

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the matter of:

DARWIN MOORE
CRD# 5809588
Unregistered

Docket No. 18-004593
Complaint No. 334888

and

CYGNET FINANCIAL FREEDOM HOUSE
CRD/IARD# 123430

Docket No. 18-004594
Complaint No. 334516

Respondents.

_____ /

Issued and entered
This 30th day of May, 2018

**STIPULATION AND CONSENT ORDER RESOLVING CEASE AND DESIST
ORDERS AND RESOLVING
PENDING ADMINISTRATIVE HEARINGS**

A. Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002) (the "Act"), 2008 PA 551, MCL 451.2101 *et seq.*:

1. Darwin Moore (CRD# 5809588) ("Moore") has applied for and effective February 7, 2018, was registered as, an investment adviser representative through Cygnet Financial Freedom House (CRD# 123430) ("Cygnet"), a Michigan-registered investment adviser firm.
2. The Corporations, Securities & Commercial Licensing Bureau's ("Bureau's") Director, as Administrator of the Act ("Administrator"), issued and entered Notices and Orders to Cease and Desist ("Orders") to both Moore and Cygnet on February 7, 2018.
3. The Administrator alleged in the Orders that while employed by Cygnet, between March 2016 and November 2017, Moore transacted business in this state as an investment adviser representative without being registered under the Act.
4. Moore and Cygnet (together, "Respondents") neither admit nor deny the allegations in the Orders and agree to entry of this Consent Order only for the purpose of resolving the Orders.

5. Respondents timely requested a hearing under section 604 of the Act, MCL 451.2604.
6. There is a pending Administrative Hearing scheduled for June 4, 2018.

B. STIPULATION

The Administrator agrees to resolve the Orders subject to Respondents' compliance with the following conditions:

1. Moore will not act or offer himself to the public as an investment adviser representative in this State without being registered, or exempt from registration, under the Act.
2. Respondents agree to comply with the Act in connection with all future conduct and activities, including but not limited to ensuring that they are registered, before engaging in activities that require registration under the Act.
3. Respondents agree that the Administrator may use any of the facts set out in the Orders if and when considering future applications for registration by Respondents, and Respondents agree to waive any assertion or claim under MCL 451.2412(9) which would otherwise bar the Administrator from consideration of such facts in making her determination.
4. Cygnet agrees to pay a civil fine of One Thousand and 00/100 Dollars (\$1,000.00) within one hundred and twenty (120) days after the mailing date of the Consent Order. The fine must be paid by check or money order payable to the "State of Michigan," contain Cygnet's identifying information and Complaint No. 334516, and be mailed to:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring – Securities & Audit Division
P.O. Box 30018
Lansing, MI 48909

5. If any portion of the civil fine is overdue for at least six months, the Administrator may refer it to the Michigan Department of Treasury for collection against Cygnet.
6. The Administrator acknowledges and agrees that this Consent Order will be reported according to the Bureau's standard policy, as follows:

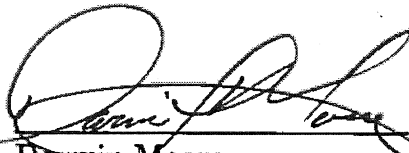
- a. By posting a summary report on the Bureau's website disclosing Respondents' names and address, Consent Order effective date, Action Taken (Consent Order and fine amounts), and Reason (resolution of Orders, without any admission or finding of wrongdoing).
 - b. The Bureau will also separately report the Orders on the Bureau website.
 - c. The Bureau will file an updated Form U6 with the Central Registration Depository ("CRD") for purposes of reporting this Consent Order resolving the Orders to other securities regulators. The Bureau will update that CRD entry to reflect that this Consent Order resolved the Orders without any admission or finding of wrongdoing.
7. The Administrator and Respondents agree that, within fifteen (15) business days after entry of the attached Order, they or their designees will notify the Michigan Administrative Hearing System that a settlement has been reached and, if necessary, submit a stipulation to dismiss the pending Administrative Hearing with prejudice and without costs or attorney fees to any party.
8. Respondents understand and intend that by signing this Stipulation, they are waiving the right, under the Act, the rules promulgated under the Act and the predecessor Act, and the Administrative Procedures Act, 1969 PA 306, MCL 24.201 *et seq.*, to prior notice and a hearing before an administrative law judge, at which the Bureau would be required to defend any disciplinary action taken under the Act by presentation of evidence and legal authority and at which Respondents would be entitled to appear with or without an attorney to cross-examine all witnesses presented by the Bureau and to present such testimony or other evidence or legal authority deemed appropriate.
9. The Parties agree that this Consent Order Resolving Cease and Desist Orders And Resolving Pending Administrative Hearings: (a) does not and shall not be interpreted to subject Respondents to disqualification, or to form the basis for such a disqualification, under the federal securities laws, or rules or regulations thereunder, including without limitation Section 203(e)(9) of the Investment Advisers Act of 1940, as amended or the securities laws, rules and regulations of the various states, commonwealths, and territories of the United States of America, including without limitation, any disqualification from relying upon the exemptions from securities registration or related safe harbor provisions; (b) does not disqualify Respondents from any business that they are otherwise qualified or registered to perform; (c) does not constitute a finding the Respondents

engaged in any violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct, or; and (d) that, pursuant to Rule 506(d)(2)(iii) and Rule 262(b)(3) of the Securities Act of 1933 ("1933 Act"), disqualification under Rules 505(b)(2)(iii) or 506(d)(1), or Rule 262(a) under the 1933 Act should not arise as a consequence of this Consent Order Resolving Cease And Desist Orders And Resolving Pending Administrative Hearings. The application of this paragraph is limited solely to this Consent Order Resolving Cease and Desist Orders and Resolving Pending Administrative Hearings and the conduct resolved in connection therewith, and it does not otherwise limit or affect application of the cited statutes and rules in any other respect.

Through their signatures, the parties to this Stipulation agree to the above terms and conditions.

Dated: May 23, 2018


Signed:



Darwin Moore

Dated: May 23, 2018

Signed:



Brian Lakkides, Vice President of
Cygnet Financial Planning Inc., d/b/a Cygnet
Financial Freedom House

Dated: 5.24.18

Signed:

Timothy L. Teague

Timothy L. Teague, Director
Securities & Audit Division
Corporations, Securities & Commercial
Licensing Bureau

C. ORDER

NOW, THEREFORE, based on the terms of the fully executed Stipulation, the Administrator **ORDERS** the following, effective on this Order's mailing date:

The Notices and Orders to Cease and Desist as to Darwin Moore and Cygnet Financial Freedom House are resolved.



Julia Dale, Administrator and Director
of the Corporations, Securities & Commercial Licensing Bureau

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 334516

CYGNET FINANCIAL FREEDOM HOUSE
CRD/IARD# 123430

Respondent.

Issued and entered
This 7th day of February, 2018

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director of the Corporations, Securities & Commercial Licensing Bureau (the "Administrator"), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* ("Securities Act"), hereby orders Cygnet Financial Freedom House ("Respondent") to cease and desist from employing or associating with an unregistered investment adviser representative, contrary to the Securities Act. Respondent is also notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Cygnet Financial Freedom House (CRD#123430) is a Michigan-registered investment adviser domiciled in Michigan.

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities in the securities industry.
2. The investigation developed evidence that between March 2016 and November 2017, Respondent employed or associated with Darwin Moore (CRD#5809588), an individual who made recommendations or otherwise gave investment advice regarding securities to Michigan residents. (See Exhibit 1 – Darwin Moore C&D Order).

3. Respondent has not identified any exemption, exception, preemption, or exclusion that relieved Darwin Moore from having to register as an investment adviser representative in Michigan.

II. RELEVANT STATUTORY PROVISIONS

1. Section 102a(e) of the Securities Act, MCL 451.2102a(e), states:

(e) "Investment adviser" means a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation. The term does not include any of the following:

- (i) An investment adviser representative.
- (ii) A lawyer, accountant, engineer, or teacher whose performance of investment advice is solely incidental to the practice of the person's profession.
- (iii) A broker-dealer or its agents whose performance of investment advice is solely incidental to the conduct of business as a broker-dealer and that does not receive special compensation for the investment advice.
- (iv) A publisher of a bona fide newspaper, news magazine, or business or financial publication of general and regular circulation.
- (v) A federal covered investment adviser.
- (vi) A depository institution.
- (vii) Any other person that is excluded by the investment advisers act of 1940 from the definition of investment adviser.
- (viii) Any other person excluded by rule or order under this act.
- (ix) A finder registered as a broker-dealer under this act.

2. Section 102a(f) of the Securities Act, MCL 451.2102a(f), states:

"Investment adviser representative" means an individual employed by or associated with an investment adviser or federal covered investment adviser and who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendation or advice regarding securities

should be given, provides investment advice or holds himself or herself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing. The term does not include an individual who meets any of the following:

- (i) Performs only clerical or ministerial acts.
- (ii) Is an agent whose performance of investment advice is solely incidental to the individual acting as an agent and does not receive special compensation for investment advisory services.
- (iii) Is employed by or associated with a federal covered investment adviser, unless the individual meets any of the following:

- (A) Has a "place of business" in this state as that term is defined in rule 203A-3 adopted under section 203A of the investment advisers act of 1940, 17 CFR 275.203A-3, and is an "investment adviser representative" as that term is defined in rule 203A-3 adopted under section 203A of the investment advisers act of 1940, 17 CFR 275.203A-3.

- (B) Has a "place of business" in this state as that term is defined in rule 203A-3 adopted under section 203A of the investment advisers act of 1940, 17 CFR 275.203A-3, and is not a "supervised person" as that term is defined in section 202(a)(25) of the investment advisers act of 1940, 15 USC 80b-2.

- (iv) Is excluded by rule or order under this act.

3. Section 403(4) of the Securities Act, MCL 451.2403(4), states:

An investment adviser shall not employ or associate with an individual required to be registered under this act as an investment adviser representative who transacts business in this state on behalf of the investment adviser unless the individual is registered under section 404(1) or is exempt from registration under section 404(2).

4. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the

burden to prove the applicability of the exemption, exception, preemption, or exclusion.

III. CONCLUSIONS OF LAW

1. Respondent Cygnet Financial Freedom House employed or associated with an individual required to be registered as an investment adviser representative who was not registered as an investment adviser representative under section 404(1) of the Securities Act, MCL 451.2404(1), contrary to section 403(4) of the Securities Act, MCL 451.2403(4).

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from employing or associating with an unregistered investment adviser representative, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$10,000.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Notice & Order to Cease & Desist
Cygnet Financial Freedom House (CRD/IARD#123430)
CN 334516

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

Procedural questions regarding the hearing request process may be directed to (517) 241-9212. Please note that the Bureau **cannot** provide legal advice or engage in settlement negotiations until a written request for hearing is received at the address identified above.

VI. ORDER FINAL ABSENT HEARING REQUEST

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$10,000.00 – Cygnet Financial Freedom House, under
section 604 of the Securities Act, MCL 451.2604.

- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:


Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

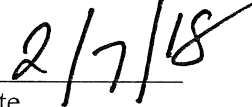
Notice & Order to Cease & Desist
Cygnet Financial Freedom House (CRD/IARD#123430)
CN 334516

- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

DEPARTMENT OF LICENSING & REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



Julia Dale, Director, Corporations, Securities
& Commercial Licensing Bureau



Date