

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation
6 of the Securities Act of Washington by:

7 Irene Blomberg d/b/a Local Investments,
8
9 Respondent.

Order Number S-11-0598-11-SCO1

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, IMPOSE FINES, AND RECOVER
COSTS

10 THE STATE OF WASHINGTON TO: Irene Blomberg d/b/a Local Investments

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason to
13 believe that Respondent Irene Blomberg, doing business as Local Investments, has violated the Securities
14 Act of Washington, chapter 21.20 RCW, and that her violations justify the entry of an order of the
15 Securities Administrator under RCW 21.20.390 against her to cease and desist from such violations, to
16 impose fines, and recover costs. The Securities Administrator finds as follows:

17 **TENTATIVE FINDINGS OF FACT**

18 **I. RESPONDENT**

19 1. Irene Blomberg (“Blomberg”) is an individual residing in Lopez Island, Washington. She is
20 the sole proprietor of Local Investments. In or around June 2010, Blomberg created Local Investments to
21 facilitate investments among residents of Lopez Island. The primary function of the business was to
22 connect investors looking to profit from local investment opportunities with Local Investments’ clients
23 seeking investment funds.

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

1 II. NATURE OF THE CONDUCT

2 2. Between October 2010 and February 2011, Blomberg emailed seven separate investment
3 opportunities to a list of seventeen potential Washington investors. Blomberg presented two additional
4 investment opportunities via email, one each to two potential Washington investors. The purpose behind
5 each investment opportunity varied and included efforts to raise money to expand a business, to purchase
6 a business, and to re-capitalize a business. Blomberg limited the investment opportunities she advertised
7 to those located on Lopez Island. Otherwise, Blomberg did not limit, and had no criteria to limit, the
8 types of investment opportunities she offered. Blomberg facilitated three investment transactions for
9 which she received a finder's fee, each involving Washington investors and clients seeking investors.
10 Each investment was evidenced by a promissory note providing for the return of principal plus interest to
11 investors with terms ranging from three to fifteen years. Interest rates associated with the investments
12 ranged from 5-6.5%. In return for finding investors, clients who received investment funds paid
13 Blomberg 1.5% of the funds investors provided. As of June 8, 2011, investors provided a total of
14 \$140,000 and Blomberg earned \$2,100 in fees.

15 3. In 2010 and 2011, Blomberg solicited and advertised information regarding investment
16 opportunities on Lopez Island. In order to solicit both investors and clients seeking investors, Blomberg
17 advertised Local Investments at public meetings, in newspaper advertising, on the radio, and on a
18 website: www.localinvestments.net. The website outlined the process Blomberg used to facilitate
19 investment transactions: "We provide loan documentation options and guide you through the process. . . .
20 Based on a 'Personal Portfolio' you fill out, your needs are matched up with interested investors and
21 Local Investments facilitates the connection. . . . With Local Investments you can: Receive a better return

1 on your investment ... and gain a fair interest on your money.” Blomberg testified that the return on
2 investment is better through Local Investments because investors may earn a higher interest rate than
3 they could at a bank. Blomberg also testified that profits were an important motivation for the investors
4 with whom she worked.

5 4. Blomberg gave clients interested in receiving investment funds documents titled “Personal
6 Portfolio,” “Agreement to Pay,” and “Privacy Agreement” to complete. Potential investors seeking
7 investment opportunities could either fill out an “Investor Application” or simply supply Blomberg with
8 their name and contact information. Blomberg compiled a list of email addresses of interested potential
9 investors. Once a month, Blomberg sent to this “investor list” a portion of the information from the
10 Personal Portfolio; this information included how long the client has lived on Lopez Island, the requested
11 amount of funding, the requested contract terms, how the client will use the funds, and reasons why the
12 client is a good investment. An investor interested in an advertised investment opportunity could contact
13 Blomberg to obtain a complete Personal Portfolio. Before effecting any transaction, Blomberg asked
14 investors and clients to sign an indemnity agreement in order “to indemnify and hold Blomberg harmless
15 from any responsibility or liability for any claims arising from and related to any transaction entered into
16 between [investors and clients].”

17 5. Blomberg actively participated in each securities transaction. She facilitated discussions
18 and negotiations of possible investment terms, relayed communications, set up meetings, suggested
19 potential collateral, suggested legal forms, filled out forms, printed forms, delivered documents, and
20 reviewed documents for spelling, completeness, accuracy, legibility, clarity, consistency, and formatting.
21 Blomberg did not analyze the financial situation of investors or clients, had no mechanism in place to

1 ascertain whether an individual was an accredited investor, and provided no detailed offering materials to
2 investors. Blomberg did not verify any of the information that investors or clients submitted on any of
3 the above documents.

4 III. MISREPRESENTATIONS AND OMISSIONS

5 6. Blomberg failed to provide material information about the investment opportunities
6 described above including, but not limited to, a detailed description of the investment opportunities, the
7 amount of money necessary to finance the investment opportunities, the identity and background of the
8 persons who would manage the investment funds, and the general and specific risks involved in the
9 investment opportunities.

10 7. Blomberg made misleading statements regarding indemnification, as waivers of liability
11 concerning provisions of the Securities Act of Washington are void pursuant to RCW 21.20.430.

12 IV. REGISTRATION STATUS

13 8. Blomberg is not currently registered as a securities salesperson or broker-dealer in the state
14 of Washington and was not so registered at the time of the offers described above.

15 9. The securities offered and/or sold by Blomberg are not registered in the state of Washington
16 and have not previously been so registered.

17
18 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

19 CONCLUSIONS OF LAW

20 1. The offer and/or sale of the investments described above constitute the offer and/or sale of
21 securities as defined in RCW 21.20.005(10) and (12).

1 2. The offer and/or sale of said securities, as described above, is in violation of RCW
2 21.20.140 because no registration for such offer and/or sale is on file with the state of Washington.

3 3. As described above, Irene Blomberg, doing business as Local Investments, acted as a
4 securities salesperson or broker-dealer as defined in RCW 21.20.005(2) and (3).

5 4. Irene Blomberg, doing business as Local Investments, violated RCW 21.20.040(1) by acting
6 as a securities salesperson or broker-dealer while not so registered in the state of Washington.

7 5. The offer and/or sale of said securities were made in violation of RCW 21.20.010 because, as
8 set forth in the Tentative Findings of Fact, the offering materials used by Irene Blomberg to solicit investors
9 contained misstatements of material fact or omitted to state material facts necessary in order to make the
10 statements made, in light of the circumstances under which they were made, not misleading.

11 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

12 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities
13 Administrator intends to order that Respondent Irene Blomberg, doing business as Local Investments,
14 cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

15 **NOTICE OF INTENT TO IMPOSE FINES**

16 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
17 Law, the Securities Administrator intends to order that Respondent Irene Blomberg shall be liable for and
18 pay a fine of \$5,000.

19 **NOTICE OF INTENT TO RECOVER COSTS**

20 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of
21 Law, the Securities Administrator intends to order that Respondent Irene Blomberg shall be liable for and

1 pay to the Securities Division the costs, fees, and other expenses incurred in the conduct of investigating
2 this matter, in an amount not less than \$2,000.

3 **AUTHORITY AND PROCEDURE**

4 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and 21.20.395,
5 and is subject to the provisions of RCW 34.05. The Respondent, Irene Bomberg, may make a written
6 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
7 OPPORTUNITY FOR HEARING accompanying this order.

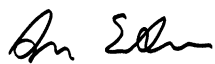
8 If Respondent does not request a hearing, the Securities Administrator intends to adopt the above
9 Tentative Findings of Fact and Conclusions of Law as final and enter a permanent cease and desist order,
10 impose fines and costs, and other relief sought in this Statement of Charges as to that Respondent.

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12 DATED and ENTERED this 26th day of July, 2011.

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16 _____
WILLIAM M. BEATTY
Securities Administrator

17 Approved by:

18 

19 Suzanne Sarason
20 Chief of Enforcement

Presented by:

21 

22 Drew Stillman
23 Enforcement Attorney