

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order No.: S-14-1406-15-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
5 CBMed, LLC; Roland Clarke aka Rory Clarke,) TO ENTER ORDER TO CEASE AND DESIST, TO
Respondents.) IMPOSE FINES AND TO CHARGE COSTS
6)
7)

8 **THE STATE OF WASHINGTON TO: CBMed, LLC; and**
Roland Clarke aka Rory Clarke

9 **STATEMENT OF CHARGES**

10 Please take notice that the Securities Administrator of the state of Washington has reason to believe that
11 Respondents, CBMed, LLC, and Roland Clarke aka Rory Clarke, have each violated the Securities Act of Washington
12 and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against
13 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:

14 **TENTATIVE FINDINGS OF FACT**

15 **I.**

16 **Respondents**

17 1. CBMed, LLC (“CBMed”) was a Washington limited liability company with its principal place of
18 business in Mercer Island, Washington. CBMed was formed on November 18, 2009 and was administratively
19 dissolved on March 3, 2014. It was in the business of providing billing, scheduling and other administrative support
20 for medical professionals with mobile practices that visited on elderly patients in adult family homes and assisted
living facilities.

21 2. Roland Clarke aka Rory Clarke (“Clarke”) was a Washington resident during the period relevant to
22 this Statement of Charges. Clark was a managing member and President of CBMed.

23 **II.**

24 **Related Entity**

25 3. CorMedical, Inc. (“CorMedical”) was a Washington corporation with its principal place of business

1 in Bellevue, Washington. CorMedical was formed on October 31, 2008 and was dissolved on February 2, 2015.
2 Clarke initially ran the CBMed business through CorMedical, Inc. Beginning around December 2010, Clarke
3 reorganized the corporate structure of his business by purportedly merging CorMedical into CBMed. CBMed was to
4 remain as the surviving entity. After the purported merger, however, Clarke never dissolved CorMedical but ran the
5 business through CBMed, using CorMedical as an unregistered trade name. After the reorganization, CorMedical had
6 no business activity other than maintaining a business bank account. From this point forward, unless otherwise
7 specified, the combined CorMedical and CBMed business will be referred to as “CBMed.”

8 III.

9 Nature of the Offering

10 4. From about February 2010 to January 2014, Respondent sold CBMed LLC membership units,
11 promissory notes or a combination of both to at least 26 investors, at least 21 of whom were Washington residents.
12 Respondents raised at least \$458,000 from these investments. During this period, Respondents also offered CBMed
13 LLC membership units and promissory notes to at least 24 offerees who did not purchase. At least seven of these
14 offerees were Washington residents. Most, if not all, of the investors have lost their entire investment.

15 5. CBMed contracted with doctors and nurse practitioners who visited geriatric patients living at adult
16 family homes or assisted living facilities in the Greater Seattle area. CBMed’s business plan included finding and
17 enrolling patients in its program for a small fee, charging a monthly “care coordination” fee to the facility, and
18 sending their contracted providers to visit those patients. CBMed would then assist its contracted providers with
19 developing their visitation routes, scheduling, and processing the insurance billing and other administrative paperwork
20 for the patient visits. Generally, CBMed received 20% to 40% of incoming insurance reimbursement funds and its
21 contracted providers received the remaining amount.

22 6. CBMed was not able to derive much revenue from enrollment or care coordination fees because it
23 could not find and enroll many patients into its program, or the adult family homeowners did not consistently pay the
24 fees. Instead, a majority of the patients that CBMed providers saw came from the existing practice of a doctor that
25 CBMed contracted with. Because most, if not all, of the patients that CBMed’s providers visited were covered by
Medicare, CBMed’s revenue came almost entirely from Medicare reimbursements.

7. Clarke found investors mostly from his friends and acquaintances. However, he also solicited
investments from people he had just met, and asked existing investors to refer potential investors to him.

8. Clarke communicated information about the investment to potential investors largely through face-to-
face meetings and email. He provided several investors with different versions of a Business Summary or Executive
Summary that discussed the investment and included financial statements. Clarke did not provide any documents to
other investors prior to their investments.

Misrepresentations and Omissions

1 9. Clarke sold at least 23 CBMed promissory notes totaling over \$185,000. The notes matured in 90
2 days to over three years, and carried interest rates of 2% to 12% per annum. Clarke initially sold notes that paid 8%
3 interest per annum, then decreased the interest rate for a period before finally increasing the rate to over 10% for the
4 later investors. For at least three notes totaling \$43,000, CBMed pledged all of its assets or accounts receivables as
5 collateral. CBMed defaulted on most, if not all, of the notes. Clarke did not disclose to several Washington investors
6 prior to their investments the existence of the notes, the total amount of the outstanding notes, the collateral and/or
7 that CBMed was in default. These notes were not disclosed in any financial statements that Clarke distributed to
8 Washington investors.

9 10. In addition to issuing CBMed promissory notes to investors, Clarke took out several personal loans
10 from friends. He obtained at least six such personal loans, at least three of which he memorialized with promissory
11 notes that he issued in his personal capacity. One note arose from a business acquaintance who wanted to help
12 manage the company and injected himself into the affairs of the company. When he and Clarke parted ways after a
13 disagreement, Clarke signed a promissory note in February 2010 for over \$84,000, the amount that the acquaintance
14 put into the company. Clarke soon defaulted on the note, and the acquaintance obtained a default judgment against
15 Clarke in June 2011 for over \$95,000. Clarke did not disclose the existence of these personal loans and resulting
16 notes, as well as the default judgment, to several Washington investors prior to their investments.

17 11. In 2012, Clarke filed for personal bankruptcy. He received a discharge later that year. Clarke failed
18 to disclose the bankruptcy to several Washington investors prior to their investments.

19 12. In oral and written representations to certain investors, Clarke represented that CBMed's exit strategy
20 was to eventually be sold to a large hospital or medical organization. Particularly, in late 2013, when CBMed lost its
21 only doctor under unexpected circumstances and was on the verge of closing, Clarke represented to at least one
22 Washington investor that the sale of CBMed to a large hospital was a near-certainty and that she would recoup her
23 investment and earn a return upon the sale. Clarke failed to disclose to this investor that he had only had one meeting
24 of interest with that hospital and that no offer had been extended to Clarke to purchase the company. That investor
25 invested \$20,000 in a CBMed promissory note and lost her entire investment.

 13. To this same investor, Clarke stated that CBMed's only contracted doctor at the time would be
retiring soon, but that CBMed had contracted with the doctor's brother, also a doctor, to take over. In fact, Clarke had
learned at least the month before that the doctor's medical license was in jeopardy due to the doctor's drug abuse
issues and realized that CBMed was "dead," unless he could sell the company soon. Also, Clarke's arrangement with
the doctor's brother to take over was only a temporary arrangement. Without at least one doctor under contract,
CBMed would not be able to operate because a doctor was needed to sign off on certain common medical requests,
such as prescriptions. Clarke did not disclose any of these issues to the investor prior to her investment.

1 14. Also to this same investor, Clarke told her that he would use her investment funds to cover temporary
2 cash flow issues and to prop up the company so that it would look more attractive to the buyer. Instead, Clarke used
3 \$4,000 of her \$20,000 investment to repay a personal loan, which he did not disclose to the investor prior to her
4 investment.

5 15. In oral and written representations to investors, Clarke represented that the geriatric care industry was
6 poised for explosive growth due to the aging population, and that CBMed, as one of the first entrants into this market,
7 had more business than it could handle. He often represented that CBMed was close to breakeven and its business
8 would grow in the coming years. In the financial statements that Clarke distributed to some investors, he included
9 three-year projections. These projections generally showed net profits doubling or tripling every year, to a high of
10 \$1.8 million net profit projected for 2016. Clarke failed to provide the basis and assumptions underlying these
11 projections. In addition, CBMed was never profitable, constantly experienced cash flow issues and always needed
12 investor funds to stay afloat. Clarke had to solicit investments from current and potential investors throughout
13 CBMed's entire operational history.

14 16. Clarke priced the CBMed LLC units he offered and sold to investors on internal valuations of the
15 company. He initially sold units at \$46 per unit, then increased the price to \$116, \$333 and finally to \$517 per unit.
16 Clarke provided valuations to investors that generally tracked this trend, beginning at \$500,000 before eventually
17 increasing to over \$3 million. Clarke did not provide investors with much, if any, of the basis or assumptions
18 underlying these valuations. In his 2012 bankruptcy petition, which he completed under penalty of perjury, Clarke
19 valued the 1,673 CBMed LLC units that he owned at \$3,000 and stated, "Value given is liquidation value; the
20 business has no value from earnings." Around the time that he filed for bankruptcy, Clarke sold LLC units for \$517
21 per unit. In addition, less than two months before his bankruptcy filing, Clarke told an offeree that the recent addition
22 of new contracted providers and the resulting increase in business would bring the company valuation to over \$3
23 million.

24 17. Clarke failed to disclose to many Washington investors the general and specific risks of the
25 investments. These risks include retaining only one doctor under contract where CBMed's business required always
having a doctor on staff, the effect that federal legislation could have on Medicare reimbursement rates and CBMed's
resulting revenue, undercapitalization, and CBMed's ability to retain enough medical practitioners under contract to
meet demand in an industry where salaries are competitive.

IV.

Registration Status

18 18. CBMed, LLC is not currently registered to sell securities in Washington and has not previously been
19 registered to do so.

19. Roland Clarke aka Rory Clarke is not currently registered to sell securities as a securities salesperson or broker-dealer in Washington and has not previously been registered to do so.

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

CONCLUSIONS OF LAW

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

2. CBMed, LLC and Roland Clarke aka Rory Clarke each violated RCW 21.20.140 because they offered and/or sold securities for which no registration is on file with the Securities Administrator.

3. Roland Clarke aka Rory Clarke violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

4. CBMed, LLC and Roland Clarke aka Rory Clarke each violated RCW 21.20.010, because, as set forth in the above Tentative Findings of Fact, they 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.

NOTICE OF INTENT TO ORDER RESPONDENTS 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:

1. CBMed, LLC and its agents and employees, and Roland Clarke aka Rory Clarke shall cease and desist from violating RCW 21.20.010;

2. Roland Clarke aka Rory Clarke shall cease and desist from violating RCW 21.20.040; and

3. CBMed, LLC and its agents and employees, and Roland Clarke aka Rory Clarke shall cease and desist from violating RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE A FINE

Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Roland Clarke aka Rory Clarke shall be liable for and shall pay a fine of \$10,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Roland Clarke aka Rory Clarke shall be liable for and shall pay costs,

1 fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less
2 than \$2,500.

3 **AUTHORITY AND PROCEDURE**

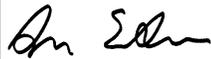
4 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the
5 provisions of Chapter 34.05 RCW. The Respondents, CBMed, LLC and Roland Clarke aka Rory Clarke, may each
6 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
7 OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not make a hearing request in the
8 time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of
9 Law as final and to enter a permanent order to cease and desist as to that Respondent, to impose any fines sought
10 against that Respondent, and to charge any costs sought against that Respondent.

11 Signed and Entered this 14th day of December, 2015.

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13 _____
14 WILLIAM M. BEATTY
15 Securities Administrator

16 Approved by:

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19 SUZANNE SARASON
20 Chief of Enforcement

Presented by:

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22 _____
23 HUONG LAM
24 Financial Legal Examiner

25 Reviewed by:



26 _____
27 JACK MCCLELLAN
28 Financial Legal Examiner Supervisor