

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:

WILLIAM N. NORDSTROM and LINDA NORDSTROM, husband and wife,

NORDSTROM NORDSTROM I, INC., an Arizona Corporation,

NORDSTROM IMPORTS, INC., an Arizona Corporation,

Respondents.

DOCKET NO. S-20899A-13-0396

NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, FOR RESTITUTION, FOR ADMINISTRATIVE PENALTIES, AND FOR OTHER AFFIRMATIVE ACTION

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents William N. Nordstrom, Nordstrom Nordstrom I, Inc., and Nordstrom Imports, Inc., have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that William N. Nordstrom is a person controlling Nordstrom Nordstrom I, Inc. and Nordstrom Imports, Inc., within the meaning of A.R.S. § 44-1999, so that he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as Nordstrom Nordstrom I, Inc. and Nordstrom Imports, Inc. for violations of the Securities Act.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

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II.

RESPONDENTS

2. During the relevant timeframe, i.e. the beginning of 2008 through 2012, William N. Nordstrom (“NORDSTROM”) was an Arizona resident.

3. Nordstrom Nordstrom I, Inc. (“NNI”) is an Arizona corporation incorporated on February 16, 2010. NORDSTROM is the president and one of two directors listed in NNI’s articles of organization filed with the Commission.

4. Nordstrom Imports, Inc. (“IMPORTS”) is an Arizona corporation incorporated on April 5, 2010. NORDSTROM is the president and only director listed in IMPORTS’s articles of organization filed with the Commission.

5. NORDSTROM, NNI, and IMPORTS may be referred to collectively as “Respondents.”

6. Linda Nordstrom was at all relevant times the spouse of NORDSTROM and may be referred to as “Respondent Spouse.” Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purpose of determining the liability of the marital community.

7. During the relevant timeframe, NORDSTROM was acting for his own benefit and for the benefit or in furtherance of his and Respondent Spouse’s marital community.

III.

FACTS

8. Respondents sold investments in three NORDSTROM enterprises to nine investors, some of which were married couples. The majority of these investors were located in Arizona.

9. Between January 2009 and January 2012, these investors paid Respondents a total of at least \$5,206,000 and received payments from Respondents that totaled at least approximately \$3,114,000. As discussed in more detail below, Respondents used investor funds to make many of the payments to investors.

1 10. Of the three NORDSTROM-controlled enterprises, the first involved using investor
2 funds to purchase the contents of unclaimed shipping containers. The investors would receive a
3 return when NORDSTROM sold the contents of the containers. The second investment
4 opportunity involved selling stock in NNI which would manufacture and sell "Big Bull Fertilizer."
5 The third investment was selling stock in IMPORTS, a cosmetic-importing business.

6 **The Shipping Container Business**

7 11. Beginning in the fall of 2008, NORDSTROM offered and sold securities in the form
8 of investment contracts to at least five Arizona residents to raise capital for a business that
9 purportedly bought abandoned shipping containers or the contents of such containers.

10 12. NORDSTROM represented to investors that NORDSTROM would use investor
11 funds to purchase abandoned, unclaimed, or seized shipping containers primarily in California
12 shipping ports, or the contents of such containers. At least one investor was told that his money
13 would be used for renting dock space for such abandoned containers.

14 13. NORDSTROM told investors that, after purchasing the contents of such containers,
15 NORDSTROM would sell the contents for a profit.

16 14. NORDSTROM told investors that when NORDSTROM sold the contents of the
17 containers, the investors would receive their principal plus interest and, in some cases, a percentage
18 of the profit generated from the sale.

19 15. NORDSTROM represented to at least three investors that he had conducted the
20 shipping container business for several years. He told at least one investor that he had made
21 millions of dollars engaging in these specific types of investments.

22 16. NORDSTROM stated to at least two investors that there was no risk associated with
23 this investment because NORDSTROM had arrangements where the container contents were sold
24 before he bought them.

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1 17. NORDSTROM told at least one investor that the investment was guaranteed against
2 loss of principal and that a trust was established for the benefit of NORDSTROM, which would
3 guarantee against loss of principal.

4 18. Investors were told that the shipping container investments would be short-term
5 investments. NORDSTROM told at least two investors that they would be repaid their principal
6 and interest within 30 to 45 days.

7 19. In certain instances, in order to provide assurance to an investor NORDSTROM
8 would provide a check post-dated 30 to 45 days later that included the total principal and interest
9 payable to the investor, with instructions that the check not be deposited until the post-dated
10 timeframe.

11 20. NORDSTROM told investors that their funds would be used only for the purchase
12 of containers or container contents. Investors understood that their funds would not be used to pay
13 NORDSTROM or to pay other investors.

14 21. Based on these representations, investors made significant cash investments into the
15 shipping container business. These include an investor who invested a total of approximately
16 \$1,916,965, another who invested a total of approximately \$125,000, and another who invested
17 approximately \$313,120.

18 22. Investors paid for the shipping container investments by check or credit card
19 payments to NORDSTROM or NNI ranging from \$3,000 to over \$40,000.

20 23. Investors did not receive any documentation of their shipping container investments.
21 NORDSTROM pooled these investors' funds to be used for the shipping container business.

22 24. NORDSTROM was solely responsible for conducting the business: he was to
23 determine which items were purchased, what the items were sold for, and any related business
24 decisions. The investors did not participate in this business.

25 25. The investors did not receive any information regarding operation of the shipping
26 container business: they did not receive any documents specifying or identifying the shipping

1 containers' serial numbers, details of the contents or merchandise it contained, the acquisition costs,
2 the final sales amount, or the exact location of the shipping containers or its contents.

3 26. On one occasion, an investor who was interested in conducting similar transactions
4 as those conducted in the shipping container business asked NORDSTROM for details about the
5 shipping container business including a request that NORDSTROM identify who NORDSTROM's
6 contacts and partners were in the business. NORDSTROM failed to provide any names or any
7 other details. In spite of NORDSTROM's failure to provide details, this investor continued to
8 make investments in the shipping container business.

9 27. NORDSTROM was not conducting the business as he represented to investors.

10 28. For example, when NORDSTROM paid investors, NORDSTROM represented to
11 investors that the payment funds came from the sale of shipping-container contents. But financial
12 records show that on several occasions the funds used for these payments came from other
13 investors.

14 29. NORDSTROM also represented to investors that he was purchasing containers or
15 contents of abandoned shipping containers. These representations contradict the law and practice
16 for dealing with abandoned and unclaimed shipments in U.S. ports, as set forth in 19 C.F.R. § 127.1
17 and www.cbp.gov. These sources explain that US Customs and Border Protection ("CBP") has
18 control of such items and has contracted with two auctioning agents—EG&G/CWS Marketing and
19 Rod Robertson Enterprises—to auction off CBP's seized and forfeited property.

20 30. NORDSTROM never mentioned these auctioneers or CBP to investors and later
21 admitted to Division staff that during the relevant timeframe he did not participate in any public
22 auctions or purchases of unclaimed shipping containers or their contents from CBP or either of its
23 auctioning agents.

24 31. As a result, the shipping container business, at best, never existed on the scale that
25 NORDSTROM described to investors.

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1 32. And the shipping container business never produced revenue sufficient to cover all
2 payments to investors or to repay investors.

3 33. In several instances, the investors did not receive a full return of their principal
4 investment and NORDSTROM issued promissory notes to the investors in the remaining amounts
5 owed to the investors.

6 34. Some investors received small payments on these notes. But most of the note-
7 holders received stock in some of NORDSTROM's other enterprises in lieu of payment on the
8 notes.

9 **Stock in Nordstrom's Fertilizer Businesses**

10 35. Beginning in at least May 2010, NORDSTROM offered certain Arizona residents
11 shares of stock in his two companies, Respondents NNI and IMPORTS.

12 36. NORDSTROM represented to at least nine investors that he had had formulated an
13 organic fertilizer and that the fertilizer was to be sold under the name "Big Bull Fertilizer."

14 37. The trademark "Big Bull Fertilizer" was registered with the United States Patent and
15 Trademark Office and NNI is the listed owner of the trademark.

16 38. NORDSTROM represented to investors that, due to the projected success of Big
17 Bull Fertilizer, they could purchase stock in NNI and obtain a good profit once NNI was sold.

18 39. NORDSTROM stated to multiple investors that NNI would be bought out within a
19 year because of the Big Bull Fertilizer and that investors could expect to roughly double their
20 money based on the stock appreciation.

21 40. Respondents represented to certain investors that they would only use the funds for
22 investment purposes, i.e. for costs associated with developing and marketing Big Bull Fertilizer.

23 41. Based on these representations several investors paid cash for NNI stocks. These
24 cash payments totaled at least \$505,000.

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1 42. Of the cash investments, one investor made a \$35,000 investment (on top of the
2 \$100,000 he had already invested in NNI) based on NORDSTROM's representation that the buy-
3 out of NNI "looked like a done deal."

4 43. In fact, NORDSTROM had not received any written offers or even serious inquiries
5 about purchasing NNI; much less any offers that included any terms such as a sale price or a
6 potential closing date.

7 44. In several instances, NORDSTROM offered NNI stock to investors in lieu of
8 making payments on promissory notes issued by NORDSTROM.

9 45. NNI issued stock certificates to investors to evidence their stock ownership.

10 46. Even though he transferred several thousand shares to investors, NORDSTROM
11 was the controlling shareholder of NNI. He owned approximately 40,330 voting shares out of a
12 total of 71,246. And pursuant to NNI's Bylaws, a vote of the majority of the shares would control
13 all aspects of corporate governance.

14 47. Investors did not participate in managing NNI. Rather, they relied on
15 NORDSTROM to, among other things, develop, market, and sell the Big Bull Fertilizer.

16 48. NORDSTROM and his agents and employees handled the day-to-day operations of
17 NNI.

18 **Stock in Nordstrom's Cosmetic Importing Business**

19 49. Several investors invested cash in IMPORTS or accepted IMPORTS shares in lieu
20 of payments on promissory notes.

21 50. To induce these investments, NORDSTROM represented to at least four investors
22 that IMPORTS would import and sell cosmetics.

23 51. Investor funds were to be used solely for this business.

24 52. Investors received stock certificates in IMPORTS in exchange for the consideration
25 given to IMPORTS.

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1 53. Investors did not participate in managing IMPORTS. Rather, NORDSTROM and
2 his agents handled the day-to-day operations of IMPORTS including developing, marketing, and
3 otherwise handling all aspects of the cosmetics sales.

4 54. In contradiction to NORDSTROM's representations to investors that their monies
5 would only be used for business purposes, and not be used to pay other investors, on several
6 occasions, NORDSTROM used investor funds to pay other investors, for other non-investment-
7 related purposes—including transfers to NORDSTROM's other business or his personal accounts;
8 and several occasions NORDSTROM simply withdrew portions of investor funds in large cash.
9 For example:

10 a) Between April 24 and April 30, 2009, \$97,000 of investor funds was
11 deposited to NORDSTROM's checking account at the National Bank of Arizona. At least \$30,000
12 of this was disbursed to other investors and \$10,000 was withdrawn as cash.

13 b) Between April 22 and June 16, 2009, \$46,856 of investor funds was
14 deposited into NORDSTROM and Linda Nordstrom's Bank of America savings account. Funds
15 from other sources in this account totaled only \$11,261. During this timeframe, NORDSTROM
16 transferred \$25,000 from this account to his daughter and son-in-law and \$16,100 to his
17 landscaping company.

18 c) Between July 15, 2009 and January 21, 2010, at least \$661,901 of investor
19 funds was deposited to NORDSTROM and Linda Nordstrom's personal savings account at Wells
20 Fargo Bank. On December 28, 2009, \$100,000 of investor funds was transferred from this savings
21 account to the Nordstroms' Wells Fargo checking account. On December 31, 2009,
22 NORDSTROM disbursed \$100,000 from this checking account to an investor. At least \$60,000 of
23 this disbursement came from investor funds.

24 d) During the same period (July 15, 2009 through January 21, 2010),
25 NORDSTROM withdrew cash totaling approximately \$200,000 from the Nordstroms' Wells Fargo
26 savings account. NORDSTROM converted the cash into cashier's checks and deposited the checks

1 to an account in his name at the National Bank of Arizona. Between January 14 and January 21,
2 2009, \$132,800 was disbursed from this National Bank of Arizona account to investors; at least
3 \$100,000 of those disbursed funds originated from investors.

4 e) On November 23, 2010, \$100,000 of investor funds from the sale of NNI
5 stock was deposited into NNI's Bank of America account. Over the next few weeks,
6 NORDSTROM transferred \$50,000 of this to his Wells Fargo personal savings account, \$10,000 to
7 his landscaping business, and \$36,506 to IMPORTS's Wells Fargo account. At least \$13,000 of
8 the funds transferred to IMPORTS was then used to pay investors.

9 f) Between March 22 and March 31, 2011, investor funds of \$241,169 were
10 deposited into NORDSTROM and Linda Nordstrom's Wells Fargo savings account.
11 NORDSTROM transferred \$77,000 of this to the Nordstroms' Bank of America savings account.
12 From there, the Nordstroms transferred \$80,700 to their daughter and son-in-law; at least \$70,000
13 of investor funds was required for this transfer.

14 g) On April 6, 2011, \$25,000 of investor funds from the sale of NNI stock was
15 deposited into NORDSTROM and Linda Nordstrom's Wells Fargo savings account. These funds
16 were combined with funds from other sources, creating an account balance of \$55,434.22.
17 NORDSTROM disbursed this balance as follows: \$45,322 to overdraft protection on the
18 Nordstroms' Wells Fargo checking account and \$10,000 of cash withdrawals.

19 **General Allegations**

20 55. The shipping container investments and stock shares of NNI and IMPORTS are not
21 registered with the Commission.

22 56. Respondents are not registered with the Commission as dealers or salesmen.

23 57. The majority of the investors who invested in Respondents' enterprises were not
24 accredited or sophisticated at the time they made their investment and Respondents did not inquire
25 about the investors' accreditation or sophistication.

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1 IV.

2 VIOLATION OF A.R.S. § 44-1841

3 (Offer or Sale of Unregistered Securities)

4 58. From at least the fall of 2008 to January 2012, Respondent NORDSTROM offered or
5 sold securities in the form of investment contracts and stocks, within or from Arizona.

6 59. From at least April 2010 to March 2011, NNI offered or sold securities in the form of
7 stocks, within or from Arizona.

8 60. From at least May 2010 to March 2011, IMPORTS offered or sold securities in the
9 form of stocks within or from Arizona.

10 61. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
11 Securities Act.

12 62. This conduct violates A.R.S. § 44-1841.

13 V.

14 VIOLATION OF A.R.S. § 44-1842

15 (Transactions by Unregistered Dealers or Salesmen)

16 63. Respondents offered or sold securities within or from Arizona while not registered as
17 dealers or salesmen pursuant to Article 9 of the Securities Act.

18 64. This conduct violates A.R.S. § 44-1842.

19 VI.

20 VIOLATION OF A.R.S. § 44-1991

21 (Fraud in Connection with the Offer or Sale of Securities)

22 65. In connection with the offer or sale of securities within or from Arizona, Respondents
23 directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements
24 of material fact or omitted to state material facts that were necessary in order to make the statements
25 made not misleading in light of the circumstances under which they were made; or (iii) engaged in
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1 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon
2 offerees and investors. Respondents' conduct includes, but is not limited to, the following:

3 a) NORDSTROM representing to shipping container investors that
4 NORDSTROM was managing a successful, profitable business involving purchasing abandoned
5 containers without disclosing that his actual operations (i) did not exist on the scale described to
6 investors, if they existed at all; (ii) did not conform to established law and practice regarding the sale
7 of abandoned containers; and (iii) did not generate revenue sufficient to pay investors any profit;

8 b) NORDSTROM representing to shipping container investors that their funds
9 would be used solely to operate the business when in fact NORDSTROM used large portions of
10 investor funds to, among other things, pay other investors and make loans to family members;

11 c) NORDSTROM representing to at least one investor that the shipping container
12 investment was guaranteed against loss of principal and that a trust was established for the benefit of
13 NORDSTROM that would guarantee against loss of principal; however, no such trust existed and the
14 investor's principal is still outstanding;

15 d) NORDSTROM representing to shipping container investors that they would
16 receive a return of their principal and a significant profit when in fact most investors only received
17 partial payment of their principal and only a handful of payments of what NORDSTROM described to
18 investors as "profit";

19 e) NORDSTROM and NNI representing to investors that NNI was about to be
20 purchased at a price that would result in a large profit to shareholders when in fact no such offer
21 existed;

22 f) NORDSTROM and NNI representing to NNI stock offerees and purchasers
23 that their funds would be used solely for development of the fertilizer business when in fact significant
24 portions of investor funds were transferred to IMPORTS, used to pay other investors, or used for other
25 non-business-related purposes.

26 66. This conduct violates A.R.S. § 44-1991.

1 67. NORDSTROM is a person controlling NNI and IMPORTS within the meaning of
2 A.R.S. § 44-1999. Therefore, NORDSTROM is jointly and severally liable to the same extent as
3 NNI and IMPORTS, respectively, for violations of A.R.S. § 44-1991.

4 **VII.**

5 **REQUESTED RELIEF**

6 The Division requests that the Commission grant the following relief:

- 7 1. Order Respondents to permanently cease and desist from violating the Securities Act,
8 pursuant to A.R.S. § 44-2032;
- 9 2. Order Respondents to take affirmative action to correct the conditions resulting from
10 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
11 A.R.S. § 44-2032;
- 12 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
13 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 14 4. Order that the marital community of Respondent NORDSTROM and Respondent
15 Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate
16 affirmative action pursuant to A.R.S. § 25-215; and
- 17 5. Order any other relief that the Commission deems appropriate.

18 **VIII.**

19 **HEARING OPPORTUNITY**

20 Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S.
21 § 44-1972 and A.A.C. R14-4-306. **If a Respondent or Respondent Spouse requests a hearing, the**
22 **requesting respondent must also answer this Notice.** A request for hearing must be in writing and
23 received by the Commission within 10 business days after service of this Notice of Opportunity for
24 Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona
25 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be
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1 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.

3 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
4 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
5 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
6 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
7 Opportunity for Hearing.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
10 Bernal, ADA Coordinator, voice phone number (602) 542-3931, e-mail sabernal@azcc.gov.
11 Requests should be made as early as possible to allow time to arrange the accommodation.
12 Additional information about the administrative action procedure may be found at
13 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

14 IX.

15 ANSWER REQUIREMENT

16 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,
17 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing
18 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
19 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
20 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
21 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

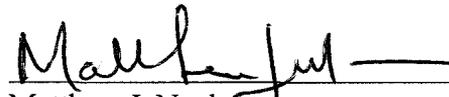
22 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
23 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
24 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
25 addressed to Ryan J. Millecam.
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1 The Answer shall contain an admission or denial of each allegation in this Notice and the
2 original signature of the answering respondent or respondent's attorney. A statement of a lack of
3 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
4 denied shall be considered admitted.

5 When the answering respondent intends in good faith to deny only a part or a qualification
6 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
7 admit the remainder. The respondent waives any affirmative defense not raised in the Answer.

8 The officer presiding over the hearing may grant relief from the requirement to file an
9 Answer for good cause shown.

10 Dated this 19th day of November, 2013.

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13 Matthew J. Neubert
14 Director of Securities
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