

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801)530-6980

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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

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**IN THE MATTER OF:**

**WINDSOR CAPITAL, LC,  
NATHAN WELCH,**

**Respondents.**

**ORDER TO SHOW CAUSE**

Docket No. **SP-1-1015**

Docket No. **SP-1-1016**

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It appears to the Director of the Utah Division of Securities (Director) that Windsor Capital, LC and Nathan Welch have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

**STATEMENT OF JURISDICTION**

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

## **STATEMENT OF FACTS**

### **THE RESPONDENTS**

2. Windsor Capital, LC (Windsor) is a Utah limited liability company, registered on March 21, 1997. Nathan Welch is a manager of Windsor. Windsor's status as a business entity is expired. Windsor has never been licensed by the Division as a broker/dealer agent or as an issuer/agent to sell securities.
3. Nathan Welch (Welch) was, at all relevant times, a resident of the state of Utah. Welch has never been licensed as a broker/dealer, agent, or as an investment adviser representative in Utah.

### **GENERAL ALLEGATIONS**

4. In May 2007, Welch offered and sold securities to at least two investors, in or from Utah, and collected a total of \$500,000.
5. Welch made material misstatements and omissions in connection with the offer and sale of a security to the investors below.
6. The investors lost approximately \$417,500 of their investment funds.

#### **INVESTORS C.C. AND L.C. (HUSBAND AND WIFE).**

7. In early May 2007, C.C. and L.C. met with Welch, a Windsor employee, and two mutual friends in Utah County, Utah. The purpose of the meeting was to discuss an investment opportunity in Windsor.

8. C.C. met with Welch again in Utah County, Utah, to discuss the investment further.
9. Welch discussed a real estate development project near Jordanelle Reservoir in Utah, called Talisman. Welch said that investments could be in the form of a Section 1031 real estate exchange<sup>1</sup> or investing funds with Windsor in return for a promissory note.
10. During the meetings, Welch made the following statements about a potential investment:
  - a. Talisman would comprise of housing, a ski resort, and a golf course;
  - b. C.C. and L.C. would receive a promissory note with an 18% per annum interest rate on a two year term in exchange for investment funds;
  - c. Investment funds would be used as liquid assets by being placed into a fund, Welch would then borrow against the fund to acquire additional money for Talisman;
  - d. The minimum investment amount was \$250,000;
  - e. Interest would be paid annually, semiannually, or monthly;<sup>2</sup>
  - f. C.C. and L.C. would receive their funds back fifteen to twenty days after giving notice to Windsor.
11. Based on Welch's statements, C.C. and L.C. invested \$500,000 in Windsor.
12. On May 31, 2007, C.C. and L.C. wire transferred \$500,000 to Windsor's Wells Fargo bank account.

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<sup>1</sup>An exchange of certain types of property under Section 1031 of the United States Internal Revenue Code (26 U.S.C. § 1031) which defers capital gains or losses due upon sale.

<sup>2</sup>C.C. and Welch agreed on monthly interest payments.

13. From July 2007 through April 2008, and in October 2008, C.C. and L.C. received monthly interest payments of \$7,500.
14. After payments stopped in April 2008, C.C. and L.C. requested their investment funds be returned.
15. Welch still owes C.C. and L.C. \$417,500 in principal alone.
16. Bank records show that Windsor used C.C. and L.C.'s \$500,000 investment funds in the following manner:
  - a. \$416,304 transferred to Prime West Properties;<sup>3</sup>and
  - b. \$83,696 transferred to O'Brien & Associates.<sup>4</sup>

#### **CAUSES OF ACTION**

##### **COUNT I**

##### **Securities Fraud under § 61-1-1 of the Act**

17. The Division incorporates and re-alleges paragraphs 1 through 16.
18. The investment opportunities offered and sold by Welch are securities under § 61-1-13 of the Act.
19. In connection with the offer and sale of a security to the investors, Welch, directly or indirectly, made false statements, including, but not limited to, the following:

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<sup>3</sup>Prime West Properties is a company of which Welch is a manager. The \$416,304 transfer was used to pay back a previous investor, Pine Mountain Holding, LP.

<sup>4</sup>A futures brokerage firm located in Chicago, Illinois.

- a. Investment funds would be used as liquid assets by being placed into a fund, Welch would then borrow against the fund to acquire additional money for Talisman, when in fact, Welch used the majority of C.C. and L.C.'s funds to pay back a previous investor; and
  - b. C.C. and L.C. would receive their investment funds back fifteen to twenty days after giving notice to Windsor, when in fact, Welch had no reasonable basis for making such a statement.
20. In connection with the offer and sale of a security to the investors, Welch, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:
- a. Welch had multiple civil suits filed against him, including judgments that totaled \$36,972;
  - b. Welch had filed an involuntary Chapter 7 bankruptcy in 2004<sup>5</sup>; and
  - c. Some or all of the information typically provided in an offering circular or prospectus regarding Welch, such as:
    - i. Financial statements;
    - ii. Risk factors;
    - iii. Suitability factors for the investment:

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<sup>5</sup>*United States Trustee v. Prime West Properties, LC*, Case #04-20233 (Utah 2004).

- iv. Track record to investors;
- v. Welch's and Windsor's business experience and operating history;
- vi. Nature of competition;
- vii. Whether the investment is a registered security or exempt from registration;  
and
- viii. Whether Welch was licensed to sell securities.

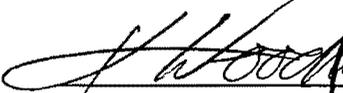
**ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Wednesday, May 4, 2011, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Respondents should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 9<sup>th</sup> day of March, 2011.

  
KEITH WOODWELL  
Director, Utah Division of Securities



Approved:

  
JEFFREY BUCKNER  
Assistant Attorney General  
J.N.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
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**BEFORE THE DIVISION OF SECURITIES  
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**IN THE MATTER OF:**

**WINDSOR CAPITAL, LC,  
NATHAN WELCH,**

**Respondents.**

**NOTICE OF AGENCY ACTION**

Docket No. ~~SH-015~~

Docket No. ~~SH-016~~

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**THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:**

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

**Signed originals to:**

Administrative Court Clerk  
c/o Julie Price  
Utah Division of Securities  
160 E. 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

**A copy to:**

Jeff Buckner  
Assistant Attorney General  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84114-0872  
(801) 366-0310

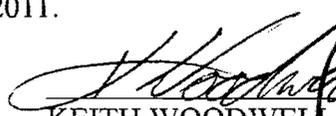
An initial hearing in this matter has been set for May 4, 2011 at the Division of Securities, 2<sup>nd</sup> Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Angela Hendricks, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6035. This adjudicative proceeding will be heard by Ms. Hendricks and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 9<sup>th</sup> day of March, 2011.

  
KEITH WOODWELL  
Director, Division of Securities

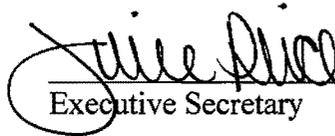


**Evidence of Mailing**

I certify that on the 11th day of March, 2011, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Windsor Capital, LC  
Nathan Welch  
c/o James Kruse  
Kruse Landa Maycock & Ricks, LLC  
136 E. South Temple 21<sup>st</sup> Fl.  
P.O. Box 45561  
Salt Lake City, UT 84145

Certificate # 7008 1140 0004 11092 2217

  
Executive Secretary