

OPEN MEETING ITEM

5/13-14/14



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COMMISSIONERS
BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

JODI JERICH
EXECUTIVE DIRECTOR



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DIRECTOR

SECURITIES DIVISION
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Phoenix, AZ 85007
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ARIZONA CORPORATION COMMISSION

ORIGINAL

MEMORANDUM

TO: Bob Stump, Chairman
Gary Pierce
Brenda Burns
Bob Burns
Susan Bitter Smith

Arizona Corporation Commission

DOCKETED

APR 29 2014

FROM: Matthew J. Neubert *MJN*
Director of Securities

DOCKETED BY *[Signature]*

DATE: April 24, 2014

RE: *In re Nordstrom Nordstrom I, Inc., et al.*, Docket No. S-20899A-13-0396

CC: Jodi Jerich, Executive Director

Attached for your consideration is a proposed Order to Cease and Desist, Order for Restitution, and Order for Administrative Penalties ("Order") against two Arizona corporations: Nordstrom Nordstrom I, Inc. and Nordstrom Imports, Inc. ("Respondents"). The Order does not include two individual respondents under this Docket number, William and Linda Nordstrom; the case against these individuals is still pending.

The Order is a default order. The Division served a copy of the Notice of Opportunity for Hearing on Respondents by serving Respondents' authorized agents. The times for requesting a hearing and answering the Notice passed without either Respondent requesting a hearing or filing an answer.

The Order finds that Respondents, acting through their director and chief executive William Nordstrom, sold investments in three different enterprises. The first enterprise involved using investor funds to purchase the contents of unclaimed shipping containers. The investors would receive a return upon the sale of the contents of the containers. The second enterprise involved NNI manufacturing and selling fertilizer; investors purchased stock in NNI. The third enterprise involved selling stock in N-Imports, a cosmetic-importing business. None of the securities sold and none of the Respondents or their agents were registered with the Commission as required. Thus, Respondents violated A.R.S. §§ 44-1841 & 44-1842.

Respondents also violated A.R.S. § 44-1991 in connection with raising money for the shipping-container business by not conducting the business as it was described to investors (there is no evidence that NNI/Nordstrom bought or sold any goods, much less made a profit) and by using investor funds to pay other investors where investors believed their funds would be used solely to operate the business.

The Order requires Respondents to permanently cease and desist from violating the Securities Act, to pay a \$100,000 administrative penalty, and to pay restitution of \$2,163,142.87 to the investors.

The Division recommends the Order as appropriate, in the public interest and necessary for the protection of investors.

Originator: Ryan J. Millecam

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP, Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

6 In the matter of:)	DOCKET NO. S-20899A-13-0396
7 WILLIAM N. NORDSTROM and LINDA)	DECISION NO. _____
8 NORDSTROM, husband and wife,)	
9 NORDSTROM NORDSTROM I, INC., an)	ORDER TO CEASE AND DESIST, ORDER
10 Arizona Corporation,)	FOR RESTITUTION, AND ORDER FOR
11 NORDSTROM IMPORTS, INC., an Arizona)	ADMINISTRATIVE PENALTIES
12 Corporation,)	
Respondents.)	RE: NORDSTROM NORDSTROM I, INC.
)	AND NORDSTROM IMPORTS, INC.

13 On November 19, 2013, the Securities Division ("Division") of the Arizona Corporation
14 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order
15 to Cease and Desist, for Restitution, for Administrative Penalties, and for Other Affirmative Relief
16 (the "Notice") against respondents William N. Nordstrom, Linda Nordstrom, NORDSTROM
17 NORDSTROM I, INC. ("NNI"), and NORDSTROM IMPORTS, INC. ("IMPORTS").

18 The Division served the Notice on NNI and IMPORTS on March 3, 2014. NNI and
19 IMPORTS did not file a request for a hearing or an answer to the Notice within the respective
20 filing deadlines and they have not filed a request or an answer as of the date of this filing.

21 **I.**

22 **Findings of Fact**

23 **Parties and Background**

24 1. During the relevant timeframe, i.e. the beginning of 2008 through 2012, William N.
25 Nordstrom ("Nordstrom") sold investments in three different enterprises that were managed by
26 Nordstrom and his two entities, NNI and IMPORTS. The first enterprise involved using investor

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

5 2. NNI is an Arizona corporation incorporated on February 16, 2010. Nordstrom is the
6 president and one of two directors listed in NNI's articles of organization filed with the Commission.

7 3. IMPORTS is an Arizona corporation incorporated on April 5, 2010. Nordstrom is the
8 president and only director listed in IMPORTS's articles of organization filed with the Commission.

9 4. NNI and IMPORTS may be referred to collectively as "Respondents."

10 5. Nordstrom and Respondents sold investments in the three Nordstrom enterprises
11 (described above) to nine investors, some of which were married couples. The majority of these
12 investors were located in Arizona.

13 6. Between January 2009 and January 2012, and as shown in *Exhibit A*, attached to
14 this Order, these investors paid Nordstrom and Respondents a total of approximately \$5,277,546.
15 And the investors received payments that totaled at least approximately \$3,114,404. As discussed
16 in more detail below, Nordstrom and Respondents used investor funds to make many of the
17 payments to investors.

18 **The Shipping Container Business**

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

22 8. Nordstrom represented to investors that Nordstrom and/or NNI would use investor
23 funds to purchase abandoned, unclaimed, or seized shipping containers primarily in California
24 shipping ports, or the contents of such containers. At least one investor was told that his money
25 would be used for renting dock space for such abandoned containers.

26

1 9. Nordstrom told investors that, after purchasing the contents of such containers,
2 Nordstrom would sell the contents for a profit.

3 10. Nordstrom told investors that after Nordstrom sold the contents of the containers, the
4 investors would receive their principal plus interest and, in some cases, a percentage of the profit
5 generated from the sale.

6 11. Nordstrom represented to at least three investors that he had conducted the shipping
7 container business for several years. He told at least one investor that he had made millions of
8 dollars engaging in these specific types of investments.

9 12. Nordstrom stated to at least two investors that there was no risk associated with this
10 investment because Nordstrom had arrangements where the container contents were sold before he
11 bought them.

12 13. Nordstrom told at least one investor that the investment was guaranteed against loss
13 of principal and that a trust was established for the benefit of Nordstrom, which would guarantee
14 against loss of principal.

15 14. Investors were told that the shipping container investments would be short-term
16 investments. Nordstrom told at least two investors that they would be repaid their principal and
17 interest within 30 to 45 days.

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

21 16. Nordstrom told investors that their funds would be used only for the purchase of
22 containers or container contents. Investors understood that their funds would not be used to pay
23 Nordstrom or to pay other investors.

24 17. Based on these representations, investors made significant cash investments into the
25 shipping container business.

26

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

3 19. Nordstrom and NNI pooled these investors' funds to be used for the shipping
4 container business.

5 20. Investors did not receive any documentation of their shipping container investments.

6 21. Nordstrom, NNI, and their agents were solely responsible for conducting the
7 business: they determined which items were purchased, what the items were sold for, and any
8 related business decisions. The investors did not participate in this business.

9 22. The investors did not receive any information regarding operation of the shipping
10 container business: they did not receive any documents specifying or identifying the shipping
11 containers' serial numbers, details of the contents or merchandise it contained, the acquisition costs,
12 the final sales amount, or the exact location of the shipping containers or its contents.

13 23. On one occasion, an investor who was interested in conducting similar transactions
14 as those conducted in the shipping container business asked Nordstrom for details about the
15 shipping container business including a request that Nordstrom identify who Nordstrom's contacts
16 and partners were in the business. Nordstrom failed to provide any names or any other details. In
17 spite of Nordstrom's failure to provide details, this investor continued to make investments in the
18 shipping container business.

19 24. Nordstrom and NNI were not conducting the business as Nordstrom represented to
20 investors.

21 25. For example, when Nordstrom paid investors, Nordstrom represented to investors
22 that the payment funds came from the sale of shipping-container contents. But financial records
23 show that on several occasions the funds used for these payments came from other investors.

24 26. Nordstrom also represented to investors that he was purchasing containers or
25 contents of abandoned shipping containers. These representations contradict the law and practice
26 for dealing with abandoned and unclaimed shipments in U.S. ports, as set forth in 19 C.F.R. § 127.1

1 and www.cbp.gov. These sources explain that US Customs and Border Protection (“CBP”) has
2 control of such items and has contracted with two auctioning agents to auction off CBP’s seized
3 and forfeited property.

4 27. Nordstrom never mentioned these auctioneers or CBP to investors and later admitted
5 to Division staff that during the relevant timeframe he did not participate in any public auctions or
6 purchases of unclaimed shipping containers or their contents from CBP or either of its auctioning
7 agents.

8 28. As a result, the shipping container business, at best, never existed on the scale that
9 Nordstrom described to investors.

10 29. And the shipping container business never produced revenue sufficient to cover all
11 payments to investors or to repay investors.

12 30. In several instances, the investors did not receive a full return of their principal
13 investment and Nordstrom and NNI issued promissory notes to the investors in the remaining
14 amounts owed to the investors.

15 31. Some investors received small payments on these notes. But most of the note-
16 holders received stock in NNI or IMPORTS in lieu of payment on the notes.

17 **Stock in Nordstrom/NNI’s Fertilizer Businesses**

18 32. Beginning in at least May 2010, Nordstrom offered certain Arizona residents shares
19 of stock in his two companies, Respondents NNI and IMPORTS.

20 33. Nordstrom, NNI’s director and chief officer, represented to at least nine investors
21 that he had had formulated an organic fertilizer and that the fertilizer was to be sold under the name
22 “Big Bull Fertilizer.”

23 34. The trademark “Big Bull Fertilizer” was registered with the United States Patent and
24 Trademark Office and NNI is the listed owner of the trademark.

25 35. Nordstrom represented to investors that, due to the projected success of Big Bull
26 Fertilizer, they could purchase stock in NNI and obtain a good profit once NNI was sold.

1 36. Nordstrom stated to multiple investors that NNI would be bought out within a year
2 because of the Big Bull Fertilizer and that investors could expect to roughly double their money
3 based on the stock appreciation.

4 37. Nordstrom represented to certain investors that they would only use the funds for
5 investment purposes, i.e. for costs associated with developing and marketing Big Bull Fertilizer.

6 38. Based on these representations several investors paid cash for NNI stocks. These
7 cash payments totaled at least \$505,000.

8 39. Of the cash investments, one investor made an additional \$35,000 investment (on
9 top of the \$100,000 he had already invested in NNI) based on Nordstrom's representation that the
10 buy-out of NNI "looked like a done deal."

11 40. In fact, Nordstrom had not received any written offers or even serious inquiries
12 about purchasing NNI; much less any offers that included any terms such as a sale price or a
13 potential closing date.

14 41. In several instances, Nordstrom offered NNI stock to investors in lieu of making
15 payments on promissory notes issued by Nordstrom and NNI.

16 42. NNI issued stock certificates to investors to evidence their stock ownership.

17 43. Investors did not participate in managing NNI.

18 44. Nordstrom and his agents and employees handled the day-to-day operations of NNI.

19 **Stock in Nordstrom/IMPORTS's Cosmetic Importing Business**

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

22 46. To induce these investments, Nordstrom, IMPORTS's director and chief officer,
23 represented to at least four investors that IMPORTS would import and sell cosmetics.

24 47. Investor funds were to be used solely for this business.

25 48. Investors received stock certificates in IMPORTS in exchange for the consideration
26 given to IMPORTS.

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

4 **Misuse of Investor Funds**

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

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

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

20 **Other Improprieties**

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

23 52. Respondents are not registered with the Commission as dealers or salesmen.

24 53. The majority of the investors who invested in Respondents' enterprises were not
25 accredited or sophisticated at the time they made their investment and Respondents and Nordstrom
26 (Respondents' officer) did not inquire about the investors' accreditation or sophistication.

1
2 **II.**

3 **Conclusions of Law**

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

6 2. Respondents offered or sold securities within or from Arizona, within the meaning
7 of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

8 3. Respondents violated A.R.S. § 44-1842 by offering or selling securities while
9 neither registered as a dealer or salesman nor exempt from registration.

10 4. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or
11 artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c)
12 engaging in transactions, practices, or courses of business that operate or would operate as a fraud
13 or deceit.

14 5. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
15 2032.

16 6. Respondents' conduct is grounds for administrative penalties pursuant to A.R.S. §
17 44-2036.

18 **III.**

19 **Order**

20 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the
21 Commission finds that the following relief is appropriate, in the public interest, and necessary for
22 the protection of investors:

23 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
24 Respondents' agents, employees, successors and assigns, permanently cease and desist from
25 violating the Securities Act.

26 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, along with
any other persons against whom an order is entered under Docket No. S-20899-13-0396, shall

1 jointly and severally pay restitution to the Commission in the principal amount of \$2,163,142.87,
2 the total amount of the purchase price that the investors paid to the Respondents and Respondents'
3 director/officer, Nordstrom, less the amount of distributions that were made to the investors (as
4 described above and shown in the attached *Exhibit A*), plus interest calculated pursuant to R14-4-
5 308(C)(1) from the date of purchase (shown in *Exhibit A*) until paid in full, subject to legal setoffs
6 pursuant to A.A.C. R14-4-308. Payment is due in full on the date of this Order. Payment shall be
7 made to the "State of Arizona" to be placed in an interest-bearing account controlled by the
8 Commission.

9 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
10 accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is
11 equal to one per cent plus the prime rate as published by the board of governors of the federal
12 reserve system in statistical release H.15 or any publication that may supersede it on the date that
13 the judgment is entered.

14 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
15 records of the Commission. Any restitution funds that the Commission cannot disburse because an
16 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
17 investor because the investor is deceased and the Commission cannot reasonably identify and
18 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
19 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
20 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
21 shall be transferred to the general fund of the state of Arizona.

22 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondents shall jointly
23 and severally pay an administrative penalty in the amount of \$100,000. Payment is due in full on
24 the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding
25 shall accrue interest as allowed by law.

26

1 IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding
2 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate
3 per annum that is equal to one per cent plus the prime rate as published by the board of governors
4 of the federal reserve system in statistical release H.15 or any publication that may supersede it on
5 the date that the judgment is entered.

6 IT IS FURTHER ORDERED that the payments received by the state of Arizona will first
7 be applied to the restitution obligation. Upon payment in full of the restitution obligation,
8 payments will be applied to the penalty obligation.

9 IT IS FURTHER ORDERED that, pursuant to A.R.S. § 44-1974, upon application the
10 Commission may grant a rehearing of this Order. The application must be received by the
11 Commission at its offices within twenty calendar days after entry of this Order. Unless otherwise
12 ordered, filing an application for rehearing does not stay this Order. If the Commission does not
13 grant a rehearing within twenty calendar days after filing the application, the application is
14 considered to be denied. No additional notice will be given of such denial.

15 IT IS FURTHER ORDERED that if either Respondent fails to comply with this order, the
16 Commission may bring further legal proceedings against Respondents including application to the
17 superior court for an order of contempt.

18 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this
19 Order shall be deemed binding against any respondent under this Docket Number who is not
20 subject to this Order.

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1 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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3 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

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6 CHAIRMAN

COMMISSIONER

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8 COMMISSIONER

COMMISSIONER

COMMISSIONER

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11 IN WITNESS WHEREOF, I, JODI JERICH, Executive
12 Director of the Arizona Corporation Commission, have
13 hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of
15 Phoenix, this _____ day of _____, 2014.

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18 _____
19 JODI JERICH
20 EXECUTIVE DIRECTOR

21
22 _____
23 DISSENT

24
25 _____
26 DISSENT

27 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
28 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.
29 (RJM)

Exhibit A**Investment date, principal investment amount, and repayment amount**

Investor	Investment Date*	Original Investment Amount	Money Returned	Amount of Principal Owed at Order Date
1	10/6/11	81,114.00	55,065.00	26,049.00
2	3/4/11	848,070.98	430,452.30	417,618.68
3	3/3/11	384,032.39	192,541.00	191,491.39
4	1/19/11	131,014.00	92,308.28	38,705.72
5	10/14/10	30,000.00	-	30,000.00
6	3/28/11	1,253,915.82	472,579.07	781,336.75
7	2/16/11	2,125,798.11	1,601,146.89	524,651.22
8	3/23/11	28,000.00	7,000.00	21,000.00
9	4/6/11	395,601.57	263,311.46	132,290.11
	Totals:	5,277,546.87	3,114,404.00	2,163,142.87

*Where an investor made multiple payments, the date of the investor's most recent payment is used

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 BOB STUMP, Chairman
5 GARY PIERCE
6 BRENDA BURNS
7 BOB BURNS
8 SUSAN BITTER SMITH

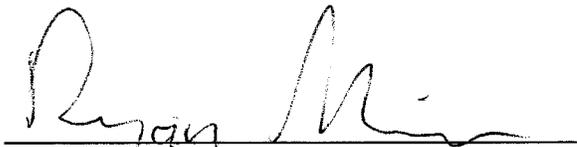
9 In the matter of:
10 WILLIAM N. NORDSTROM and LINDA
11 NORDSTROM, husband and wife,
12 NORDSTROM NORDSTROM I, INC., an
13 Arizona Corporation,
14 NORDSTROM IMPORTS, INC., an Arizona
15 Corporation,
16 Respondents.

DOCKET NO. S-20899A-13-0396

**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

17 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order to Cease
18 and Desist, Order for Restitution, and Order for Administrative Penalties, re: Nordstrom
19 Nordstrom I, Inc. and Nordstrom Imports, Inc. was filed with the Arizona Corporation
20 Commission's Docket Control.

21 Dated: 4/29/14

22 By: 
23 Ryan J. Millecam, Staff Attorney

24 I hereby certify that I have this day served the foregoing document on all parties of record
25 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

26 Jackson White
40 North Center Street, Suite 200
Mesa, AZ 85201
Attn: Bradley D. Weech
Attorneys for William and Linda Nordstrom

Decision No. _____

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Nordstrom Nordstrom I, Inc.
181 W. Sparrow Dr.
Chandler, AZ 85286
Attn: William Nordstrom, statutory agent
Respondent

Nordstrom Imports, Inc.
181 W. Sparrow Dr.
Chandler, AZ 85286
Attn: Linda Nordstrom, statutory agent
Respondent

Dated: 4/29/14

By: 
Emie R. Bridges, Executive Assistant