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**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:

SANDRA LUCILLE CRIST; SANMAR &
ASSOCIATES, INC.; and ROBERT XAVIER
AYER

(Respondents)

SDO - 99(A) – 00
SUMMARY ORDER TO CEASE AND DESIST
Case # 97-03-171

THE STATE OF WASHINGTON TO: Sandra Lucille Crist, SanMar & Associates, Inc.
and Robert Xavier Ayer

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Sandra Lucille Crist, SanMar & Associates, Inc. and Robert Xavier Ayer, have each violated the Securities Act of Washington and that their violations justify the entry of an order by the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investing public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator now finds as follows:

TENTATIVE FINDINGS OF FACT

I. Offer and Sale of Investments to Finance “Hard Money” Lending

A. Respondents

1. **SanMar & Associates, Inc. (SanMar)** was a Washington for-profit corporation that was incorporated on August 22, 1991 and administratively dissolved on November 23, 1998. SanMar was in the business of “hard money” lending, loaning money to borrowers that are unable to qualify for conventional bank financing, but may be able to provide a security interest against real property in exchange for a high-interest loan. The loans were ostensibly to be used for business purposes, such as real estate development.

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1 2. **Sandra Lucille Crist (Crist)** is a Washington resident. Crist was also president of SanMar. Crist and
2 SanMar have raised money from Washington investors to finance their “hard money” lending business without
3 disclosing the risks of the investments.

4 **B. Offer and Sale of Investments**

5 From at least 1992 through 1999, Crist and SanMar have offered and sold more than \$2 million worth of
6 investments to at least 35 investors, many of whom are Washington residents. Some of the investors are elderly
7 persons who have invested significant portions of their savings with Crist. Some of the investors have borrowed
8 money on credit cards in order to finance their investments. Most, if not all, of the investors are passive investors
9 who are relying upon Crist and perhaps others to generate a return on their investments.

10 To evidence their investments, Crist and SanMar gave the investors promissory notes issued by Crist
11 and/or SanMar with interest rates ranging from at least 12% to 24% annual interest. Most of the notes are short-
12 term, from one-month to six-month notes.

13 Crist and SanMar represented that the investors’ funds would be used to finance business loans to third
14 parties (“hard money” lending) and that some of the funds would be pooled together. In some cases, Crist and
15 SanMar failed to identify the purported borrowers. They failed to give the investors financial statements or credit
16 information for the purported borrowers. They failed to identify how the investors’ funds would be used and the
17 source of repayment for the investments. In some cases, Crist has told investors that their investments were used
18 for housing development projects in Guam, even though the investors never authorized Crist or SanMar to use
19 their funds for that purpose.

20 When offering and selling the investments, Crist and SanMar failed to disclose their business operating
21 history, lending guidelines, loan default rate and delinquent loan balances. They failed to give the investors
22 financial statements for Crist or SanMar. They failed to disclose that Crist and SanMar are the subject of
23 numerous lawsuits filed in King County and Snohomish County and that Crist and SanMar have been subject to
24 civil judgments totaling more than \$1 million.

1 Crist and SanMar represented to many of the investors that their investments would be secured by real property.
2 In many cases, Crist and SanMar failed to disclose the value of the purported security. In some cases, Crist and SanMar
3 failed to perfect any security interest in favor of the investors. In at least one case, Crist falsely represented that an
4 investment would be secured by a first-position deed of trust against real property that was already encumbered by other
5 deeds of trust.

6 **II. Offer and Sale of Fictitious Bank Debentures**

7 **A. Respondents**

- 8 1. **Sandra Lucille Crist (Crist)**, who is described above
- 9 2. **Robert Xavier Ayer (Ayer)**, who resides in Everett, Washington

10 **B. Offer and Sale of Investments**

11 During 1999, Crist and Ayer have offered and sold more than \$80,000 worth of investments to at least six
12 Washington residents. The investments were supposed to be used for the purchase of bank debentures, which were
13 supposed to be issued by the Bank of Montreal. The investors' funds were supposed to be pooled and held in an escrow
14 account. Money was then supposed to be loaned to developing countries, but the investors' funds were never supposed to
15 leave the Bank of Montreal.

16 The investors were supposed to earn returns of 3% per month, except during the months of July and December,
17 when banks supposedly do not write checks. The investors had no control over their invested funds and were relying
18 upon other persons to generate the return on their investments.

19 When offering and selling the investments, Ayer and Crist each falsely represented to investors that the
20 investments had no risk. Ayer and Crist each failed to give the investors financial statements for the issuer of the
21 investments. They each failed to identify exactly how the investors' funds would be used and the source of repayment for
22 the investments. They each failed to disclose that, in fact, there were no Canadian banks offering debentures with 30%
23 annual interest and no risk to investors.

24 **III. Investment Registration Status**

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26 SUMMARY ORDER TO CEASE AND
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1 The offering of the investments described in Paragraphs I and II were never registered for sale in the State of
2 Washington.

3 **IV. Salesperson Registration Status**

4 Crist, SanMar and Ayer have never been registered as a securities salesperson or broker-dealer in the State of
5 Washington.

6 **V. Threat to the Investing Public**

7 SanMar and Crist have failed to account for investor funds and Crist has refused to testify before the
8 Securities Division concerning the matters that are the subject of this order. Based upon Crist's refusal to testify,
9 Crist's and SanMar's misrepresentations and omissions concerning the offer and sale of the investments described
10 in paragraph I above, and Crist's and Ayer's misrepresentations and omissions concerning the offer and sale of the
11 fictitious bank debentures described in paragraph II above, the Securities Administrator finds that entry of a
12 summary order to cease and desist is in the public interest and necessary for the protection of the investing public.

13 Based upon the above Tentative Findings of Fact, the Securities Administrator now makes the following
14 Conclusions of Law:

15 **CONCLUSIONS OF LAW**

16 **I. Offer and Sale of a Security**

17 The offer and sale of the investments described in paragraph I of the Tentative Findings of Fact constitute
18 the offer and sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of an investment
19 contract, note, evidence of indebtedness, or investment in the risk capital of a venture where the investor does not
20 receive the right to exercise practical and actual control over the managerial decisions of the venture.

21 The offer and sale of the investments described in paragraph II of the Tentative Findings of Fact constitute
22 the offer and sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of a debenture,
23 investment contract, evidence of indebtedness or investment in the risk capital of a venture where the investor does
24 not receive the right to exercise practical and actual control over the managerial decisions of the venture.

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II. Violation of RCW 21.20.140, Securities Registration Provisions

The offer and sale of the securities described in paragraph I of the Conclusions of Law is in violation of RCW 21.20.140 because no registration for such offer or sale is on file with the Washington Securities Administrator.

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III. Violation of RCW 21.20.040, Securities Broker-Dealer and Salesperson Registration Provisions

Crist, SanMar and Ayer have each violated RCW 21.20.040 by offering and selling the securities described in paragraph I of the Conclusions of Law while not registered as a securities salesperson or broker-dealer in the State of Washington.

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IV. Violation of RCW 21.20.010, Securities Anti-Fraud Provisions

Crist's and SanMar's offers and sales of the securities described in paragraph I of the Tentative Findings of Fact were made in violation of RCW 21.20.010 because, in connection with the offer and sale of the securities, Crist and SanMar engaged in an act, practice or course of business that operated as a fraud on investors and because Crist and SanMar each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made not misleading.

Crist's and Ayer's offers and sales of the securities described in paragraph II of the Tentative Findings of Fact was made in violation of RCW 21.20.010 because, in connection with the offer and sale of the securities, Crist and Ayer engaged in an act, practice or course of business that operated as a fraud on investors and because Crist and Ayer each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made not misleading.

V. Emergency

Based on the foregoing Findings of Fact and Conclusions of Law, the Securities Administrator finds that an emergency exists, that Respondent's continued violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140 constitute a threat to the investing public, and that a summary order to cease and desist from those violations is in the public interest and necessary for the protection of the investing public.

SUMMARY ORDER

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1 Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Sandra
2 Lucille Crist, SanMar & Associates, Inc. and Robert Xavier Ayer, and their employees, agents and representatives,
3 shall each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140,
4 the securities registration provisions of the Securities Act of Washington.

5 It is further SUMMARILY ORDERED that Sandra Lucille Crist, SanMar & Associates, Inc. and Robert
6 Xavier Ayer, and their employees, agents and representatives, shall each cease and desist from violations of RCW
7 21.20.040, the broker/dealer and securities salesperson registration provisions of the Securities Act.

8 It is further SUMMARILY ORDERED that Sandra Lucille Crist, SanMar & Associates, Inc. and Robert Xavier
9 Ayer, and their employees, agents and representatives, shall each cease and desist from violation of RCW
10 21.20.010, the anti-fraud section of the Securities Act.

11 **AUTHORITY AND PROCEDURE**

12 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of
13 Chapter 34.05 RCW. Respondents may each make a written request for a hearing as set forth in the NOTICE OF
14 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING that accompanies this order. If a
15 respondent fails to request a hearing within the allowed time, the Securities Administrator intends to adopt the
16 foregoing Tentative Findings of Fact and Conclusions of Law as final and enter a permanent Cease and Desist
17 Order against the respondent.

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

19 DATED this 25th day of October, 2000.

20 

21 DEBORAH R. BORTNER
22 Securities Administrator

23 Approved by:

Presented by:

24 _____
25 Michael E. Stevenson
26 Chief of Enforcement

24 _____
25 Janet So
26 Securities Examiner

27 SUMMARY ORDER TO CEASE AND
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