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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:

Leschi Equity Partners, LLC and David A.  
Cochran,

Respondents

Order Number S-09-282-12-SC01

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

THE STATE OF WASHINGTON TO:

Leschi Equity Partners, LLC  
David Alan Cochran

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Leschi Equity Partners, LLC and David A. Cochran, 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 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**

Respondents

1. Leschi Equity Partners, LLC (“Leschi”) is a Washington limited liability company that was formed on January 13, 2006. Leschi held itself out to investors as a company that

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Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 was planning to acquire the Shangri-La Apartments in Seattle, Washington and to convert  
2 the apartments into condominium units.

3 2. David A. Cochran (“Cochran”) is a Washington resident and was the managing  
4 member of Leschi.  
5

6 Offering of Limited Liability Company Membership Interests

7 3. During at least 2006 and 2007, Respondents offered and sold at least \$700,000  
8 worth of limited liability company membership interests in Leschi to at least eight investors,  
9 many of whom were Washington residents.  
10

11 4. Cochran personally solicited investments in Leschi. Cochran met with several of  
12 the investors and presented the investment opportunity. Respondents also gave some of the  
13 investors written offering materials, such as an investment offering brochure and a  
14 rescission agreement, describing the terms of the investment.  
15

16 5. When offering and selling the investments, Respondents each represented to  
17 investors that they could demand a full refund of their investment, with interest, if they were  
18 not satisfied with the investment after a certain period of time. All of the investors  
19 eventually demanded a repayment of their investments. At least three investors received a  
20 full or partial repayment of their investment, but at least seven of the investments with a  
21 total principal balance of more than \$590,000 are still outstanding.  
22

23 Misrepresentations and Omissions

24 6. When offering and selling the investments, Respondents each represented that the  
25 investor funds would be pooled together and used to purchase the Shangri-La Apartments, a  
waterfront apartment complex in Seattle. The investors were relying upon Cochran to

1 acquire and convert the Shangri-La Apartments into condominium units and to generate a  
2 return on their investments. Respondents each represented to investors that the members of  
3 Leschi would share in profits from selling the condominium units. However, Leschi never  
4 purchased the Shangri-La Apartments and never generated any profits for the investors.  
5

6 7. When offering and selling the investments, Respondents each represented to some  
7 investors that the investments would be secured by a deed of trust against the Shangri-La  
8 real property. Respondents never gave investors a title report for the Shangri-La real  
9 property and Respondents never gave the investors a deed of trust to secure the investment.  
10

11 8. When offering and selling the investments, Respondents each failed to disclose  
12 other significant risks of the investment. Respondents each failed to disclose Cochran's  
13 experience and track record with completing condominium conversion projects.  
14 Respondents each failed to disclose the general risks of real property development projects,  
15 such as inadequate capitalization, lack of liquidity, environmental risks, construction risks,  
16 and marketing risks. Respondents each failed to disclose the risks of not having a third  
17 party escrow to hold and disburse the investor funds and to ensure the recording of real  
18 property security interests. Respondents each failed to specify the intended use of investor  
19 funds. Respondents each failed to disclose the financial condition of Leschi. Respondents  
20 each failed to disclose the minimum amount of capital that was required for the  
21 condominium conversion project and that investors might lose their entire investment  
22 because the condominium conversion project was inadequately capitalized.  
23  
24

25 9. When offering and selling the investments, Respondents each represented to some  
investors that the project would have profits of more than \$11 million and that the project

1 would be completed within a short time period, ranging from at least six months to two  
2 years. Respondents each failed to disclose the basis and assumptions for the projected  
3 profits.

4  
5 10. When offering and selling the investments, Respondents each failed to disclose to  
6 some of the investors that the Shangri-La real property encroached on waters that were  
7 owned by the Washington State Department of Natural Resources and the impact of that  
8 encroachment.

9  
10 Registration Status of Respondents

11 11. Leschi Equity Partners, LLC is not currently registered to sell its securities in the  
12 state of Washington and has not previously been so registered.

13 12. Cochran has never been registered as a securities broker-dealer or as a securities  
14 salesperson in the state of Washington.

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

16  
17 **CONCLUSIONS OF LAW**

18 1. As set forth in the Tentative Findings of Fact, the offer or sale of the limited  
19 liability company membership interests described above constitutes the offer or sale of a  
20 security, as defined in RCW 21.20.005(14) and (17), in the form of an investment contract.

21 2. As set forth in the Tentative Findings of Fact, Respondents, Leschi Equity  
22 Partners, LLC and David A. Cochran, have each made untrue statements of material fact or  
23 omitted to state material facts necessary in order to make the statements made, in the light  
24 of the circumstances under which they are made, not misleading, in violation of RCW  
25 21.20.010, the anti-fraud section of the Securities Act of Washington.

1           3. As set forth in the Tentative Findings of Fact, Respondents, Leschi Equity  
2 Partners, LLC and David A. Cochran, have each offered and sold unregistered securities in  
3 violation of RCW 21.20.140, the securities registration section of the Securities Act of  
4 Washington.  
5

6           4. As set forth in the Tentative Findings of Fact, Respondents, Leschi Equity  
7 Partners, LLC and David A. Cochran, have each offered and sold securities in violation of  
8 RCW 21.20.040, the securities broker-dealer and securities salesperson registration section  
9 of the Securities Act of Washington.  
10

11           **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

12           Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and  
13 Conclusions of Law, the Securities Administrator intends to order that Respondents, Leschi  
14 Equity Partners, LLC and David A. Cochran, each shall cease and desist from any violation  
15 of RCW 21.20.010, RCW 21.20.040 and RCW 21.20.140.  
16

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

18           Pursuant to RCW 21.20.395, and based on the above Tentative Findings of Fact and  
19 Conclusions of Law, the Securities Administrator intends to order that David A. Cochran  
20 shall be liable for and shall pay a fine of \$5,000.  
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22           **NOTICE OF INTENT TO CHARGE COSTS**

23           Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and  
24 Conclusions of Law, the Securities Administrator intends to order that David A. Cochran  
25 shall be liable for and shall pay investigative costs of at least \$2,500.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW  
3 and is subject to the provisions of chapter 34.05 RCW. Respondents, Leschi Equity Partners,  
4 LLC and David A. Cochran, may each make a written request for a hearing, as set forth in the  
5 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING  
6 accompanying this Statement of Charges.  
7

8 If a Respondent does not make a hearing request in the time allowed, the Securities  
9 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law  
10 as final, to enter a permanent cease and desist order as to that respondent, and to impose any  
11 fine and charge any costs that are sought against that respondent.  
12

13 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

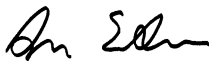
14 Signed and Entered this 9th day of May, 2012  
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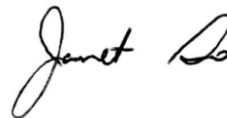
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19 WILLIAM M. BEATTY  
20 Securities Administrator

21 Approved by:

22 Presented by:

23  
24 

25  


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Suzanne E. Sarason  
Chief of Enforcement

\_\_\_\_\_  
Janet So  
Enforcement Attorney

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Reviewed by:



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Robert Kondrat  
Financial Legal Examiner Supervisor

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