

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK
CHAIRMAN

3 JIM IRVIN
COMMISSIONER

4 WILLIAM A. MUNDELL
COMMISSIONER

5	In the matter of)	
6)	DOCKET NO. S-03322A-99-0000
7	Norman L. Paulsrud)	
8	13326 North Manzanita Lane)	DECISION NO. _____
9	Fountain Hills, Arizona 85268)	
	(CRD No. 864918))	ORDER TO CEASE AND DESIST AND
	Respondent.)	CONSENT TO SAME
	_____)	

10 **I.**

11 **INTRODUCTION**

12 Norman L. Paulsrud (“Paulsrud”) elects to permanently waive his right to a hearing and appeal
13 under Articles 11 and 12 of the Securities Act of Arizona (the “Act”) with respect to this Order to
14 Cease and Desist (“Order”); admits the jurisdiction of the Arizona Corporation Commission
15 (“Commission”); neither admits nor denies the Findings of Fact and Conclusions of Law contained in
16 this Order; and consents to the entry of this Order by the Commission.

17 **II.**

18 **FINDINGS OF FACT**

19 1. From October 1974 through December 1998, Paulsrud was associated with John
20 Hancock Mutual Life Insurance Company (“JHMLIC”) as an insurance marketing representative.

21 2. From July 1995 through December 1998, while associated with JHMLIC, Paulsrud,
22 CRD No. 864918, was also a securities sales representative registered in Arizona in association with
23 John Hancock Distributors, Inc./Signator Investors Inc. (“JHDI/SII”), B/D CRD No. 468 (JHMLIC
24 and JHDI/SII are hereinafter collectively referred to as “John Hancock”).

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1 3. According to John Hancock’s Form U-5 filing, Paulsrud was terminated in December of
2 1998 for unauthorized placement of business with another company in violation of John Hancock’s
3 policy.

4 4. On November 5, 1998, the Arizona Corporation Commission, Securities Division
5 (“Division”), received a complaint alleging that in August 1997, Paulsrud sold a John Hancock High
6 Yield Bond Fund (“HYB Fund”) to an investor for whom said investment was not suitable in light of
7 the investor’s age, income, limited financial resources and investment experience.

8 5. This investor was an 80 year old retired widow. According to her Client Profile, she
9 had an estimated annual income of \$10,000. Her investment experience was limited to certificates of
10 deposit. Her investment objective was current income.

11 6. Paulsrud transported the investor to her bank where she liquidated her certificate of
12 deposit and received a cashier’s check for \$44,612.05. She then invested the money into the HYB
13 Fund. In liquidating her certificate of deposit, she incurred an early withdrawal penalty.

14 7. The HYB Fund is one of six different income funds offered by John Hancock. The
15 HYB Fund is the fund with the highest risk and greatest reward potential. The HYB Fund typically
16 invests at least 65% of its assets in lower rated, higher-yielding corporate bonds. These types of bonds
17 are below investment grade, i.e., “junk bonds”.

18 8. In connection with the above complaint, John Hancock rescinded the purchase, allowed
19 the investor to retain the distributions she received while she held the investment and reimbursed her
20 the early withdrawal penalty she paid when she liquidated her certificate of deposit to purchase the
21 HYB Fund.

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III.

CONCLUSIONS OF LAW

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3 1. The Commission has jurisdiction over this matter pursuant to the Act, A.R.S. §§44-
4 1801 *et seq.*, and Article XV of the Arizona Constitution.

5 2. Paulsrud's sale of the HYB Fund to this investor constitutes conduct pursuant to A.A.C.
6 R14-4-130(A)(4).

IV.

ORDER

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9 THEREFORE, on the basis of the Findings and Conclusions above, and in consideration of
10 Paulsrud's consent, the Commission issues the following Order.

11 1. IT IS ORDERED, pursuant to A.R.S. §44-2032, that Paulsrud CEASE and DESIST
12 from violations of the Act.

13 2. IT IS ORDERED, pursuant to A.R.S. §44-2036, that Paulsrud pay an administrative
14 penalty in the amount of Five Thousand Dollars and No Cents (\$5,000.00) by cashier's check or
15 certified funds. Paulsrud shall pay \$1,000.00 upon entry of this Order with the balance of \$4,000.00
16 payable at the rate of \$1,000.00 per month for four (4) months beginning 30 days from the date of
17 entry of this Order.

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1 3. IT IS ORDERED that Paulsrud's failure to comply with any term of this Order shall
2 constitute grounds for the revocation or suspension of Paulsrud's registration approved by the Division
3 subject to Paulsrud's right to a hearing pursuant to the Act.

4 4. IT IS FURTHER ORDERED that the Order shall become effective immediately upon
5 the date set forth below.

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7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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11 CHAIRMAN

COMMISSIONER

COMMISSIONER

12 IN WITNESS WHEREOF, I, Brian C. McNeil, Executive
13 Secretary of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of
16 Phoenix, this ____ day of _____, 2000.

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18 _____
19 BRIAN C. McNEIL
20 Executive Secretary

21 _____
22 DISSENT

23 (AB)

24 This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA
25 Coordinator, voice phone number 602/542-0838, E-mail csandoval@cc.state.az.us.

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CONSENT BY NORMAN L. PAULSRUD

TO THE ENTRY BY THE CORPORATION COMMISSION

OF AN ORDER TO CEASE AND DESIST AND WAIVER OF HEARING

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4 1. Respondent, Norman L. Paulsrud, an individual, admits the jurisdiction of the Arizona
5 Corporation Commission (“Commission”) over the subject matter of this proceeding, and solely, with
6 respect to this matter, knowingly and voluntarily waives any and all rights to a hearing before the
7 Commission and all other procedures otherwise available under the Securities Act of Arizona, A.R.S.
8 §§44-1801 *et seq.* (the “Act”), and the Arizona Administrative Code. Paulsrud acknowledges that the
9 accompanying Order To Cease and Desist and Consent to Same (“Order”) constitutes a valid final
10 order duly rendered by the Commission.

11 2. Paulsrud knowingly and voluntarily waives any right he may have under Article 12 of
12 the Act to judicial review by any court by way of suit, appeal or extraordinary relief resulting from the
13 entry of this Order.

14 3. Paulsrud acknowledges and agrees that this Order is entered into freely and voluntarily
15 and that no promise was made or coercion used to induce Paulsrud to enter into it.

16 4. Paulsrud acknowledges that he has been represented by counsel in this matter, he has
17 reviewed this Order with his attorney and understands all terms and obligations contained herein.

18 5. Paulsrud consents to the entry of this Order and agrees to be fully bound by its terms
19 and conditions. Paulsrud further acknowledges that should he fail to comply with any and all
20 provisions of this Order, the Commission may impose additional sanctions and costs and seek other
21 appropriate relief subject to Paulsrud’s right to a hearing pursuant to the Act.

22 6. Paulsrud acknowledges that this Order resolves only alleged administrative violations of
23 the Act and that nothing contained in the Order purports to resolve any other issues which may exist
24 between Paulsrud and the State. Nothing in the Order shall be construed to restrict the State’s right in
25 a future proceeding to bring an action against Paulsrud from or related to facts not set forth in the
26 Order.

1 7. Paulsrud acknowledges that he has been informed and understands that the Commission
2 or its designee, at the Commission's sole and exclusive discretion, may refer this matter, or grant
3 access to any information or evidence gathered in connection with this matter, to any person or entity
4 having appropriate administrative, civil or criminal jurisdiction. Paulsrud acknowledges that no
5 representations regarding the above have been made so as to induce him to enter into this Order,
6 including the fact that no promise or representation has been made by the Commission or its designee
7 or staff with regard to any potential criminal liability or immunity from any potential criminal liability.

8 8. Paulsrud neither admits nor denies the Findings of Fact and Conclusions of Law
9 contained in the Order.

10 9. This Order represents the complete and final resolution with respect to all
11 administrative or civil claims and causes of action by the Commission against Paulsrud for violations
12 of the Act arising out of the facts set forth in this Order, and is in lieu of any further administrative or
13 civil proceedings based on facts known to the Commission at this time.

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NORMAN L. PAULSRUD

17 SUBSCRIBED TO AND SWORN BEFORE me this _____ day of _____, 2000, by
18 NORMAN L. PAULSRUD.

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21 Notary Public

22 My Commission Expires: _____
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