

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:
JESUS FERNANDEZ,
and
JULIO GARCIA AND SFC INVESTORS, INC.
its managers, officers, affiliates, subsidiaries, representatives,
successors, and assigns.

FILE NO. 09-00359

ORDER OF PROHIBITION

TO RESPONDENTS:

**Jesus Fernandez
26336 Whispering Woods Circle
Plainfield, Illinois 60585**

**SFC Investors, Inc.
Jesus Fernandez, President
26336 Whispering Woods Circle
Plainfield, Illinois 60585**

WHEREAS, a Temporary Order of Prohibition was issued by the Illinois Secretary of State, on February 1, 2011, temporarily prohibiting the Respondents from offering or selling securities in the State of Illinois for a maximum period of ninety (90) days.

WHEREAS, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq.*] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of a Temporary Order of Prohibition shall constitute an admission of any facts alleged therein and constitute a sufficient basis to make the Temporary Order final.

WHEREAS, Respondents Jesus Fernandez, Julio Garcia, and SFC Investors, Inc. have failed to request a hearing on the matters contained in the Temporary Order of Prohibition within thirty (30) calendar days of the entry of said Temporary Order and the Respondents are hereby deemed to have admitted the facts alleged in the said Temporary Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in the said Temporary Order as the Secretary of State's Findings of Fact as follows:

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1. Respondent Jesus Fernandez ("Fernandez") is a natural person with a last known address of 26336 Whispering Woods Circle, Plainfield, Illinois 60585.
2. Respondent Julio Garcia ("Garcia") is a natural person with a last known address of 26117 Whispering Wood Creek, Plainfield, Illinois 60585. Respondent Garcia was deported back to Mexico and no longer resides in the United States.
3. Respondent SFC Investors, Inc., ("SFC") is an Illinois corporation incorporated on January 6, 2006 and was involuntarily dissolved by the Illinois Secretary of State on June 13, 2008 with a last known address of 26117 Whispering Wood Creek, Plainfield, Illinois 60585. Respondent Garcia is listed as the President of SFC.
4. Respondent Garcia solicited at least one Illinois Investor ("Investor A") to invest in what was purported to be a real estate development project. Respondent Garcia informed Investor A that he and Respondent Fernandez along with two other individuals were all business partners and needed \$400,000.00 to develop property located at 7N175 Eola Road, Aurora, Illinois ("Eola Property").
5. In or around May 2007, Respondent Garcia and Fernandez offered and sold a promissory note to Investor A, which was signed by Fernandez in his personal capacity. Under the terms of an oral agreement between Investor A and Respondents Garcia and Fernandez, Investor A remitted \$100,000.00 to Respondents with the expectation that Investor A would receive a \$20,000.00 profit. On May 1, 2008, Respondents Garcia and Fernandez would pay back the principal of \$100,000.00 plus the \$20,000.00 profit guaranteed on the note.
6. In or around May 2007, Respondents Garcia and Fernandez offered and sold a promissory note to Investor A which was signed by Respondent Fernandez in his personal capacity. Under the terms of the oral agreement between Investor A and Respondents Garcia and Fernandez, Investor A remitted a total of \$250,000.00 to Respondents with the expectation that Investor A would receive a \$50,000.00 profit. On May 1, 2008, Respondents Garcia and Fernandez would pay back the principal of \$250,000.00 plus the \$50,000.00 profit guaranteed on the note.
7. The note also listed the Eola Property as collateral if Investor A was not paid the full amount of \$300,000.00 on the due date of May 1, 2008. Respondents Garcia and Fernandez never had any ownership interests and/or title to the Eola Property nor did they obtain the Eola Property owner's permission to put the property up as collateral in the note.
8. The note identified in paragraph six was intended to replace the original promissory note offered and sold to Investor A in paragraph five by Respondents Garcia and Fernandez.

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9. Investor A expressed interest in the real estate investment project but clearly stated that he did not have the money to invest. Respondent Garcia proposed to Investor A that he could set up a refinance of his primary residence and use the equity from the refinance to fund the investment. Investor A agreed to the deal and refinanced his property through Respondent Garcia. Investor A endorsed the \$93,119.88 home equity check from the refinance Lender and gave it to Respondent Garcia.
10. Next, Investor A wrote a personal check in the amount of \$6,880.12 which was made payable to Respondent Fernandez. On June 4, 2007, Respondent Fernandez cashed both of the checks and used the money to obtain a cashier's check to pay off a previous investor.
11. On or around the same time, Investor A obtained a home equity line of credit for \$150,000.00 and transferred the entire amount into his personal checking account. Next, Investor A endorsed the home equity check and turned it over to Respondent Garcia.
12. On June 13, 2007, the check was deposited into Respondent Fernandez's personal checking account. On June 19, 2007, only six days later, \$134,000.00 of the \$150,000.00 had been removed from Respondent Fernandez's checking account by Respondent Fernandez.
13. Respondents' activities described above involve the offer and sale of promissory notes as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS] (the "Act").

COUNT I

FRAUD IN THE OFFER AND SALE OF SECURITIES

14. Instead of placing Investor A's \$250,000.00 in developing the Eola Property as promised, Respondent Fernandez converted a substantial portion of the funds for personal expenses and to keep other business ventures solvent.
15. Specifically, Respondent Fernandez used the \$100,000.00 obtained from Investor A to pay off a previous investor who threatened to involve the authorities if the money was not promptly returned.
16. To date, despite demands, Investor A has not received the initial investment of \$250,000.00 nor the \$50,000.00 profit that was guaranteed to be paid in full by May 1, 2008.
17. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in

conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.

18. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
19. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
20. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
21. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, “to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly”.
22. By virtue of the foregoing, Respondent violated Section 12.I of the Act.

COUNT II

FAILURE TO REGISTER SECURITIES

23. Section 5 of the Act provides, *inter alia*, that “all securities except those set forth under Section 2a of this Act...or those exempt...shall be registered...prior to their offer or sale in this State.
24. Respondents Garcia, SFC, and Fernandez failed to file an application with the Secretary of State to register the promissory notes as required by the Act, and as a result the promissory notes were not registered as such prior to their sale in the State of Illinois.
25. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.
26. Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
27. By virtue of the foregoing, Respondents Garcia and Fernandez violated Sections 12.A and 12.D of the Act.

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NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. By virtue of the foregoing, Respondents Jesus Fernandez, Julio Garcia, and SFC Investors, Inc. violated Sections 12.A, 12.D, 12.F, 12.G, and 12.I of the Act.
2. By virtue of the foregoing, Respondents Jesus Fernandez, Julio Garcia, and SFC Investors, Inc. and each of their partners, members, officers and directors, agents, employees, affiliates, successors and assigns are subject to, pursuant to Section 11.F of the Act, an Order which **PERMANENTLY PROHIBITS** them from offering or selling securities in the State of Illinois.

Dated: This 11th day of March, 2011.


JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 Felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:

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