

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

IN THE MATTER OF:)
JESUS FERNANDEZ,)
JULIO GARCIA, AND) **FILE NO. 09-00359**
SFC INVESTORS, INC.)
its managers, officers, affiliates, subsidiaries, representatives,)
successors, and assigns.)

DEFAULT 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 the above-captioned matter came to be heard on the 29th day of June, 2011 at the hour of 10 00 a.m., at the offices of the Illinois Department of Securities, Secretary of State, 69 W Washington, Suite 1220, Chicago, Illinois 60602; Respondents Jesus Fernandez, Julio Garcia, and SFC Investors, Inc. failed to file an answer and failed to appear, and this Default Order of Prohibition is hereby entered pursuant to Section 11 of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and Section 130 1123 of the Rules and Regulations Under the Illinois Securities Law of 1953 (the "Rules").

WHEREAS the rulings on admission of evidence and all motions at the Hearing are deemed to be proper by the Secretary of State;

WHEREAS the proposed Findings of Fact and Conclusions of Law in the above captioned matter have been read and examined;

WHEREAS the following Findings of Fact concerning Respondents Jesus Fernandez, Julio Garcia, and SFC Investors, Inc., are deemed correct and are hereby adopted as the Findings of Fact of the Secretary of State.

1. Respondent Jesus Fernandez ("Fernandez") is a natural person with a last known address of 26336 Whispering Woods Circle, Plainfield, Illinois 60585.

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- 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").

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.

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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.

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.

WHEREAS; Respondent Jesus Fernandez, Julio Garcia, and SFC Investors, Inc. committed multiple violations of Section 12, including 12 A, 12.D, 12.F, 12.G, and 12.I of the Act.

WHEREFORE Respondents Jesus Fernandez, Julio Garcia, and SFC Investors, Inc. are hereby and henceforth PROHIBITED from acting as a Salesperson and/or Investment

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Adviser, or Investment Adviser Representative or engaging in any business thereof, and from offering or selling securities, or engaging in any business thereof pursuant to Section 11.2 of the Act.

NOW THEREFORE, IT SHALL BE AND IS ORDERED THAT:

1. Respondent Jesus Fernandez, his affiliates, employees, successors and assigns, is permanently **PROHIBITED** from offering or selling securities in the State of Illinois.
2. Respondent Julio Garcia, his affiliates, employees, successors and assigns, is permanently **PROHIBITED** from offering or selling securities in the State of Illinois
3. Respondent SFC Investors, Inc their affiliates, employees, successors and assigns, are permanently **PROHIBITED** from offering or selling securities in the State of Illinois
4. Respondent SFC Investors, Inc., their affiliates, employees, successors and assigns, are permanently **PROHIBITED** from acting as an investment adviser in the State of Illinois.

Dated: This 7th day of August 2013


JESSE WHITE
Secretary of State
State of Illinois

Maria A. Pavone
Enforcement Attorney
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
(312) 793-3384

Hearing Officer
Soula Spyropoulos
4125 W Lunt Avenue
Lincolnwood, IL 60712
(773) 282-3400/FAX: (773) 282-8051
sjspyropoulos@aol.com