

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:

JLA Nordstjärna, Gerald Alan Sherman,
David L. Johnson, their agents and
employees,

Respondents.

S-02-231-03-TO01

SUMMARY ORDER TO CEASE AND
DESIST

Case No. 02-231

THE STATE OF WASHINGTON TO:

JLA Nordstjärna
Öborgkontoret
Post Office Box 1424
Mercer Island, Washington 98040

Gerald Alan Sherman

David L. Johnson

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, JLA Nordstjärna, Gerald Alan Sherman, and David L. Johnson, have each violated the Securities Act of Washington and that their violations justify the entry of an order of 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 investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

SUMMARY ORDER TO CEASE AND DESIST 1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

TENTATIVE FINDINGS OF FACT

I. Respondents

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3 1. JLA Nordstjärna (“JLAN”) describes itself as a business trust organized in the United States
4 of America. JLAN has a primary address at Post Office Box 1424 Mercer Island, Washington 98040. A
5 search of the Washington Secretary of State’s records reveals no such business entity registered in the State
6 of Washington.

7 2. Gerald Alan Sherman (“Sherman”) is a resident of the State of Washington, with a primary
8 residence located on Mercer Island, Washington. Sherman was the general manager for JLAN at all times
9 relevant to this matter.

10 3. David L. Johnson (“Johnson”) is a resident of the state of West Virginia with a primary
11 residence in West Virginia. Johnson was a sales agent for JLAN at all times relevant to this matter.
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14 II. Nature of the Solicitation and Investment

15 4. Prior to June 1999, Robert Duncan (“Duncan”) had profitably invested money with Johnson and
16 had expressed interest to Johnson in participating in future investment opportunities. In June 1999, Johnson
17 contacted Duncan in Switzerland and discussed a possible investment opportunity through Sherman and JLAN.
18 In July 1999, Johnson referred Duncan to Sherman. Sherman represented to Duncan that he was the manager
19 of JLAN.

20 5. In March 2000, Johnson told Duncan that Sherman was putting together an investment
21 opportunity in hi-yield, bank-related financial instruments and if Duncan could invest \$100,000 by May 2000
22 he could participate. In order to raise the minimum amount, Duncan began to contact friends and family. By
23 May 2000, Duncan had gathered at least four other investors who were interested in investing in the opportunity
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1 offered by Johnson, Sherman and JLAN. The investors agreed to pool their funds and invest through the
2 Bahamian corporation managed by Duncan, called DAR SA.

3 6. In May of 2000, Duncan contacted a friend who is a resident of the State of Texas. Duncan
4 informed the Texas resident of the possible investment opportunity. Duncan put the Texas resident in touch
5 with Johnson in the state of West Virginia. Johnson, acting as an agent for JLAN, sent the Texas resident
6 information regarding the hi-yield, bank-related financial instruments; through which an investor would
7 participate in "off-balance-sheet trading" and would purchase "Medium Term Notes". Johnson told the Texas
8 resident that the investment would be made through Sherman and JLAN on Mercer Island, Washington.

9 7. On May 17, 2000, JLAN and Sherman executed a Joint Venture Agreement with DAR SA.
10 The Joint Venture Agreement stated that JLAN would invest funds in a "secured private placement investment
11 or any other secured endeavor where an expedient profit may be obtained." In the Agreement, JLAN was given
12 the "authority to control and place these funds as stipulated in any investment contract that will be offered to
13 JLAN."

14 8. The total dollar amount invested through DAR SA by the investors gathered by Duncan was
15 \$397,000. The Agreement stated in part that DAR SA would receive \$397,000 each month for eleven
16 consecutive months. Also on May 17, 2000, Sherman executed a Promissory Note on behalf of JLAN for the
17 repayment of the principal amount invested by DAR SA. JLAN agreed to repay DAR SA \$397,000 on May
18 31, 2001.

19 9. In order to participate in the investment opportunity, the Texas resident transferred a total of
20 \$50,000 to Sherman. On May 25, 2000, the Texas resident executed a wire transfer for \$25,000 from his
21 brokerage account to the JLAN bank account. On May 26, 2000 the Texas resident sent another \$25,000, by
22 personal check, which was deposited into the same JLAN bank account. Both investments included a notation
23 that the money was to be deposited to the DAR SA sub-account.

24 10. Once the funds had been transferred to JLAN and Sherman, neither the Texas resident nor DAR
25 SA had access to or control over the funds.

1 III. Misrepresentations and Omissions

2 11. Prior to offering, Sherman, JLAN, and Johnson failed to provide either DAR SA or the Texas
3 resident with material information regarding the investments, including a disclosure of the risks involved with
4 the investment, financial statements for JLAN, or disclosure of how the proceeds of the offering would be used.

5 12. To date, neither DAR SA nor the Texas resident have received any funds from JLAN or
6 Sherman.

7 13. The hi-yield, bank-related financial instruments, as described above, purport to involve trading
8 related to unspecified bank transactions. Respondents did not provide investors with documentation of the
9 existence of the so-called financial instruments or trading program and the Securities Division has been unable
10 to find any such evidence.

11 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

12 CONCLUSIONS OF LAW

13 I.

14 The offer and/or sale of the investments by JLAN, as described above, constitutes the offer and/or
15 sale of a security as defined in RCW 21.20.005(10) and (12), to wit: an investment contract, evidence of
16 indebtedness, or a note.

17 II.

18 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as
19 described above in the Tentative Findings of Fact, the Respondents made statements in connection with the
20 offer or sale that were misleading or omitted material information necessary for them not to be misleading.
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SUMMARY ORDER

Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Respondents, JLA Nordstjärna, Gerald Alan Sherman, David L. Johnson, their agents, and employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

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AUTHORITY AND PROCEDURE

This ORDER TO CEASE AND DESIST is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of ch. 34.05 RCW. The Respondents, Gerald Alan Sherman, JLA Nordstjärna and David L. Johnson, each may make written requests for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the summary order to cease and desist permanent as to that respondent.

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CONTINUING INVESTIGATION

The Securities Division is continuing to investigate the practices of the Respondents, Gerald Alan Sherman, JLA Nordstjärna, and David L. Johnson, to determine the full extent of the violations of the Securities Act that may have occurred in this matter.

1 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.
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3 DATED this 12 day of June, 2003.
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6 DEBORAH R. BORTNER
7 Securities Administrator
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9 Presented by:

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11 Susan H. Anderson
12 Financial Legal Examiner
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14 Approved by:

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16 Michael E. Stevenson
17 Chief of Enforcement
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