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**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:

Corey V. Darling;  
Wealth Investment Group, LLC,

Respondents

Order Number S-10-008-10-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER AN ORDER TO  
CEASE AND DESIST, DENY FUTURE  
REGISTRATIONS, IMPOSE FINES, AND  
RECOVER COSTS

THE STATE OF WASHINGTON TO: Corey V. Darling (CRD #4005873)  
Wealth Investment Group, LLC

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Corey V. Darling and Wealth Investment Group, LLC, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator against each to cease and desist from such violations pursuant to RCW 21.20.390, to deny future securities registration applications of Corey V. Darling pursuant to RCW 21.20.110(1), and to impose fines and recover costs. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

Respondents

1. Corey V. Darling (“Darling”) is an individual residing in Anacortes, Washington. Darling is a CPA. Darling is not currently registered with the Washington State Securities Division in any capacity. He was previously registered with the Washington State Securities Division as a securities salesperson and investment adviser representative for KMS Financial Services, Inc. (“KMS Financial Services”) from January 2006 through October 2009. Prior to that, he was registered as a securities salesperson and

STATEMENT OF CHARGES AND NOTICE OF INTENT TO  
ENTER AN ORDER TO CEASE AND DESIST, DENY FUTURE  
REGISTRATIONS, IMPOSE FINES, AND RECOVER COSTS

1

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

1 investment adviser representative for Crown Capital Securities, L.P. (“Crown Capital Securities”) from  
2 February 2004 through December 2005. On November 5, 2010, Darling filed for Chapter 7 bankruptcy in  
3 United States Bankruptcy Court for the Western District of Washington. Darling has a Central Registration  
4 Depository (“CRD”) number of 4005873.

5 2. Wealth Investment Group, LLC (“Wealth Investment Group”) is an Arizona limited liability  
6 company established on October 27, 2005. Darling formed Wealth Investment Group to manage a  
7 commercial real estate building located in Mesa, Arizona. He is the managing member of Wealth  
8 Investment Group.

9 Nature of the Conduct

10 *Introduction*

11 3. From September to December 2005, while working as a securities salesperson, investment adviser  
12 representative and CPA, Darling solicited investments in Wealth Investment Group from five Washington  
13 residents. Four of the individuals were Darling’s securities brokerage and tax clients. When one of the  
14 individuals, a securities brokerage and tax client, declined to invest in Wealth Investment Group, Darling  
15 offered and sold her a promissory note secured by a second position deed of trust instead. These securities  
16 transactions were not recorded on the regular books and records of the broker-dealer which Darling  
17 represented.

18 4. From September 2006 to June 2008, Darling borrowed money from at least two individuals. He  
19 provided securities brokerage services to one individual, and both securities brokerage and tax services to  
20 the other. Darling failed to obtain written approval from his registered firm prior to obtaining these loans  
21 from his customers.

*Sale of Investments in Wealth Investment Group, LLC*

5. Around September 2005, Darling sold investments in the form of limited liability company membership interests in Wealth Investment Group to three Washington residents. Darling, who was a registered representative of Crown Capital Securities during this time, provided both securities brokerage and tax services to these individuals. Two of the investors were not accredited, and one of the investors was elderly. All three investors were retired.

6. Darling represented to these clients that he planned to secure commercial property in Arizona and convert the interior of the building into rentable private office spaces. Wealth Investment Group would generate revenue by renting the twenty private offices to tenants. According to Darling, the investors' funds were needed to obtain a construction loan from the bank. Investors were not provided any offering documents or financial statements. Darling did not discuss the risks of the investment with the investors.

7. Darling solicited \$95,000 from each investor. Each investor received 22.35% interest in Wealth Investment Group. Darling retained 25.89% interest in Wealth Investment Group.

8. Darling told one investor that the return on investment would vary according to the rental and vacancy rates of the building, and the investor could expect "a return of 4% to 5% on the low end, and 8% to 9% on the high end." He failed to provide a reasonable basis for this projection.

9. According to Darling, all investors were required to personally guarantee the construction loan because Wealth Investment Group was "a brand-new entity," and the bank would not have given a loan without the personal guarantee of each investor. The \$980,000 loan was obtained in December 2005.

10. Around December 2005, Darling accepted \$30,000 from a fourth Washington resident. He did not have a pre-existing relationship with this investor. He did not provide securities brokerage or tax services to this investor. According to Darling, this investor represented that she was looking for a passive real

1 estate investment. Darling referred to this investor as “a minority interest” who would not be required to  
2 personally guarantee the loan or make additional capital contributions. Darling represented to the investor  
3 that her funds would be used to “secure the loan to purchase the land and the building.” No financial  
4 statements or offering documents were provided to this investor, who received a 7.06% interest in Wealth  
5 Investment Group. Darling did not discuss any risks of the investment with the investor.

6 11. Darling provided investors with a “membership certificate” to evidence their investment. He signed  
7 this document as “Managing Member.” The Certification of Authority of Wealth Investment Group  
8 indicates that Darling is the manager of the company and as such has “managerial authority of the LLC  
9 and [is] empowered to transact business on its behalf.”

10 12. In September 2009, all investors, except the investor Darling referred to as the “minority interest,”  
11 were required to contribute additional capital to pay property taxes. Each investor contributed  
12 approximately \$4,000 to \$5,000. In March 2010, the investors were again required to make an additional  
13 capital contribution of approximately \$2,000 each to fund the shortfall for the next property tax payments.

14 13. According to Darling, as of May 2010, approximately nine out of the twenty offices in the building  
15 were occupied. Furthermore, as of May 2010, Wealth Investment Group was not generating enough  
16 income to pay its bills, and none of the investors had received any payment on their investment.

17 *Sale of the Promissory Note to Customer A*

18 14. In September 2005, Darling offered and sold a promissory note in the amount of \$100,000 to  
19 Customer A, a Washington resident who had recently been widowed. Darling provided both securities  
20 brokerage and tax services to Customer A. He had initially solicited Customer A to invest \$350,000 in  
21 Wealth Investment Group. When Customer A declined to do so, Darling asked if she would invest  
22 \$100,000 in a promissory note instead.

1 15. Darling represented that the promissory note would be secured by a second position deed of trust  
2 on a residential property he planned to purchase in Gilbert, Arizona (“Arizona property”). Although  
3 Customer A was reluctant to invest, Darling assured her that the value of the Arizona property exceeded  
4 the amount of the loans against it. Darling represented that the promissory note would be a “100% safe  
5 deal” because it was secured by real estate. He further represented that the promissory note would provide  
6 Customer A with a steady stream of income for about five years. Based on these representations, Customer  
7 A agreed to invest \$100,000. Customer A believed that this was a real estate investment.

8 16. On or about September 10, 2005, Darling entered into a promissory note with Customer A. The  
9 terms of the note provided for Darling to make 4% interest-only monthly payments to Customer A from  
10 September 2005 through April 2006, at which point the interest rate would increase to 7%.

11 17. On or about November 28, 2005, the Maricopa County Recorder recorded the second position deed  
12 of trust securing Customer A’s promissory note.

13 18. Around March 2007, Darling told Customer A that he wanted to sell the Arizona property and  
14 move his family back to Anacortes, Washington. Darling told Customer A that due to changes in the  
15 housing market, the value of the Arizona property had fallen and he would not be able to sell it unless she  
16 signed a Deed of Release and Full Reconveyance (“Deed of Release”). Darling represented that he would  
17 secure Customer A’s promissory note with a deed of trust on the new home he planned to purchase in  
18 Anacortes (“Anacortes property”). Customer A agreed to sign the Deed of Release, and on or about April  
19 27, 2007, the Maricopa County Recorder recorded the Deed of Release.

20 19. In the fall of 2007, Customer A asked Darling to send her a copy of the new deed of trust that  
21 secured her promissory note. When Customer A did not receive the deed of trust, she went to the Skagit  
22 County Auditor’s Office to obtain a copy of the deed herself. At that time, she learned that no such deed

1 was ever recorded. When Customer A confronted Darling with this information, Darling falsely told her  
2 that the city was backlogged and didn't have a chance to record the deed yet.

3 20. Customer A received the last payment on the promissory note around June 2009. As of January  
4 2011, the note is currently in default, and Darling has failed to secure the note with a deed of trust on the  
5 Anacortes property or any other property.

6 21. According to Darling, approximately \$54,000 of Customer A's funds were used to purchase the  
7 Arizona property, and about \$45,000 went towards funding a portion of his own contribution to Wealth  
8 Investment Group or paying his household bills as he transitioned from Washington to Arizona.

9 *Loans from Customers*

10 22. While employed by KMS Financial Services, Darling borrowed money from at least two  
11 customers, Customer B and Customer C. According to Darling, Customer B and Customer C were  
12 "friends" who were helping him out because he had previously filed for Chapter 7 bankruptcy in 2002.

13 *Loans from Customer B*

14 23. Around September 2006, Darling borrowed \$34,484.28 from Customer B, a securities brokerage  
15 customer. Customer B was approximately 70-years-old at this time.

16 24. According to the promissory note, Darling was to pay 7% interest on the borrowed funds, with  
17 monthly payments in the amount of \$350. Although the promissory note indicates that the "note will be  
18 secured by a recorded deed of trust," it is believed that no such deed of trust was ever recorded.

19 25. In or about June 2008, Darling entered into another promissory note for \$24,000 with Customer B.  
20 According to the promissory note, Darling was to pay 6% interest, with monthly payments in the amount  
21 of \$350.61. Darling thought that he probably needed to borrow this money to renovate the Anacortes  
22 property, which was a foreclosure home that needed to be renovated before it could be sold. Although the

1 promissory note indicates that the “note will be secured by a recorded deed of trust when available and  
2 within 90 days of note date,” as of May 2010, the note remained unsecured. Darling testified before the  
3 Securities Division that the promissory note was unsecured because he “[ran] out of equity.”

4 Loans from Customer C

5 26. In September 2007, Darling borrowed \$40,000 from Customer C to renovate the Anacortes  
6 property. Customer C also invested in Wealth Investment Group. Darling provided both securities  
7 brokerage and tax services to Customer C. Darling agreed to pay 5% interest on the borrowed funds. This  
8 promissory note was to be secured by a second position deed of trust on the Anacortes property. According  
9 to Darling, the promissory note would be payable upon sale of the Anacortes property.

10 27. In February 2008, Darling borrowed an additional \$20,000 from Customer C to continue  
11 renovating the Anacortes property. Darling agreed to pay 4% interest on the borrowed funds. This  
12 promissory note was to be secured by a third position deed of trust on the Anacortes property. According  
13 to Darling, the promissory note would be payable upon sale of the Anacortes property.

14 28. On or about December 12, 2008, the Skagit County Auditor’s Office recorded two deeds of trust,  
15 securing each of Customer C’s promissory notes.

16 29. According to Darling, as of May 2010, the Anacortes property had not yet been sold, and no  
17 payments had been made on either of Customer C’s promissory notes.

18 *Failure to Disclose Outside Business Activities and/or Private Securities Transactions*

19 30. The sales of Wealth Investment Group membership interests, and the sale of the promissory note to  
20 Customer A in September 2005, were not recorded on the books and records of Crown Capital Securities.  
21 Darling did not obtain written authorization from Crown Capital Securities prior to effecting securities  
22 transactions not recorded on the firm’s books and records.

1 31. In 2006, while employed by KMS Financial Services, Darling failed to disclose his involvement in  
2 Wealth Investment Group as an outside business activity. In 2007, Darling listed his involvement in  
3 Wealth Investment Group as an outside business activity and indicated that his interest was 25% and his  
4 role was “officer/director.” KMS Financial Services subsequently requested additional information  
5 regarding Darling’s involvement with Wealth Investment Group. Darling indicated that he did not receive  
6 compensation from this involvement and he was a “limited partner entitled to 25.89% of profit and/or  
7 losses.” Respondent Darling falsely answered “no” to the question “Have you ever recommended that  
8 others lend money to or otherwise invest in (or through) this entity?”

9 32. KMS Financial Services prohibited registered representatives from borrowing from, or lending to,  
10 a client without prior written approval of the firm. Darling failed to obtain written approval from KMS  
11 Financial Services prior to obtaining the loans from Customer B and Customer C.

12 33. Darling filed a Form U-4 on January 25, 2006, and amended it on May 31, 2006; June 6, 2006;  
13 March 6, 2008; and October 9, 2008. Question 13 on the Form U-4 asks if the individual is “currently  
14 engaged in any other business as a proprietor, partner, officer, director, employee, trustee, agent or  
15 otherwise.” Darling failed to disclose his involvement with Wealth Investment Group in response to this  
16 question on each of the filings he made.

17 34. In October 2009, KMS Financial Services terminated Darling upon discovering the promissory  
18 note with Customer A and the sales of membership interests in Wealth Investment Group.

19 Misrepresentations/Omissions

20 35. Darling and Wealth Investment Group failed to provide material information to all investors  
21 regarding investing in Wealth Investment Group, including but not limited to, financial statements and a  
22 complete description of Respondent Darling’s business background.

1 36. Darling and Wealth Investment Group failed to disclose material information concerning the risks  
2 involved in investing in Wealth Investment Group, including but not limited to, risks arising from changes  
3 in the real estate regulatory environment, from possible environmental liabilities, and from ownership of  
4 real property, such as liability for injury to persons and property occurring on the real property.

5 37. Darling failed to disclose material information to Customer A, including but not limited to,  
6 information concerning his financial condition and ability to repay debts, a property appraisal report for  
7 the real property that was to secure the investment, and the fact that the investment was subject to general  
8 market conditions and to real property conditions that could limit the value of the property that was to  
9 secure it.

10 38. Darling failed to disclose to Customer A the general risks of investing in promissory notes secured  
11 by deeds of trust, and the specific risks of investing in a promissory note secured by a deed of trust on the  
12 Arizona property.

13 39. Darling failed to disclose to Customer A the risk of having a subordinated deed of trust, including  
14 the fact that Customer A might lose her security interest if a property was foreclosed and there were  
15 inadequate proceeds to pay off the subordinated lien.

16 Registration Status

17 40. Corey V. Darling is not currently registered as a securities salesperson or broker-dealer in the State  
18 of Washington. He was registered as a securities salesperson with the State of Washington during the  
19 relevant period.

20 41. Wealth Investment Group, LLC is not currently registered to sell its securities in the State of  
21 Washington and has not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 1. The offer or sale of the membership interests in Wealth Investment Group, LLC, and the offer or  
4 sale of the promissory note described in Items 14 through 21 constitutes the offer or sale of a security as  
5 defined in RCW 21.20.005(10) and (12).

6 2. The offer or sale of said securities violated RCW 21.20.140 because no registration for such offer  
7 or sale is on file with the Securities Administrator.

8 3. The offer or sale of said securities were made in violation of RCW 21.20.010 because, as set forth  
9 in the Tentative Findings of Fact, Respondents Wealth Investment Group, LLC and Corey V. Darling  
10 made misstatements of material facts and/or omitted to state material facts necessary in order to make the  
11 statements made, in light of the circumstances under which they were made, not misleading.

12 4. By borrowing money from customers, Corey V. Darling engaged in dishonest or unethical  
13 practices in the securities business, as defined by WAC 460-22B-090(1). Additionally, Corey V. Darling  
14 failed to comply with FINRA Rule 3240, which prohibits borrowing money from a customer without  
15 member pre-approval. Pursuant to RCW 21.20.110(1)(g), such practices are grounds for the denial of his  
16 future securities registration applications.

17 5. Corey V. Darling failed to comply with NASD Conduct Rule 3040 by effecting securities  
18 transactions not recorded on the regular books and records of the broker-dealer which he represented. Such  
19 conduct is a dishonest or unethical practice as defined by WAC 460-22B-090(2) and WAC 460-22B-  
20 090(19), and is grounds for denial of his future securities registration applications pursuant to RCW  
21 21.20.110(1)(g).

1 6. Corey V. Darling failed to comply with NASD Conduct Rule 3030 by failing to disclose outside  
2 business activities to his registered firm. Such conduct is a dishonest or unethical business practice as  
3 defined by WAC 460-22B-090(19) and is an additional ground for denial of his future securities  
4 registration applications pursuant to RCW 21.20.110(1)(g).

5 7. Corey V. Darling made at least five filings of Form U-4 on which he falsely stated that he was not  
6 involved in any outside business activities aside from his CPA business. These filings, made with the  
7 Department of Financial Institutions through the Central Registration Depository, were false or misleading  
8 in a material respect, in violation of RCW 21.20.350. Such practice is grounds for the denial of his future  
9 securities registration applications pursuant to RCW 21.20.110(1)(a) and (1)(b).

10 8. Corey V. Darling, as described above, in connection with the offer and sale of securities, made  
11 untrue statements of material fact or omitted to state material facts necessary in order to make the  
12 statements made, in light of the circumstances under which they were made, not misleading, in violation of  
13 RCW 21.20.010. Pursuant to RCW 21.20.110(1)(b), such practice is an additional ground for denial of his  
14 future securities registration applications.

15 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

16 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator  
17 intends to order, pursuant to RCW 21.20.390(1), that Respondents, Corey V. Darling and Wealth  
18 Investment Group, LLC and their agents and employees, each cease and desist from violations of RCW  
19 21.20.010, RCW 21.20.040, and RCW 21.20.140.

20 **NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS**

21 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
22 Conclusions of Law, the Securities Administrator intends to order that any future securities registration

1 applications of Respondent Corey V. Darling as a broker-dealer, securities salesperson, investment adviser  
2 representative, or investment adviser shall be denied.

3 **NOTICE OF INTENT TO IMPOSE FINES**

4 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above Tentative Findings  
5 of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Corey V.  
6 Darling shall be liable for and pay a fine of \$20,000.

7 **NOTICE OF INTENT TO CHARGE COSTS**

8 Pursuant to RCW 21.20.110(10) and RCW 21.20.390, and based upon the Tentative Findings of Fact  
9 and Conclusions of Law, the Securities Administrator intends to order that Respondent Corey V. Darling  
10 shall be liable for and pay the costs, fees, and other expenses incurred in the investigation of this matter in  
11 an amount not less than \$6,000.

12 **AUTHORITY AND PROCEDURE**

13 This Statement of Charges is entered pursuant to the provisions of RCW 21.20 and is subject to the  
14 provisions of RCW 21.20.120 and Chapter 34.05 RCW. The respondents may each make a written request  
15 for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR  
16 HEARING accompanying this Order.

17 If a respondent does not request a hearing, the Securities Administrator intends to adopt the above  
18 Tentative Findings of Fact and Conclusions of Law as final, and as described above, enter a permanent  
19 order to cease and desist, bar future securities registrations, and impose the fines and costs sought.

20  
21 DATED this 11th day of April, 2011.

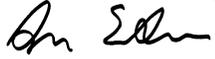
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WILLIAM M. BEATTY  
Securities Administrator

Approved by:



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SUZANNE E. SARASON  
Chief of Enforcement

Presented by:



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Jiyoung C. Kwon  
Financial Legal Examiner