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1 BEFORE THE ARIZONA CORPORATION

2 IN THE MATTER OF:
3)

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

5 NORDSTROM NORDSTROM I, INC., an)
Arizona corporation,)

6 NORDSTROM IMPORTS, INC., an)
7 Arizona corporation,)

8 Respondents.)
9)

) DOCKET NO.
) S-20899A-13-0396

) PREHEARING
) CONFERENCE

10

11 At: Phoenix, Arizona

12 Date: April 21, 2014

13 Filed: APR 29 2014

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16 REPORTER'S TRANSCRIPT OF PROCEEDINGS

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Arizona Corporation Commission

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22

1802 N. 7th Street, Phoenix, AZ 85006

23

602-258-1440 mh@coashandcoash.com

24

Prepared By:

25

JODY L. LENSCHOW, RMR, CRR

Certified Reporter

Certificate No. 50192

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before
3 the Arizona Corporation Commission, in Hearing Room 2
4 of said Commission, 1200 West Washington Street,
5 Phoenix, Arizona, commencing at 10:00 a.m. on the 21st
6 day of April, 2014.

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8 BEFORE: Marc E. Stern, Administrative Law Judge

9 APPEARANCES:

10
11 For The Arizona Corporation Commission
12 Securities Division:
13 ARIZONA CORPORATION COMMISSION
14 SECURITIES DIVISION
15 By: Mr. Ryan J. Millecam, Staff Attorney
 1300 W. Washington Street
 Third Floor
 Phoenix, Arizona 85007-2996
 602-542-3229
 rmillecam@azcc.gov

16
17 For the Respondents:
18 JACKSON WHITE
19 By: Mr. Bradley D. Weech
 40 N. Center Street
 Suite 200
 Mesa, Arizona 85201
 480-464-1111
20 bweech@jacksonwhitelaw.com

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1 ALJ STERN: Okay, let's go on the record
2 in the matter of William Nordstrom and Linda Nordstrom
3 in Docket No. S-20899A-13-0396. I might also note that
4 there's several corporations named, Nordstrom
5 Nordstrom I, Inc. and Nordstrom Imports, Inc.

6 My name is Marc Stern. I'll preside
7 over the proceeding today. And at this time, could we
8 have appearances entered, please, on behalf of the
9 Securities Division?

10 MR. MILLECAM: Ryan Millecam for the
11 Securities Division.

12 ALJ STERN: And on behalf of the
13 respondents?

14 MR. WEECH: Your Honor, Brad Weech for
15 Bill and Linda Nordstrom. There is no representation
16 for the companies.

17 ALJ STERN: Okay.

18 MR. WEECH: Those companies are defunct.

19 ALJ STERN: And, Mr. Millecam, I guess
20 you just named those defunct entities as a matter of
21 course, correct?

22 MR. MILLECAM: Yes. They were issuers
23 of the securities, and so we named them, but they have
24 not filed a reply or an answer or request for hearing.
25 So we know they are unrepresented, yes.

1 ALJ STERN: Okay. Have you had a chance
2 to discuss this matter with the respondents at all,
3 Mr. Millecam?

4 MR. MILLECAM: I've discussed this with
5 the respondents' counsel, Mr. Weech. We have discussed
6 the possibility of reaching a consent agreement, but
7 that is very far down the road.

8 ALJ STERN: Okay. Let me ask you this:
9 I noticed in the answer that was recently filed by the
10 respondents, there's a representation concerning
11 another individual.

12 MR. MILLECAM: Yes, Mr. Royce Gibbons.

13 ALJ STERN: Is he going to be brought
14 into the proceeding, too, do you think?

15 MR. MILLECAM: No. We've investigated
16 that, and while respondents are convinced that he is a
17 major player in this, it's our position that it was
18 Mr. Nordstrom, through our investigation and talking
19 with investors, it was Mr. Nordstrom that they
20 interacted with. He was the one that sold the
21 securities and he is the primary person.

22 Mr. Gibbons, in our opinion, is a very
23 small player, who at most was administrative or office
24 administrative.

25 ALJ STERN: All right. Apparently the

1 respondents take at least a different position in their
2 answer?

3 MR. WEECH: Uh-huh.

4 ALJ STERN: Okay. Well, what would you
5 like to do with this? Do you want to proceed with a
6 status conference in about 30, 60 days?

7 MR. MILLECAM: We would like to go ahead
8 and schedule a hearing.

9 ALJ STERN: When do you think the
10 Division will be ready for a hearing.

11 MR. MILLECAM: Well, Mr. Weech might --
12 we discussed this. He might bring up some concerns
13 about pushing it out several months, but the Division
14 could be ready in three or four months.

15 ALJ STERN: Okay. Mr. Weech?

16 MR. WEECH: Thank you, Your Honor. Bill
17 Nordstrom is currently going through his fourth round
18 of chemotherapy for lymphoma.

19 ALJ STERN: Uh-huh.

20 MR. WEECH: He has a lot of additional
21 medical issues related to that, including, I believe,
22 all of his teeth having had to have been pulled, and I
23 don't know when that will level off. So going three or
24 four months, I'm pretty sure that there will be
25 insufficient time for me to even be able to discuss the

1 matter with him in any sort of meaningful way. And so
2 we would be looking as far -- I have no idea what the
3 normal circumstances are, but this is a special
4 circumstance where I don't think I'll even be able to
5 begin working with him on the preparation for any
6 hearing even during that three or four-month period.

7 We're sitting here in April. Right now
8 I think he finishes up his treatment sometime in May or
9 June, and then it will take some time after that before
10 he has even the physical strength and let alone the
11 mental strength. He has mental cognitive issues now as
12 well.

13 And, quite frankly, the prognosis for
14 the lymphoma on a fourth round of chemo treatment is
15 generally not good. We are actually concerned, and so
16 I'll voice it here. We are actually concerned that he
17 will not survive the proceedings. The main cause of
18 action here is against him and not against his wife.
19 She's included as the spouse.

20 ALJ STERN: All right. I don't know the
21 medical aspects of treatment for lymphoma. I had a
22 former college friend who came out very well from his
23 treatment, but I don't know whether he is -- is there a
24 stage that this Mr. Nordstrom is at, do you know?

25 MR. WEECH: I don't know the particular

1 stage, but I can give you an explanation of how
2 lymphoma treatment goes because my wife has lymphoma
3 and so I've lived it.

4 The stage is not usually -- it's a good
5 question to ask, but it's not usually important like it
6 is in other cancers. In other words, there are four
7 stages; stage one, two, three and four. One is when it
8 is in one lymph node. Stage two is when it is in more
9 than one lymph node. Stage three is when you have the
10 lymphoma both exhibiting below and above the diaphragm.
11 And stage four is when it is in the bone marrow.

12 Now, the circumstances with lymphoma are
13 such that usually on the first -- it depends on the
14 type of lymphoma. My wife is very lucky. She had only
15 a one in five chance of not having it come back. She's
16 in her ninth year of remission, and that type of
17 lymphoma usually comes back within the first two years,
18 and then you end up going through these treatments
19 again until your body simply can't take it anymore.
20 And lymphoma patients usually don't die from the
21 lymphoma itself. They die from the deterioration of
22 their immune system, and it's usually something like
23 congestive heart failure or pneumonia or something such
24 like that. So what I'm getting at is, the stage is
25 usually unimportant, at least on the first round of

1 chemotherapy, because they can put the patient into
2 remission, but then it's a question of whether it's
3 going to come back.

4 And with Mr. Nordstrom, this will be his
5 fourth treatment, so it will have come on and come on
6 four times and three times come back, if you want to
7 count it that way. At this particular age of his life
8 and near right around 80 --

9 ALJ STERN: He's that old?

10 MR. WEECH: He is, and so that's why I
11 was not being in any way facetious or nonserious when I
12 said that we are concerned that he will not survive to
13 the end of these proceedings.

14 They've gone through bankruptcy. They
15 have nothing left. They've moved to Utah to live with
16 children, who are helping to support them. And as of,
17 oh, I would say three or four weeks ago, the report I
18 had was that he was going through this fourth round of
19 chemo.

20 And I don't know. Again, I'm not an
21 expert. But I've not heard of anybody going beyond
22 four without then turning to some sort of -- the
23 last-ditch effort that these people have -- I say these
24 people. My wife could be in that situation someday --
25 is what's called a bone marrow transplant, and more

1 appropriately, it's an immune system transplant. They
2 actually destroy off the entire immune system and then
3 turn around, and if they are lucky enough to find a
4 donor that matches, which is really, really difficult,
5 then they take the bone marrow from that person and the
6 blood cells and they transplant those blood cells in.

7 A dear friend of mine had lymphoma, had
8 that treatment, but the new immune system did not take
9 hold fast enough to be in place to overcome the growth
10 of the lymphoma.

11 So once you're in Bill Nordstrom's
12 position, the diagnosis is not good.

13 ALJ STERN: There's stem cell treatment,
14 too, I think, for that, as I recall.

15 MR. WEECH: I haven't seen that one yet,
16 but it doesn't mean it's not out there.

17 ALJ STERN: Yeah, the individual that I
18 am familiar with with the situation, he teaches at the
19 University of Washington Medical School, so I don't
20 know whether they did something drastic or differently.

21 Okay, so sounds like we have some
22 problems here, Mr. Millecam. Four months, I mean an
23 80-year-old respondent with the seriousness of this
24 disease at this point, I don't know whether he'll be
25 here for that trial. Although, I don't know whether

1 he'll be here if we schedule it in six months. That's
2 another problem.

3 What are the chances of doing some sort
4 of a consent?

5 Essentially, even though there's been a
6 bankruptcy, these types of things, and I think there's
7 an allegation of fraud involved in these proceedings,
8 that they're not dischargeable.

9 MR. WEECH: Mr. Millecam and I have had
10 some very good conversations and he's been very good to
11 work with. We will be exploring a consent agreement,
12 particularly in light of the fact that the claims are
13 against Mr. Nordstrom, and that if he passes away or
14 one thing that they would hate to have to do is have to
15 divorce in order to protect Ms. Nordstrom.

16 ALJ STERN: Yeah, I don't even know what
17 the status will be. In Arizona, you know, we have
18 community property. I don't know what the law is in
19 Utah, and there's been a number of issues about the
20 spousal situation.

21 MR. WEECH: Right.

22 ALJ STERN: All right. Why don't we do
23 this: If this goes to a hearing, does the Division
24 have any idea how many witnesses, exhibits, et cetera,
25 might be involved, or are you a little premature on

1 that?

2 MR. MILLECAM: No, we would call nine
3 witnesses. I think it would take about five days to
4 present our case.

5 While Mr. Nordstrom's current
6 circumstances are sad, he has some people that he took
7 a lot of money from to run a business that doesn't seem
8 to have worked or even existed.

9 ALJ STERN: It goes back a few years,
10 right.

11 MR. MILLECAM: Yes, it does, 2008.

12 MR. WEECH: Your Honor, I just want to
13 comment on that. While that may seem inappropriate, I
14 don't believe there's any evidence that will be
15 presented that the Nordstroms benefited from that in
16 any way. In other words, they lost their savings as
17 well on this.

18 That doesn't mean that there might not
19 be liability, but as far as the evidence that I'm aware
20 of that will be presented, and I don't know who these
21 nine witnesses are because we haven't had that sort of
22 disclosure yet --

23 ALJ STERN: Right.

24 MR. WEECH: -- so I haven't seen their
25 side of the case, but I do know that the Nordstroms,

1 from everything I've seen, did not end up with a
2 pocketful of money, and in fact, used up all of their
3 savings in the process as well.

4 ALJ STERN: Okay. Well, here's the
5 situation: I understand the Division's position in
6 terms of requesting a hearing, and this is close to the
7 end of April. Four months would be talking about
8 September, so somewhere in that time frame, and maybe
9 in the interim you'll understand your client's medical
10 condition better or want to file some sort of a motion
11 for a continuance with medical substantiation of
12 Mr. Nordstrom's condition, because then we would have
13 to take that into account in any type of a proceeding.

14 He may not be able to go through a
15 five-day proceeding. He may not be able to go through
16 a one-day proceeding. I don't know. So what I'll do
17 is, I'll take the Division's position. I understand
18 yours.

19 MR. WEECH: Your Honor, would it be
20 possible to ask you to consider, instead of four months
21 out, six months out?

22 ALJ STERN: Maybe I'll split the
23 difference and get five months out.

24 MR. WEECH: I'll take whatever you --

25 ALJ STERN: And your client and you can

1 discuss his situation, if he's able. If not, you'll
2 have to do something with it, I guess.

3 Mr. Millecam, would that be agreeable
4 with the Division? I mean I don't know what else to
5 do. I mean, normally speaking, what we do in these
6 proceedings is we decide either, A, we can have a
7 status conference or something in 60 days, or somewhere
8 thereabouts, and we can review what the situation is.
9 At that point we may hear the same story again; that
10 he's still, you know, ill, and the Division is still
11 going to be pushing for a hearing, in less than four
12 months, probably, at that point in time. Whereas
13 otherwise we can just put it out there and we'll see
14 where things are going at that point.

15 MR. WEECH: If I heard the math
16 correctly, the two months and four months out would be
17 more towards the six months that I was --

18 ALJ STERN: Well, I'm talking about he
19 said three or four months, and you said six months. So
20 I'm thinking five months.

21 MR. WEECH: Right.

22 ALJ STERN: So that puts it somewhere in
23 October.

24 MR. WEECH: And I'm looking for as much
25 time as I can, obviously, in order to see where they're

1 at and see --

2 ALJ STERN: Well, yeah, we'll see where
3 it's at. And usually in the order I'll also
4 incorporate a date to suggest the exchange of witness
5 statements and copies of exhibits and documents that
6 may be used in the presentation of the Division's case
7 and, also, the respondent's.

8 The other thing, too, is, if, in your
9 response to the Division's order or notice, you mention
10 someone which the Division says they've investigated,
11 you may have something that the Division is not aware
12 of. You all can discuss whatever it is.

13 But that's what I'm proposing,
14 Mr. Millecam, under the circumstances. We don't
15 usually hear that a respondent's 80 years old and
16 undergoing serious medical treatment and at the same
17 time having other related, maybe, medical problems.
18 May be age-related, but I don't know whether it's
19 lymphoma-related.

20 So with that, can the Division live with
21 a setup like that?

22 MR. MILLECAM: Yeah, we can. Five
23 months would be fine.

24 ALJ STERN: I mean it doesn't sound like
25 the recovery in this case is going to be very promising

1 either way.

2 In any event, we'll recess this matter.

3 I'll put out a procedural order. If you gentlemen
4 resolve it, Mr. Millecam, you can file a motion to
5 vacate and put the consent order on. If not, we'll
6 leave it scheduled for a hearing, and something may
7 come up with respect to that. Mr. Weech can make a
8 filing or something like that.

9 Okay. I appreciate your time. Thank
10 you, gentlemen.

11 MR. MILLECAM: Thank you, Your Honor.

12 MR. WEECH: Thank you.

13 (The prehearing conference concluded at
14 10:16 a.m.)

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1 STATE OF ARIZONA)
) ss.
 2 COUNTY OF MARICOPA)

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I, JODY L. LENSCHOW, RMR, CRR, Certified Reporter No. 50192 for the State of Arizona, do hereby certify that the foregoing printed pages constitute a full, true and accurate transcript of the proceedings had in the foregoing matter, all done to the best of my skill and ability.

WITNESS my hand this 28th day of April 2014.



 JODY L. LENSCHOW, RMR, CRR
 Certified Reporter
 Certificate No. 50192