

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-11-0663-11-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
) CONCLUSIONS OF LAW AND FINAL ORDER TO
Patrick Leonard (aka Patrick Snetsinger) dba) CEASE AND DESIST, DENY FUTURE
Snetsinger and Co., Snetsinger and Associates,) REGISTRATIONS, IMPOSE FINES, AND RECOVER
The Children’s Arbor, and Abacus,) COSTS
)
Respondent.)

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

On October 19, 2011, the Securities Administrator of the state of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Deny Future Registrations, Impose Fines, and Recover Costs, S-11-0663-11-SC01 (“Statement of Charges”), against Patrick Leonard (aka Patrick Snetsinger) dba Snetsinger and Co., Snetsinger and Associates, The Children’s Arbor, and Abacus (“Respondent”). The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as “Notice of Opportunity for Hearing” and an Application for Adjudicative Hearing, hereinafter referred to as “Application for Hearing,” were served on Respondent on October 25, 2011. The Notice of Opportunity for Hearing advised Respondent 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. Respondent 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 following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order against the Respondent to cease and desist from violations of the Securities Act.

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

1 **FINDINGS OF FACT**

2 **I.**

3 Respondent

4 1. Patrick Leonard (“Leonard”), also known as Patrick Snetsinger, is the sole proprietor of a tax
5 preparation business. Leonard changed his last name from Snetsinger in May 2011. Leonard has operated his tax
6 preparation business under several names, including Snetsinger and Co., Snetsinger and Associates, The Children’s
7 Arbor, and Abacus. Leonard’s tax preparation business had two principal places of business in Washington, one in
8 Bainbridge Island and the other in Bellevue. In the early 1980s, Leonard was registered as a securities salesperson
9 with a series of broker-dealers in the state of Washington. Leonard has not been so registered since June 1987.
10 Leonard has a Central Registration Depository number of 1031535.

11 Related Entities

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

16 **II.**

17 Introduction

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

25 4. Leonard deliberately defrauded investors by offering fabricated investment opportunities and

1 repeatedly disseminating false information about the status of investors' funds. Leonard gave investors illusory profit
2 projections. Leonard created fictitious stories to explain why he was unable to repay investors, including his
3 involvement in a lawsuit and administrative errors of firms he falsely represented as holding investors' funds.

4 Investment Adviser Services

5 **Asset Management**

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

- 8 a. Investor A: In late 2006, Investor A, a Washington resident, entrusted Leonard with approximately
9 \$1.5 million to manage. Leonard offered, for compensation, to manage Investor A's assets. Leonard
10 told Investor A that he would help her sell off some of her stocks so that she would have money to
11 live on. Leonard and Investor A never reached a formal payment agreement. Investor A thought that
12 a \$10,000 lump sum plus interest earned on its investment would constitute complete payment for
13 Leonard's services. Alternatively, Leonard indicated that he believed the payment agreement was
14 that he was to be "paid well." Eventually, Leonard convinced Investor A that adding him to Investor
15 A's bank and brokerage accounts would expedite the services he was performing for Investor A.
16 Investor A added to the accounts. The brokerage accounts were devoted to mutual fund investments.
17 Leonard transferred funds from the brokerage accounts to the Investor A's checking account.
18 Subsequently, Leonard transferred the funds from the checking account into six different bank
19 accounts. All but one of the bank accounts belonged to Leonard. The other account belonged to
20 Investor E, discussed in paragraphs 6-9 below, who also entrusted funds with Leonard. Leonard
21 repaid Investor E at least \$5000 from Investor A's checking account. Leonard also paid himself,
22 without informing Investor A, by periodically taking funds from Investor A's bank account. Leonard
23 represented to Investor A that he invested the funds in stock and bonds. Leonard indicated that he
24 was finding buyers for Investor A's original stock holdings. He also wrote an email to the Investor A
25 characterizing Investor A's money as "safe" because he put Investor A's money into bonds. Leonard

1 did not invest the funds as he represented to Investor A. Leonard transferred most of the funds into
2 his personal bank accounts and eventually left Investor A with only \$164.58 of the entrusted funds.

3 b. Investor B: In early 2008, Investor B, a Washington resident, entrusted Leonard with \$63,000. These
4 funds included \$40,000 in Certificates of Deposit. The investor was one of Leonard's tax clients.
5 Investor B added Leonard to Investor B's bank account after Leonard told Investor B that he would
6 invest the account funds. Leonard consolidated and transferred the funds into his checking account.
7 At one point, Leonard invested about \$20,000 in stock options. Leonard indicated that he made a
8 profit on the stock options, which he returned to the investor. Leonard later emptied the checking
9 account, opened credit lines in the investor's name without the investor's knowledge or consent, and
10 filed for bankruptcy on behalf of the investor without the investor's knowledge or consent.

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

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

24 "Mutual Fund"

25 6. After holding himself out as a financial planner, Leonard solicited investment in what he called a

1 “mutual fund” to one Washington resident, Investor E. Leonard, via email, told Investor E that Leonard manages the
2 fund. Leonard indicated that the investment was with “The Children’s Arbor,” a name Leonard used for his tax
3 preparation business. Leonard represented that other investors participated in the fund and that they were all his
4 “friends or long-time tax clients.” According to Leonard, an average deposit into the fund was \$10,000. In return for
5 the \$10,000 investment, Leonard said he would write investors a \$500 check each month. Leonard, in an email to the
6 investor, described the investment opportunity as “like a bond” in that “it doesn’t go up too much, but it never goes
7 down.”

8 7. At first, Leonard and Investor E contemplated a \$15,000 investment. In a document entitled “Letter
9 of Understanding,” Leonard promised that Investor E’s initial \$15,000 investment would not decrease in value.
10 Leonard further promised that he would “add \$750 a month” to the investor’s account.

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

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

22 **Investment Advice**

23 10. As discussed above, Leonard held himself out as an investment adviser and a financial planner to
24 prospective investors and tax clients. In addition to the asset management services discussed above, Leonard
25 examined company finances and periodically analyzed investments on behalf of clients. Leonard charged \$200 an

1 hour to analyze prospectuses, explain them in simple terms, and give his opinion as to the validity of projections
2 made within the prospectuses. He evaluates five or six prospectuses each year. Leonard also maintained a blog
3 entitled "Investor's Corner" in which he offered his advice on "how to save on taxes and earn profits in the market."

4 Unregistered Securities

5 **"Partnership Interests"**

6 11. Leonard offered an "investment opportunity" that involved buying and reselling assets of failing
7 companies. Leonard solicited investment in two almost identical schemes, which purportedly involved either a quilt
8 manufacturing company or a fitness club. At first, Leonard sent solicitations via email to his tax preparation clients.
9 Leonard, upon a referral from a client, sent out further solicitations to non-clients. To those indicating an interest in
10 investing, Leonard sent a document entitled "Snetsinger & Co. Partnership Agreement." The document purported to
11 create a partnership under the name "Snetsinger & Co." beginning September 1, 2010 and continuing until August 31,
12 2011 at the latest. The "partnership agreement" gave Leonard sole managerial discretion over the "partnership." The
13 "partners" never entered into a partnership agreement concerning Snetsinger & Co. with each other or anyone besides
14 Leonard. In emails to investors, Leonard consistently referred to this matter as the "investment" and "investment
15 opportunity," and did not refer to it as a "partnership."

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

23 13. Quilt manufacturing company: In August 2010, Leonard offered, via email, what he termed an
24 "investment opportunity" in a failing quilt manufacturing company's assets. Leonard indicated that he examined "the
25 books" for the company. Leonard listed several assets, the price at which the "partnership" would buy the assets, and

1 the discounted market value of the assets. Leonard wrote that he had already bought and resold some assets for a
2 \$12,000 profit. Leonard projected that investors would receive repayment and profits within 60 to 90 days. Leonard
3 explained that the “partnership” needed \$35,000, of which \$29,000 would be “for the equipment” and \$6,000 would
4 be “for marketing and expenses.” Leonard projected that the investment would yield “approximately \$85,000 to
5 distribute to investors.” Leonard estimated returns of \$2,400 within three months for an investment of \$1,000.
6 Leonard estimated returns of \$12,100 “before the autumn leaves turn gold” for a \$5,000 investment.

7 14. Fitness club: In August 2010, Leonard offered, via email, what he termed an “investment
8 opportunity” in a failing fitness club’s assets. Leonard indicated that he examined “the books” for the company.
9 Leonard listed several assets, the price at which the “partnership” would buy the assets, and the discounted market
10 value of the assets. Leonard stated that the opportunity involved buying for \$120,000 a fitness club with a book value
11 of \$500,000. Leonard stated that he had already bought and resold some assets for a \$12,000 profit. Leonard
12 projected that investors would receive repayment and profits within 90 to 120 days. Leonard explained that the
13 “partnership” needed \$130,000, of which \$120,000 would be “for the equipment” and \$10,000 would be “for
14 marketing and expenses.” Leonard projected that the investment would yield “approximately \$185,000 to distribute
15 to investors.” Leonard estimated returns of \$2,400 within three months for an investment of \$1,000. Leonard
16 estimated returns of \$12,100 “before the autumn leaves turn gold” for a \$5,000 investment. Leonard estimated
17 returns of \$24,200 by the final quarter of 2010 for a \$10,000 investment.

18 “CD”

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

24 “Crowd Funding”

25 16. From December 9, 2010 until approximately April 22, 2011, Leonard solicited investment in

1 “Snetsinger and Associates” via the website www.snetsinger.com and through emails to Washington residents.
2 Leonard referred to the investment as “crowd funding.” Leonard represented that he wanted funds to help him hire
3 employees. After touting himself as a small business owner with 35 years of experience in accounting, investment
4 advice, and tax preparation services, Leonard outlined three investment options. First, for an investment of \$200,
5 Leonard promised 6% of Snetsinger and Associates’ revenue for 36 months plus a 2010 individual tax return. Second,
6 for an investment of \$400, Leonard promised 8% of Snetsinger and Associates’ revenue for 36 months plus two
7 individual tax returns. Third, for an investment of \$600, Leonard promised 10% of Snetsinger and Associates’
8 revenue for 36 months plus three individual tax returns. The website directed investors to Leonard’s PayPal account
9 in order to transfer funds for the investment. It appears that no one invested in the “crowd funding” investment.

10 **III.**

11 Misrepresentations and Omissions

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

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

19 **IV.**

20 Registration Status

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

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

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

CONCLUSIONS OF LAW

I.

The offer or sale of securities, as described in paragraphs 11-16 above, constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17), formerly codified as RCW 21.20.005(10) and (12).

II.

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

III.

As set forth in the Findings of Fact, Patrick Leonard acted as an investment adviser as defined in RCW 21.20.005(8), formerly codified as 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 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

1 securities, their purchase, or sale.

2 **VII.**

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

6 **FINAL ORDER**

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

8 IT IS HEREBY ORDERED that the Respondent, Patrick Leonard, his agents and employees each shall cease
9 and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

10 IT IS FURTHER ORDERED that the Respondent, Patrick Leonard, his agents and employees each shall
11 cease and desist from violating RCW 21.20.020, the section of the Securities Act of Washington pertaining to
12 unlawful acts of a person advising another.

13 IT IS FURTHER ORDERED that the Respondent, Patrick Leonard, his agents and employees each shall
14 cease and desist from violating RCW 21.20.040, the broker-dealer and securities salesperson registration section of
15 the Securities Act of Washington.

16 IT IS FURTHER ORDERED that the Respondent, Patrick Leonard, his agents and employees each shall
17 cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of
18 the Securities Act of Washington requiring registration.

19 IT IS FURTHER ORDERED that any future broker-dealer, securities salesperson, investment adviser and/or
20 investment adviser representative application of Respondent, Patrick Leonard, shall be denied.

21 IT IS FURTHER ORDERED that the Respondent, Patrick Leonard, shall be liable for and pay a fine in the
22 amount of \$50,000.

23 IT IS FURTHER ORDERED that the Respondent, Patrick Leonard, shall be liable for and pay costs in the
24 amount of \$5,000.

AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondent has the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

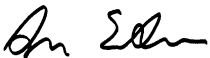
WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

SIGNED and ENTERED this 17th day of November 2011.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Drew Stillman
Enforcement Attorney