

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

COMMISSIONERS

2010 DEC 23 A 11: 25

DOCKETED

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DEC 22 2010

DOCKETED BY [Signature]

In the matter of: USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB, and HARTAWAN WIDAYATMO AND JANE DOE WIDAYATMO, husband and wife, Respondents.) DOCKET NO. S-20779A-10-0514)) NOTICE OF OPPORTUNITY FOR HEARING) REGARDING PROPOSED ORDER TO) CEASE AND DESIST, ORDER FOR) RESTITUTION, ORDER FOR) ADMINISTRATIVE PENALTIES AND) ORDER FOR OTHER AFFIRMATIVE) ACTION))
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**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB and HARTAWAN WIDAYATMO have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division further alleges HARTAWAN WIDAYATMO controlled USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB within the meaning of A.R.S. § 44-1999 so that he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB for violations of the Securities Act.

**I.
JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

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II.
RESPONDENTS

2. USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB (“USDB”) filed for incorporation in California on October 19, 2009. At all times relevant, USDB was located in California and operated from a virtual office in New York, NY.

3. HARTAWAN WIDAYATMO (“WIDAYATMO”) is a California resident. At all times relevant, WIDAYATMO was the sole signatory on the USDB checking account. According to the bank records, WIDAYATMO was the president of USDB.

4. USDB and WIDAYATMO may be referred to collectively as “Respondents.”

5. Jane Doe Widayatmo was at all relevant times the spouse of Respondent WIDAYATMO. Jane Doe Widayatmo may be referred to as “Respondent Spouse.” Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

6. At all times relevant, WIDAYATMO was acting for his own benefit and for the benefit or in furtherance of his marital community.

III.
FACTS

7. From October 2009 to June 2010, Respondents, through a sales force (“USDB representatives”) located outside of Arizona, contacted offerees and investors by placing unsolicited telephone calls to elderly individuals at their Arizona residences to offer them the opportunity to invest in market-linked certificates of deposit¹ and/or fractionalized interests in brokered certificates of deposit² purportedly held at well-known banking institutions. If offerees were interested, USDB representatives sent documents to the offerees, via Federal Express, to their

¹ According to the USDB offering documents provided to investors, market-linked certificates of deposit combine some of the features of a traditional certificate of deposit with the growth potential offered by the market.

² A brokered certificate of deposit has the characteristics of a traditional certificate of deposit, but is purchased from a source other than a traditional banking institution such as a deposit broker. The deposit broker adds specific features to the brokered certificates of deposit such as maintaining a secondary market and fractionalizing the certificate of deposit among many investors.

1 Arizona addresses. If offerees decided to invest, they would send their payments back to
2 Respondents via a prepaid Federal Express envelope. The funds were then deposited into a bank
3 account controlled by WIDAYATMO.

4 **MARKET-LINKED CERTIFICATES OF DEPOSIT**

5 8. The documents provided to offerees and investors state that the market-linked
6 certificates of deposit will provide principal protection and growth potential. According to the
7 documents, a market-linked certificate of deposit offered by USDB “combines some of the features
8 of a traditional Certificate of Deposit with the growth potential offered by the market.”

9 9. USDB represented to the investors that the market-linked certificates of deposit are
10 “100% protected by US Deposit Brokers Group if the Market Linked CD is held to maturity.” The
11 market-linked certificates of deposit allow “investors to invest in areas that are otherwise too
12 complicated to get into.” USDB represented that the market-linked certificates of deposit have a
13 guaranteed return of “3% per annum regardless of market performance.”

14 10. The documents provided to investors represent that the market-linked certificates of
15 deposit are a “practical alternative for the conservative investor” who is:

- 16 • Seeking equity market participation in a principal-protected investment.
- 17 • Averse to risk.
- 18 • Interested in the potential to earn higher returns than a traditional CD.
- 19 • Looking for short to medium-term growth.
- 20 • A buy and hold investor, who doesn’t anticipate the need for funds from their investment before the Market Linked CD matures.
- 21 • Considering this investment as a short to medium-term savings vehicle.

21 **BROKERED CERTIFICATES OF DEPOSIT**

22 11. USDB also offered investors the opportunity to purchase fractionalized interests in
23 brokered certificates of deposit. The documents sent to offerees and investors set forth that
24 investors can “earn decent returns with low-risk, short to long-term Certificates of Deposit (CDs)
25 investments as offered by US Deposit Brokers Group.” Further, the documents set forth that
26 “USDB’s CDs have little to no risk and can be locked in for 3 to 60 months.” The minimum

1 investment is \$10,000. Investors provided funds for specific brokered certificates of deposit with a
2 specific maturity date and a specific interest rate.

3 12. The documents for the brokered certificates of deposit provided to offerees and
4 investors by the USDB representatives stated, "USDB's main objective is to secure the safety and
5 security of our client's principle [sic]. Capital protection is our priority."

6 13. The USDB representatives provided documents to the offerees and investors that
7 represented "USDB's FDIC-insured CDs earn above average interest rates due to the immense
8 buying power of our institutional division."

9 14. The brokered certificates of deposit documents further state, "individual investor[s]
10 cannot negotiate the returns that USDB can attain for you. Our investment blocks of CDs are in the
11 hundreds of millions of dollars." The documents provide lists of brokered certificates of deposit
12 from well-known banks with values in the hundreds of millions of dollars.

13 15. A USDB representative told one investor that *Reader's Digest* was a USDB
14 institutional client. The USDB representative further stated that *Reader's Digest* (The Reader's
15 Digest Association, Inc. et al.³) had filed for protection under the U.S. Bankruptcy Code and
16 needed to liquidate a \$50,000,000 certificate of deposit that matures on December 17, 2010. The
17 USDB representative further stated that USDB had access to another *Reader's Digest* certificate of
18 deposit with an expiration date of June 30, 2010. USDB informed the investor that they were able
19 to purchase a fractionalized interest in the certificates of deposit held by *Reader's Digest*. No such
20 *Reader's Digest* certificates of deposit exist.

21 16. In at least one instance, an investor received a telephone call from an individual who
22 represented himself to be with Barclay's Bank and informed the investor that he was calling to
23 confirm the information provided by a USDB representative to the investor related to a "Master
24 CD."

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³ In re: *The Reader's Digest Association, Inc. et al.*, U.S. Bankruptcy Court, Southern District of New York, Case No. 09-23529 (RDD).

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

25. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

26. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

27. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Respondents misrepresented to offerees and investors that their funds would be used to purchase fractionalized interests in market-linked certificates of deposit or brokered certificates of deposit held by well-known banking institutions when, in fact, the funds were sent overseas and no market-linked certificates of deposit or brokered certificates of deposit were purchased.

b) Respondents provided false and misleading account statements to investors that gave the appearance that the value of the market-linked certificates of deposit and brokered certificates of deposit had increased in value when, in fact, Respondents did not purchase any market-linked certificates of deposit or brokered certificates of deposit.

c) Respondents misrepresented to offerees and investors that they had access to brokered certificates of deposit held by *Reader's Digest* when, in fact, there were no such brokered certificates of deposit.

1 Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing
2 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
3 Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>. Additional
4 information about the administrative action procedure may be found at
5 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>.

6 If a request for a hearing is timely made, the Commission shall schedule the hearing to
7 begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by
8 the parties, or ordered by the Commission. If a request for a hearing is not timely made the
9 Commission may, without a hearing, enter an order granting the relief requested by the Division in
10 this Notice of Opportunity for Hearing.

11 Persons with a disability may request a reasonable accommodation such as a sign language
12 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
13 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
14 Requests should be made as early as possible to allow time to arrange the accommodation.

15 IX.

16 ANSWER REQUIREMENT

17 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
18 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing
19 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
20 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
21 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
22 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

23 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
24 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
25 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
26 addressed to Wendy Coy.

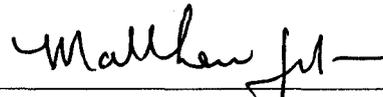
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The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 23 day of December, 2010.


Matthew J. Neubert
Director of Securities