

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

4 IN THE MATTER OF DETERMINING ) Order No.: S-11-0663-11-SC01  
5 Whether there has been a violation of the )  
6 Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE OF INTENT  
7 ) TO ENTER ORDER TO CEASE AND DESIST, DENY  
8 Patrick Leonard (aka Patrick Snetsinger) dba ) FUTURE REGISTRATIONS, IMPOSE FINES, AND  
9 Snetsinger and Co., Snetsinger and Associates, ) RECOVER COSTS  
10 The Children's Arbor, and Abacus, )  
11 )  
12 )  
13 Respondent. )

14 **THE STATE OF WASHINGTON TO:** **Patrick Leonard (aka Patrick Snetsinger) dba Snetsinger**  
15 **and Co., Snetsinger and Associates, The Children's**  
16 **Arbor, and Abacus;**

17 **STATEMENT OF CHARGES**

18 Please take notice that the Securities Administrator of the state of Washington has reason to believe that  
19 Respondent, Patrick Leonard, has violated the Securities Act of Washington and has engaged in dishonest and  
20 unethical practices in the securities business. The Securities Administrator believes that the Respondent's violations  
21 justify the entry of an order under RCW 21.20.390 against him to cease and desist from such violations and to charge  
22 costs, under RCW 21.20.110(1) to deny future securities registrations, and under RCW 21.20.395 to impose a fine.  
23 The Securities Administrator finds as follow:

24 **TENTATIVE FINDINGS OF FACT**

25 **I.**

Respondent

1. Patrick Leonard ("Leonard"), also known as Patrick Snetsinger, is the sole proprietor of a tax  
preparation business. Leonard changed his last name from Snetsinger in May 2011. Leonard has operated his tax  
preparation business under several names, including Snetsinger and Co., Snetsinger and Associates, The Children's  
Arbor, and Abacus. Leonard's tax preparation business had two principal places of business in Washington, one in  
Bainbridge Island and the other in Bellevue. In the early 1980s, Leonard was registered as a securities salesperson

1 with a series of broker-dealers in the state of Washington. Leonard has not been so registered since June 1987.  
2 Leonard has a Central Registration Depository number of 1031535.

3 Related Entities

4 2. Blue Heart Studio, LLC is an inactive art studio with its most recent principal place of business in  
5 Bainbridge Island, Washington. Leonard was the company's most recent registered agent. The Washington  
6 Secretary of State administratively dissolved the company on October 1, 2010. Leonard paid some investors with  
7 checks drawn from a Blue Heart Studio, LLC bank account.

8 **II.**

9 Introduction

10 3. Between 2006 and 2011, Leonard solicited upwards of 25 individuals, at least 10 of whom were  
11 Washington residents, to participate in a variety of investment opportunities and advisory services. At least two  
12 Washington investors were elderly. Investors provided Leonard with a total of approximately \$2 million to manage  
13 and invest. Leonard used the internet, in-person encounters, and email to solicit potential investors. Leonard  
14 solicited his tax clients and others his clients referred to him. Often, Leonard used funds he received from investors  
15 for food, clothing, and other personal expenditures. Leonard spent over \$380,000 of investors' funds on his personal  
16 expenses.

17 4. Leonard deliberately defrauded investors by offering fabricated investment opportunities and  
18 repeatedly disseminating false information about the status of investors' funds. Leonard gave investors illusory profit  
19 projections. Leonard created fictitious stories to explain why he was unable to repay investors, including his  
20 involvement in a lawsuit and administrative errors of firms he falsely represented as holding investors' funds.

21 Investment Adviser Services

22 **Asset Management**

23 5. After representing himself as an investment adviser, Leonard offered to manage funds on behalf of at  
24 least four Washington residents. These Washington residents entrusted nearly \$2 million with Leonard to manage.

25 a. Investor A: In late 2006, Investor A, a Washington resident, entrusted Leonard with approximately

1 \$1.5 million to manage. Leonard offered, for compensation, to manage Investor A's assets. Leonard  
2 told Investor A that he would help her sell off some of her stocks so that she would have money to  
3 live on. Leonard and Investor A never reached a formal payment agreement. Investor A thought that  
4 a \$10,000 lump sum plus interest earned on its investment would constitute complete payment for  
5 Leonard's services. Alternatively, Leonard indicated that he believed the payment agreement was  
6 that he was to be "paid well." Eventually, Leonard convinced Investor A that adding him to Investor  
7 A's bank and brokerage accounts would expedite the services he was performing for Investor A.  
8 Investor A added him to the accounts. The brokerage accounts were devoted to mutual fund  
9 investments. Leonard transferred funds from the brokerage accounts to the Investor A's checking  
10 account. Subsequently, Leonard transferred the funds from the checking account into six different  
11 bank accounts. All but one of the bank accounts belonged to Leonard. The other account belonged  
12 to Investor E, discussed in paragraphs 6-9 below, who also entrusted funds with Leonard. Leonard  
13 repaid Investor E at least \$5000 from Investor A's checking account. Leonard also paid himself,  
14 without informing Investor A, by periodically taking funds from Investor A's bank account. Leonard  
15 represented to Investor A that he invested the funds in stock and bonds. Leonard indicated that he  
16 was finding buyers for Investor A's original stock holdings. He also wrote an email to the Investor A  
17 characterizing Investor A's money as "safe" because he put Investor A's money into bonds. Leonard  
18 did not invest the funds as he represented to Investor A. Leonard transferred most of the funds into  
19 his personal bank accounts and eventually left Investor A with only \$164.58 of the entrusted funds.

- 20 b. Investor B: In early 2008, Investor B, a Washington resident, entrusted Leonard with \$63,000. These  
21 funds included \$40,000 in Certificates of Deposit. The investor was one of Leonard's tax clients.  
22 Investor B added Leonard to Investor B's bank account after Leonard told Investor B that he would  
23 invest the account funds. Leonard consolidated and transferred the funds into his checking account.  
24 At one point, Leonard invested about \$20,000 in stock options. Leonard indicated that he made a  
25 profit on the stock options, which he returned to the investor. Leonard later emptied the checking

1 account, opened credit lines in the investor's name without the investor's knowledge or consent, and  
2 filed for bankruptcy on behalf of the investor without the investor's knowledge or consent.

3 c. Investor C: In September 2009, Leonard indicated to Investor C that "Abacus, Inc." and "The  
4 Children's Arbor" were recipients of Investor C's investment funds. Investor C is a Washington  
5 resident. Leonard told Investor C that he would invest funds, that the principal would increase due to  
6 investments, and that he would send \$500 per month to Investor C. Investor C agreed to compensate  
7 Leonard for his management and investment services by giving him 2-3% of the fund total each year.  
8 Investor C entrusted \$184,000 and a Roth IRA worth \$27,000 with Leonard. Instead of investing  
9 Investor C's funds, Leonard put the funds into his own checking account. Leonard made \$500  
10 payments to the investor until early 2011. Leonard spent the balance of the funds on his personal  
11 expenses.

12 d. Investor D: In the fourth case, a Washington resident entrusted Leonard with \$150,000 to manage  
13 and invest. Of these funds, Investor D provided at least \$20,000 to Leonard in the form of a check.  
14 The investor was one of Leonard's tax clients. Leonard never invested the funds, which he spent on  
15 his personal expenses.

### 16 "Mutual Fund"

17 6. After holding himself out as a financial planner, Leonard solicited investment in what he called a  
18 "mutual fund" to one Washington resident, Investor E. Leonard, via email, told Investor E that Leonard managed the  
19 fund. Leonard indicated that the investment was with "The Children's Arbor," a name Leonard used for his tax  
20 preparation business. Leonard represented that other investors participated in the fund and that they were all his  
21 "friends or long-time tax clients." According to Leonard, an average deposit into the fund was \$10,000. In return for  
22 the \$10,000 investment, Leonard said he would write investors a \$500 check each month. Leonard, in an email to the  
23 investor, described the investment opportunity as "like a bond" in that "it doesn't go up too much, but it never goes  
24 down."

25 7. At first, Leonard and Investor E contemplated a \$15,000 investment. In a document entitled "Letter

of Understanding,” Leonard promised that Investor E’s initial \$15,000 investment would not decrease in value. Leonard further promised that he would “add \$750 a month” to the investor’s account.

8. Between September 2008 and February 2009, Investor E invested a total of \$100,000 with Leonard, who initially made monthly \$1,500 payments to Investor E. In July 2010, Leonard provided Investor E with a chart indicating that Investor E’s balance was \$110,589 and ranged between \$99,566 and \$123,395 during the previous 10 months. In November 2010, Leonard informed Investor E that a brokerage firm handling the funds had filed for bankruptcy. Leonard represented that, as a result of problems with the brokerage firm, he was moving the “mutual fund” to Merrill Lynch. Leonard indicated that he would continue managing his own investments through the fund at Merrill Lynch.

9. Leonard never invested the funds in the brokerage firm he claimed went bankrupt. The “mutual fund” never existed and Leonard fabricated the existence of other fund participants. Leonard repaid Investor E close to \$90,000, of which at least \$5,000 came from the bank account of Investor A, discussed in paragraph 5(a) above. Leonard spent the balance of the investor’s funds on his personal expenses.

#### **Investment Advice**

10. As discussed above, Leonard held himself out as an investment adviser and a financial planner to prospective investors and tax clients. In addition to the asset management services discussed above, Leonard examined company finances and periodically analyzed investments on behalf of clients. Leonard charged \$200 an hour to analyze prospectuses, explain them in simple terms, and give his opinion as to the validity of projections made within the prospectuses. He evaluates five or six prospectuses each year. Leonard also maintained a blog entitled “Investor’s Corner” in which he offered his advice on “how to save on taxes and earn profits in the market.”

#### Unregistered Securities

#### **“Partnership Interests”**

11. Leonard offered an “investment opportunity” that involved buying and reselling assets of failing companies. Leonard solicited investment in two almost identical schemes, which purportedly involved either a quilt manufacturing company or a fitness club. At first, Leonard sent solicitations via email to his tax preparation clients.

1 Leonard, upon a referral from a client, sent out further solicitations to non-clients. To those indicating an interest in  
2 investing, Leonard sent a document entitled "Snetsinger & Co. Partnership Agreement." The document purported to  
3 create a partnership under the name "Snetsinger & Co." beginning September 1, 2010 and continuing until August 31,  
4 2011 at the latest. The "partnership agreement" gave Leonard sole managerial discretion over the "partnership." The  
5 "partners" never entered into a partnership agreement concerning Snetsinger & Co. with each other or anyone besides  
6 Leonard. In emails to investors, Leonard consistently referred to this matter as the "investment" and "investment  
7 opportunity," and did not refer to it as a "partnership."

8 12. Between July and September 2010, Leonard solicited more than 18 individuals to invest in these  
9 "partnerships." At least five Washington residents invested in the "partnerships." Leonard raised at least \$30,000  
10 from those who invested in the "partnerships." Leonard provided prospective and actual investors with profit  
11 projections for which he provided no basis. Leonard never invested the funds or bought any assets. Leonard spent all  
12 of the money raised from the investors on his personal expenses. Leonard repeatedly sent emails with false claims  
13 about the status of the partnerships, including "early buyers ... have been paid in full" and "we have sold 65% of the  
14 equipment."

15 13. Quilt manufacturing company: In August 2010, Leonard offered, via email, what he termed an  
16 "investment opportunity" in a failing quilt manufacturing company's assets. Leonard indicated that he examined "the  
17 books" for the company. Leonard listed several assets, the price at which the "partnership" would buy the assets, and  
18 the discounted market value of the assets. Leonard wrote that he had already bought and resold some assets for a  
19 \$12,000 profit. Leonard projected that investors would receive repayment and profits within 60 to 90 days. Leonard  
20 explained that the "partnership" needed \$35,000, of which \$29,000 would be "for the equipment" and \$6,000 would  
21 be "for marketing and expenses." Leonard projected that the investment would yield "approximately \$85,000 to  
22 distribute to investors." Leonard estimated returns of \$2,400 within three months for an investment of \$1,000.  
23 Leonard estimated returns of \$12,100 "before the autumn leaves turn gold" for a \$5,000 investment.

24 14. Fitness club: In August 2010, Leonard offered, via email, what he termed an "investment  
25 opportunity" in a failing fitness club's assets. Leonard indicated that he examined "the books" for the company.

Leonard listed several assets, the price at which the “partnership” would buy the assets, and the discounted market value of the assets. Leonard stated that the opportunity involved buying for \$120,000 a fitness club with a book value of \$500,000. Leonard stated that he had already bought and resold some assets for a \$12,000 profit. Leonard projected that investors would receive repayment and profits within 90 to 120 days. Leonard explained that the “partnership” needed \$130,000, of which \$120,000 would be “for the equipment” and \$10,000 would be “for marketing and expenses.” Leonard projected that the investment would yield “approximately \$185,000 to distribute to investors.” Leonard estimated returns of \$2,400 within three months for an investment of \$1,000. Leonard estimated returns of \$12,100 “before the autumn leaves turn gold” for a \$5,000 investment. Leonard estimated returns of \$24,200 by the final quarter of 2010 for a \$10,000 investment.

**“CD”**

15. In September 2010, Leonard solicited via email at least two Washington residents to invest in what he termed a “10% 6-Month CD.” The email explained that one of Leonard’s clients wanted to borrow \$100,000 and was “offering to pay 10% interest for 6-months.” Leonard wrote that the client would provide “6,000 shares of Microsoft” as collateral. Leonard represented the client as trustworthy enough for Leonard to contribute \$12,000. The two residents declined this offer.

**“Crowd Funding”**

16. From December 9, 2010 until approximately April 22, 2011, Leonard solicited investment in “Snetsinger and Associates” via the website [www.snetsinger.com](http://www.snetsinger.com) and through emails to Washington residents. Leonard referred to the investment as “crowd funding.” Leonard represented that he wanted funds to help him hire employees. After touting himself as a small business owner with 35 years of experience in accounting, investment advice, and tax preparation services, Leonard outlined three investment options. First, for an investment of \$200, Leonard promised 6% of Snetsinger and Associates’ revenue for 36 months plus a 2010 individual tax return. Second, for an investment of \$400, Leonard promised 8% of Snetsinger and Associates’ revenue for 36 months plus two individual tax returns. Third, for an investment of \$600, Leonard promised 10% of Snetsinger and Associates’ revenue for 36 months plus three individual tax returns. The website directed investors to Leonard’s PayPal account

1 in order to transfer funds for the investment. It appears that no one invested in the “crowd funding” investment.

2 **III.**

3 Misrepresentations and Omissions

4 17. Respondent, Patrick Leonard, failed to provide material information regarding the investment  
5 opportunities he offered and/or sold to investors, including, but not limited to: financial statements, operational  
6 history, risks, full representation of his company’s history, licensing requirements and status, and prior performance  
7 information.

8 18. Respondent, Patrick Leonard made false claims about his business activities, his status as an  
9 investment adviser, the status of funds entrusted to and invested with him, the investment mechanisms he managed,  
10 and the profit projections he provided to prospective investors.

11 **IV.**

12 Registration Status

13 19. Respondent, Patrick Leonard, is not currently registered as an investment adviser or investment  
14 advisor representative in the state of Washington and was not so registered during the relevant time period.

15 20. The securities offered and sold by Respondent, Patrick Leonard, are not currently registered in the  
16 state of Washington and have not previously been so registered.

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

18 **CONCLUSIONS OF LAW**

19 **I.**

20 The offer or sale of securities, as described in paragraphs 11-16 above, constitute the offer and/or sale of a  
21 security as defined in RCW 21.20.005(10) and (12).

22 **II.**

23 The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration for such an  
24 offer and/or sale is on file with the Securities Administrator, state of Washington.



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**III.**

As set forth in the Tentative Findings of Fact, Patrick Leonard acted as an investment adviser as defined in RCW 21.20.005(6) by reviewing prospectuses on behalf of others for compensation, by offering to manage and invest funds on behalf of others for compensation, and by holding himself out as providing the foregoing investment advisory services to others for compensation.

**IV.**

Patrick Leonard violated RCW 21.20.040 by acting as an investment adviser while not so registered in the state of Washington.

**V.**

The offer and/or sale of said securities were in violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondent employed a scheme to defraud investors; made misstatements of material facts or omitted to state material facts necessary in order to make the statements made, in light of circumstances under which they were made, not misleading; and engaged in an act, practice, or course of business that operated as a fraud or deceit upon customers.

**VI.**

Patrick Leonard violated RCW 21.20.020, as described in paragraphs 5-9, by engaging in an act, practice, or course of business which operated as a fraud or deceit upon those that he advised, for consideration, as to the value of securities, their purchase, or sale.

**VII.**

Patrick Leonard willfully violated or willfully failed to comply with RCW 21.20.010 and RCW 21.20.020 which, pursuant to RCW 21.20.110(1)(b) and (1)(g), is grounds for the denial of future registration as a securities salesperson, broker-dealer, investment adviser, or investment advisor representative.

**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

1 Law, the Securities Administrator intends to order that Respondent, Patrick Leonard, shall cease and desist from  
2 violations of RCW 21.20.010, RCW 21.20.020, RCW 21.20.040, and RCW 21.20.140.

3 **NOTICE OF INTENT TO DENY FUTURE APPLICATION**

4 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of  
5 Law, the Securities Administrator intends to order that any future broker-dealer, securities salesperson, investment  
6 adviser and/or investment adviser representative application of Patrick Leonard be denied by the Securities Division.

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

8 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law,  
9 the Securities Administrator intends to order that Respondent, Patrick Leonard, shall be liable for and shall pay a fine  
10 of \$50,000.

11 **NOTICE OF INTENT TO CHARGE COSTS**

12 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the  
13 Securities Administrator intends to order that Respondent, Patrick Leonard, shall be liable for and shall pay  
14 investigative costs of at least \$5,000.

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 Respondent, Patrick Leonard, may make a written request for a hearing as set  
18 forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this  
19 Order. If the Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to  
20 adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease  
21 and desist as to the Respondent, to impose any fines sought against the Respondent, and to charge any costs sought  
22 against the Respondent.

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

Signed and Entered this 19th day of October 2011.



William M. Beatty  
Securities Administrator

Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Drew Stillman  
Enforcement Attorney