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

IN THE MATTER OF DETERMINING ) Order No.: S-12-1065-15-SC01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE OF INTENT  
Security First Financial, LLC; John Fitzpatrick ) TO ENTER ORDER TO CEASE AND DESIST, TO  
Boles aka Johnny Boles; and Robert Martin ) IMPOSE FINES AND TO CHARGE COSTS  
Darling, )  
Respondents. )

**THE STATE OF WASHINGTON TO:**                      **Security First Financial, LLC;  
John Fitzpatrick Boles aka Johnny Boles; and  
Robert Martin Darling**

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Security First Financial, LLC, John Fitzpatrick Boles aka Johnny Boles and Robert Martin Darling have each violated the Securities Act of Washington 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 to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follow:

**TENTATIVE FINDINGS OF FACT**

**Respondents**

1. Security First Financial, LLC (“Security First”) was a Washington limited liability company with its principal place of business in Gig Harbor, Washington. It was incorporated in June 2010 and was administratively dissolved in October 2011. Security First’s primary business was to sell insurance and retirement products. Security First was licensed as an insurance producer by the Washington Office of Insurance Commissioner (“OIC”) from June 3, 2010 to January 24, 2011, and again from January 31, 2011 to August 24, 2011 (WA OIC Lic. # 763531).

2. John Fitzpatrick Boles aka Johnny Boles (“Boles”) is a Washington resident and was a founder, managing member and COO of Security First. Boles was licensed as an insurance agent and insurance producer by OIC from June 2002 to May 2004, and again from November 2007 to May 2011 (WA OIC Lic. #195630).

3. Robert Martin Darling (“Darling”) is a Washington resident and was a founder, managing member and CFO of Security First. Darling was licensed as an insurance producer from November 2006 to October 2010

1 (WA OIC Lic. #269489). Darling has a CRD number of 5408445. Darling has never been registered as a securities  
2 salesperson.

### 3 Nature of the Offering

4 4. From August 2010 until March 2011, Respondents raised at least \$75,000 by issuing promissory  
5 notes and limited liability company membership interests to at least two Washington investors. Respondents met the  
6 investors through a mutual acquaintance and through one of their insurance salespersons. They told the investors that  
7 they would use the investment funds to fund Security First's general operating expenses and expansion. The investors  
8 have lost their entire investments.

#### 9 *Investor A*

10 5. Respondents sold the first promissory note for \$15,000 in August 2010 to Investor A, a Washington  
11 resident, shortly after they started the Security First business. Respondents told Investor A that the funds would be  
12 used for startup and operating expenses. Respondents provided Investor A with pro forma financial statements that  
13 detailed Security First's projected profits and expenses and showed that Security First would be profitable within its  
14 first year of operations. Respondents failed to provide Investor A with the basis and assumptions underlying these  
15 projections. Respondents also failed to disclose to Investor A the risks of the investment, including the risk of  
16 undercapitalization and risks associated with starting and operating an insurance company.

17 6. The \$15,000 promissory note carried an interest rate of 12% per annum and was due in November  
18 2010. Respondents have never made any payments under the note and Investor A has lost his entire investment.

#### 19 *Investor B*

20 7. Several months later, around late 2010, Respondents began soliciting Investor B, a Washington  
21 resident and the mother of one of their insurance salespersons, to invest in Security First. Investor B is an artist who  
22 supported herself by working odd jobs and had very little investment experience. Respondents told Investor B that  
23 they would use her investment funds to get the Security First business up and running. They also told Investor B that  
24 Security First was on its way to being a lucrative business, but never provided her with financial statements. In  
25 reality, Security First had only written two or three policies and generated only around \$7,000 in business-related  
revenue through 2010, during its first six months of operations.

8. Investor B invested \$50,000 for 5% equity in Security First in January 2011. Investor B had no  
management responsibilities with Security First. Respondents never provided Investor B with any documents  
evidencing her membership interest in Security First.

9. In March 2011, Respondents approached Investor B again and asked for an additional investment, in  
the form of a promissory note. They told Investor B that they needed more money to get the company going. Investor  
B invested an additional \$10,000. Respondents never provided Investor B with a signed promissory note nor with the

terms of the investment.

10. In soliciting the two investments from Investor B, Respondents failed to disclose to Investor B material information about the investment and the business, including how many Security First LLC units she would receive for her initial investment of \$50,000, the basis underlying the LLC unit price, Security First's financial condition and true level of business, and the general and specific risks of the investment.

11. In addition, Respondents failed to disclose to Investor B the existence of the first \$15,000 promissory note and that they had defaulted on that note. They also did not disclose to Investor B that they had just issued a \$22,000 promissory note to yet a third investor, for the purpose of investing in a high-yield investment program (see Statement of Charges, Order No. S-12-1065-15-SC02).

12. Respondents failed to disclose to Investor B that her investment would be used for personal expenses and to repay a previous investor. Respondents used much of Investor B's \$60,000 investment for personal and purported business expenses, mostly consisting of gas and dining expenses. They did not disclose to Investor B that they would be using \$2,000 from her investment to repay the investor who invested in the high-yield investment program and held the \$22,000 promissory note.

13. Respondents also failed to disclose to Investor B their past financial issues. They failed to disclose that Darling filed a petition for Chapter 13 bankruptcy in 2009, and that a civil judgment of over \$22,000 was entered against Boles in 2010 and was still outstanding at the time of Investor B's investment.

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

#### CONCLUSIONS OF LAW

1. The offer and sale of the promissory notes and LLC membership interest, as described above, constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

2. Respondents Security First Financial, LLC, John Fitzpatrick Boles aka Johnny Boles and Robert Martin Darling each violated RCW 21.20.010 because Respondents made untrue statements of material facts or omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of securities.

#### NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Security First Financial, LLC, John Fitzpatrick Boles aka Johnny Boles and Robert Martin Darling shall each cease and desist from violating RCW 21.20.010.

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

2 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law,  
3 the Securities Administrator intends to order that:

- 4 1. Respondent John Fitzpatrick Boles aka Johnny Boles shall be liable for and shall pay a fine of
- 5 \$10,000.
- 6 2. Respondent Robert Martin Darling shall be liable for and shall pay a fine of \$10,000.

7 **NOTICE OF INTENT TO CHARGE COSTS**

8 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the  
9 Securities Administrator intends to order that:

- 10 1. Respondent John Fitzpatrick Boles aka Johnny Boles shall be liable for and shall pay the costs, fees,
- 11 and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than
- 12 \$1,000.
- 13 2. Respondent Robert Martin Darling shall be liable for and shall pay the costs, fees, and other expenses
- 14 incurred in the administrative investigation and hearing of this matter, in an amount not less than \$1,000.

15 **AUTHORITY AND PROCEDURE**

16 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the  
17 provisions of Chapter 34.05 RCW. The Respondents, Security First Financial, LLC, John Fitzpatrick Boles aka  
18 Johnny Boles and Robert Martin Darling may each make a written request for a hearing as set forth in the NOTICE  
19 OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a  
20 respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the  
21 above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist  
22 as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that  
23 respondent.

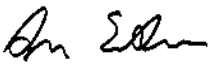
24 Signed and Entered this 7th day of May, 2015.

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WILLIAM M. BEATTY  
Securities Administrator

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Approved by:



SUZANNE SARASON  
Chief of Enforcement

Presented by:



HUONG LAM  
Financial Legal Examiner

Reviewed by:



JACK MCCLELLAN  
Financial Legal Examiner Supervisor