

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 75644 / August 7, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16732

In the Matter of

JOHN THORNES,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against John Thornes (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Respondent was formerly the president, chief compliance officer, director, and secretary of Thornes & Associates, Inc. (the “Firm”), a broker-dealer registered with the

Commission from August 1996 until November 2013, and an investment adviser registered with California from December 2001 to September 2013. From approximately 2004, Respondent was the sole owner of the Firm. Respondent was a registered representative associated with broker-dealers registered with the Commission from 1991 until July 2013. Respondent, age 47, is a resident of Redlands, California.

2. On July 21, 2015, a final judgment was entered by consent against Thornes, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in the civil action entitled Securities and Exchange Commission v. John Thornes, Civil Action Number 5:14-cv-01598-RGK-SP(x) in the United States District Court for the Central District of California.

3. The Commission’s complaint alleged that from December 2010 through January 2013, Respondent misappropriated a total of \$4.4 million from two brokerage accounts: The Schultz Trust account on which Respondent was the trustee and the registered representative; and the Harbison Scholarship Trust account, on which he acted as the investment adviser to his 83-year old mother and trustee, Doreen Thornes. The complaint alleged that Thornes exercised control over both accounts in his capacity as either the trustee or the adviser to the trustee. The complaint further alleged Thornes used this control to divert a total of \$4.4 million from these two accounts, by transferring funds to his friends, when he knew or was reckless in not knowing that they would be used for a vacation home, a luxury vehicle, and to pay for gambling or gambling debts. Finally, the complaint alleged that, because of Respondent’s actions, the clients lost money, incurred unnecessary margin interest and brokerage fees, and paid unauthorized and excessive trustee fees.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Thornes’ Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Thornes be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of

factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary