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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:

JOHN JOSEPH SANCHEZ,

Respondent

Order Number S-12-1076-13-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ENTER AN
ORDER TO CEASE AND DESIST,
IMPOSE A FINE, AND CHARGE COSTS

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THE STATE OF WASHINGTON TO:

John Joseph Sanchez

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondent, John Joseph Sanchez, has violated the Securities Act of Washington and that his violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 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 follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. John Joseph Sanchez ("Sanchez") is a Washington resident. Sanchez is currently licensed as a mortgage loan originator and he works for a licensed consumer loan company located in Lynnwood, Washington.

Respondent's Employment Background

2. From approximately 1971 until 1974, Sanchez worked as a court clerk in Los Angeles County, California. From 1994 until 1997, Sanchez was a registered securities salesperson for Prudential

1 Securities Incorporated (“Prudential”) in Seattle, Washington. In August 1997, Sanchez was terminated by
2 Prudential. At the time of his termination, Sanchez was under review by Prudential for allegedly selling
3 away from the firm and for engaging in unauthorized trading in customer accounts.

4 Offering of Promissory Note Investments

5 3. During 2008 and 2009, Sanchez offered and sold at least two promissory note investments.
6 Sanchez represented that the investments would be secured by first position deeds of trust against real
7 property. Sanchez sold each of the investments for \$55,000, for a total of \$110,000. Sanchez sold both
8 investments to the same investor, a family trust for a retired married couple residing in Washington.

9 4. Sanchez negotiated the terms of both of the investments and collected the monthly payments
10 for both of the promissory notes. Sanchez was to keep 2% of the interest that was paid on each of the notes
11 and remit the balance, 10% annual interest, to the investor.

12 JB Development, LLC Promissory Note Investment

13 5. In October 2008, Sanchez offered and sold the investor an investment in a \$55,000
14 promissory note that was dated October 15, 2008 and that was due on or before October 1, 2011. The
15 maker of the note was JB Development, LLC. JB Development, LLC is a Washington limited liability
16 company that was formed on December 5, 2005. Sanchez was the manager and the sole member of JB
17 Development, LLC. The payee of the note was Endeavor Financial, LLC, a Washington limited liability
18 company that was formed on May 5, 2006. Sanchez was the managing member and a one-third owner of
19 Endeavor Financial, LLC.
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21 6. When offering and selling the JB Development, LLC promissory note investment, Sanchez
22 failed to disclose to the investor that Sanchez was the manager and the sole member of JB Development,
23 LLC. Sanchez failed to give the investor any financial information regarding Sanchez; JB Development,
24 LLC; or Endeavor Financial, LLC. Sanchez failed to disclose the risks of the investment. The JB
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1 Development, LLC promissory note was signed by Sanchez's father-in-law and Sanchez failed to disclose
2 to the investor that the signer of the note was related to Sanchez.

3 7. When offering and selling the JB Development, LLC promissory note investment, Sanchez
4 misrepresented to the investor that the investment would be secured by a first position deed of trust against
5 real property located in Snohomish County, Washington. Sanchez gave the investor a deed of trust that
6 purportedly secured the property, but the deed of trust did not include a legal description of the property
7 and it referenced a tax parcel number that was nonexistent. The deed of trust also had what appeared to be
8 a Snohomish County auditor's stamp, but the stamp had 13 digits and Snohomish County recording
9 numbers have 12 digits. The deed of trust was never actually recorded with the Snohomish County
10 Auditor's Office. Sanchez also gave the investor a purported assignment of the deed of trust. The
11 assignment had what appeared to be a Snohomish County auditor's stamp, but the stamp had 13 digits and
12 Snohomish County recording numbers have 12 digits. The assignment was never actually recorded with
13 the Snohomish County Auditor's Office.

14 Fischer Promissory Note Investment

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16 8. In June 2009, Sanchez offered and sold the investor an investment in a \$55,000 promissory
17 note that was dated June 29, 2009 and that was due on July 1, 2011. The makers of the note were a
18 married couple named Fischer. The payee of the note was Endeavor Financial, LLC.

19 9. When offering and selling the Fischer promissory note investment, Sanchez failed to give the
20 investor any financial information regarding the Fischers or Endeavor Financial, LLC. Sanchez also failed
21 to disclose the risks of the investment.

22 10. When offering and selling the Fischer promissory note investment, Sanchez misrepresented to
23 the investor that the investment would be secured by a first position deed of trust against real property
24 located in King County, Washington. Sanchez gave the investor a deed of trust that purportedly secured
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1 the investment, but the deed of trust was made in favor of Endeavor Financial, LLC and was never
2 assigned to the investor. Sanchez also gave the investor a purported assignment of the deed of trust. The
3 assignment had what appeared to be a King County recording stamp, but the assignment was never actually
4 recorded with the King County Recorder's Office.

5 11. On May 28, 2010, the Fischers sold the property that was subject to the deed of trust in favor
6 of Endeavor Financial, LLC. The statutory warranty deed evidencing the sale was recorded at the King
7 County Recorder's Office on June 1, 2010. Sanchez failed to notify the investor that the property had been
8 sold and continued making regular monthly interest payments on the Fischer promissory note until March
9 2012, when the investor began a civil action against Sanchez.

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

11 **CONCLUSIONS OF LAW**

12 1. The offer and sale of the investments described above constitute the offer and sale of a security, as
13 defined in RCW 21.20.005(14) and RCW 21.20.005(17), in the form of an investment contract and a
14 promissory note.
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16 2. As set forth in the Tentative Findings of Fact, Respondent, John Joseph Sanchez, violated RCW
17 21.20.010, the anti-fraud section of the Securities Act of Washington.

18 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

19 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of
20 Law, the Securities Administrator intends to order that Respondent, John Joseph Sanchez, shall cease and
21 desist from any violation of RCW 21.20.010.

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

23 Pursuant to RCW 21.20.395, and based on the above Tentative Findings of Fact and Conclusions of
24 Law, the Securities Administrator intends to order that Respondent, John Joseph Sanchez, shall be liable
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1 for and shall pay a fine of \$35,000. However, payment of the fine shall be deferred until the investor has
2 been repaid in full.

3 **NOTICE OF INTENT TO CHARGE COSTS**

4 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of
5 Law, the Securities Administrator intends to order that Respondent, John Joseph Sanchez, shall be liable
6 for and shall pay investigative costs of at least \$3,500. However, payment of the costs shall be deferred
7 until the investor has been repaid in full.

8 **AUTHORITY AND PROCEDURE**

9 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW and is subject
10 to the provisions of chapter 34.05 RCW. Respondent, John Joseph Sanchez, may make a written request
11 for a hearing, as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY”
12 FOR HEARING accompanying this Statement of Charges.

13 If Respondent does not make a hearing request in the time allowed, the Securities Administrator
14 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, to enter a
15 permanent cease and desist order as to the respondent, and to impose any fines and charge any costs that
16 are sought against the respondent.
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18 **WILLFUL VIOLATION OF THIS ORER IS A CRIMINAL OFFENSE.**

19 Signed and Entered this 18th day of October, 2013

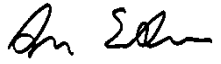
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WILLIAM M. BEATTY
25 Securities Administrator

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Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Janet So
Enforcement Attorney

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor