

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**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,  
David A. Cochran,

Respondents

Order Number S-09-282-12-FOO1

**ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST, TO  
IMPOSE A FINE, AND TO CHARGE  
COSTS**

THE STATE OF WASHINGTON TO:

Leschi Equity Partners, LLC/David A. Cochran

**INTRODUCTION**

On May 9, 2012, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, to Impose a Fine, and to Charge Costs (“Statement of Charges”), Order Number S-09-282-12-SC01, against Leschi Equity Partners, LLC and David A. Cochran (“Respondents”). The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice”) and an Application for Adjudicative Hearing (“Application for Hearing”) were served on Respondents on June 11, 2012.

The Notice advised that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondents each failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

The Securities Administrator therefore will adopt as final the Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a Final Order against Respondents, Leschi Equity

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST, TO  
IMPOSE A FINE, AND TO CHARGE COSTS.

Partners, LLC and David A. Cochran, to cease and desist from violations of the Securities Act, to impose a fine, and to charge costs.

The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

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

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

### Offering of Limited Liability Company Membership Interests

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

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

5. When offering and selling the investments, Respondents each represented to investors that they could demand a full refund of their investment, with interest, if they were not satisfied with the investment after a certain period of time. All of the investors eventually demanded a repayment of their investments. At least three investors received a full or partial repayment of their investment,

1 but at least seven of the investments with a total principal balance of more than \$590,000 are still  
2 outstanding.

3 Misrepresentations and Omissions

4 6. When offering and selling the investments, Respondents each represented that the investor  
5 funds would be pooled together and used to purchase the Shangri-La Apartments, a waterfront  
6 apartment complex in Seattle. The investors were relying upon Cochran to acquire and convert the  
7 Shangri-La Apartments into condominium units and to generate a return on their investments.  
8 Respondents each represented to investors that the members of Leschi would share in profits from  
9 selling the condominium units. However, Leschi never purchased the Shangri-La Apartments and  
10 never generated any profits for the investors.

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

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

1 condominium conversion project and that investors might lose their entire investment because the  
2 condominium conversion project was inadequately capitalized.

3 9. When offering and selling the investments, Respondents each represented to some investors  
4 that the project would have profits of more than \$11 million and that the project would be completed  
5 within a short time period, ranging from at least six months to two years. Respondents each failed to  
6 disclose the basis and assumptions for the projected profits.

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

#### 10 Registration Status of Respondents

11 11. Leschi Equity Partners, LLC is not currently registered to sell its securities in the state of  
12 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 **CONCLUSIONS OF LAW**

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

20 2. As set forth in the Findings of Fact, Respondents, Leschi Equity Partners, LLC and  
21 David A. Cochran, have each made untrue statements of material fact or omitted to state material  
22 facts necessary in order to make the statements made, in the light of the circumstances under which  
23

1 they are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section of the  
2 Securities Act of Washington.

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

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

### 10 **FINAL ORDER**

11 Based upon the foregoing and finding it in the public interest:

12 It is hereby ORDERED that Respondents, Leschi Equity Partners, LLC and David A. Cochran, and  
13 their agents and employees each shall cease and desist from offering or selling securities in violation of  
14 RCW 21.20.140, the securities registration section of the Securities Act of Washington.

15 It is further ORDERED that Respondents, Leschi Equity Partners, LLC and David A. Cochran,  
16 and their agents and employees each shall cease and desist from acting as an unregistered securities  
17 broker-dealer or salesperson in violation of RCW 21.20.040, the securities broker-dealer and securities  
18 salesperson registration section of the Securities Act of Washington.

19 It is further ORDERED that Respondents, Leschi Equity Partners, LLC and David A. Cochran, and  
20 their agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud  
21 section of the Securities Act of Washington.

22 It is further ORDERED that Respondent David A. Cochran shall be liable for and shall pay a fine  
23 in the amount of \$5,000.

24 ENTRY OF FINDINGS OF FACT AND  
25 CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST, TO  
IMPOSE A FINE, AND TO CHARGE COSTS.

1 It is further ORDERED that Respondent David A. Cochran shall be liable for and shall pay  
2 investigative costs of \$2,500.

3 **AUTHORITY AND PROCEDURE**

4 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and  
5 is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents, Leschi Equity  
6 Partners, LLC and David A. Cochran, have the right to petition the superior court for judicial review of  
7 this agency action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition  
8 for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified  
9 copy of this order may be filed in Superior Court. If so filed, the clerk shall treat the order in the same  
10 manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in  
11 like manner.


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

13  
14 DATED and ENTERED this 3rd day of July, 2012

15  
16 

17  
18 WILLIAM M. BEATTY  
19 Securities Administrator

20 Approved by:

21 

22 Suzanne E. Sarason  
23 Chief of Enforcement

24 Reviewed by:

20 Presented by:

21 

22 Janet So  
23 Enforcement Attorney

24 ENTRY OF FINDINGS OF FACT AND  
25 CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST, TO  
IMPOSE A FINE, AND TO CHARGE COSTS.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Robert Kondrat  
Financial Legal Examiner Supervisor

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST, TO  
IMPOSE A FINE, AND TO CHARGE COSTS.