
7

8 11. When offering and selling the promissory notes and LLC membership interests,
9 Healy represented that he would make all of the principal and interest payments on the home
10 equity loans that investors took out to finance their investments. Healy failed to disclose that
11 he might have insufficient funds to make the investors' loan payments and to repay the
12 investors. Healy represented that he would personally "guarantee" the investments, but he
13 failed to disclose that the "guarantee" had no added value because Healy was already obligated
14 to repay the notes.
15

16 12. When offering and selling the promissory notes and LLC membership interests,
17 Healy represented to some investors that he had two million dollars worth of life insurance that
18 would repay the investors, even if the LLCs "somehow ceased to exist." Healy failed to
19 disclose that a two million dollar life insurance policy would have been inadequate to repay the
20 full amount of the outstanding notes and that life insurance would not protect the investors
21 against a failure of the LLCs while Healy was still alive.
22

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

1 any properties. Healy failed to disclose the assessed value or the appraised value of any
2 properties that would be purchased. Healy failed to disclose the rental history and the vacancy
3 rate for any apartments or rental houses that would be purchased. Healy failed to disclose
4 whether the properties would have property insurance and whether the investors would have
5 any interest in the insurance. Healy failed to disclose his companies' operating history and his
6 experience with renovating and reselling commercial real property.
7

8 Registration Status

9 14. Although Healy gave investors documents that referenced Rule 505 of Regulation D,
10 Domlex and Domlex Group have never filed a claim of exemption from securities registration
11 in the State of Washington and have never been registered to sell their securities in the State of
12 Washington.
13

14 15. Kevin George Healy has never been registered as a securities broker-dealer or a
15 securities salesperson in the State of Washington.
16

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

18 **CONCLUSIONS OF LAW**

19 1. The offer or sale of the investments described above constitutes the offer or sale of a
20 security, as defined in RCW 21.20.005(10) and (12), whether in the form of a promissory note,
21 investment contract, or evidence of indebtedness.
22

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

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

4 4. Respondents have each violated RCW 21.20.010, the anti-fraud provision of the
5 Securities Act, because, in connection with the offer and sale of said securities, Respondents
6 have each made untrue statements of a material fact or have omitted to state a material fact
7 necessary in order to make the statements made, in the light of the circumstances under which
8 they were made, not misleading.
9

10 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

11 Pursuant to RCW 21.20.390(1), and based on the Tentative Findings of Fact and
12 Conclusions of Law, the Securities Administrator intends to order that Respondents, Kevin
13 George Healy; Domlex Destiny Five Limited Liability Company; and Domlex Destiny Five
14 Group Limited Liability Company, and their agents and employees, each shall cease and desist
15 from any violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.
16

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

18 Pursuant to RCW 21.20.395, and based on the Tentative Findings of Fact and
19 Conclusions of Law, the Securities Administrator intends to order that Kevin George Healy
20 shall be liable for and shall pay a fine of \$50,000.
21

22 **AUTHORITY AND PROCEDURE**

23 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
24 and is subject to the provisions of chapter 34.05 RCW. The Respondents, Kevin George
25 Healy; Domlex Destiny Five Limited Liability Company; and Domlex Destiny Five Group

1 Limited Liability Company, may each make a written request for a hearing as set forth in the
2 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
3 accompanying this order.
4

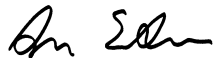
5 If a respondent fails to make a timely hearing request, the Securities Administrator
6 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final against
7 that respondent and to enter a permanent order to cease and desist and impose any fines sought
8 against that respondent.

9 Dated and Entered this 8th day of September, 2009
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11

12 

13 MICHAEL E. STEVENSON
14 Securities Administrator

15 Approved by:

16 

17
18 Suzanne E. Sarason
19 Chief of Enforcement

Presented by:

20 

21 Janet So
22 Financial Legal Examiner

23 Reviewed by:

24 

25 Martin Cordell
Financial Legal Examiner Supervisor