

OPEN MEETING ITEM

3/16/11

COMMISSIONERS  
GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

ORIGINAL



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ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Gary Pierce, Chairman  
Bob Stump  
Sandra D. Kennedy  
Paul Newman  
Brenda Burns

Arizona Corporation Commission

DOCKETED

MAR 4 2011

FROM: Matthew J. Neubert  
Director of Securities

MJN

DOCKETED BY

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

2011 MAR -4 A 9:48

RECEIVED

DATE: March 2, 2011

RE: Order to Cease and Desist for Restitution and for Administrative Penalty Re:  
Respondents USDB Group Inc. aka US Deposit Brokers Group aka USDB and  
Hartawan Widayatmo Docket No. S-20779A-10-0514

CC: Ernest G. Johnson, Executive Director

Attached is an Order to Cease and Desist For Restitution and For Administrative Penalty Re: Respondents USDB Group Inc. aka US Deposit Brokers Group aka USDB ("USDB") and Hartawan Widayatmo ("Order"). The Order requires USDB and Hartawan Widayatmo to cease and desist from violating the Arizona Securities Act, to pay restitution to the Arizona investors in the amount of \$458,000 and to pay an administrative penalty in the amount \$100,000.

USDB had offices in New York and California. Hartawan Widayatmo, a California resident, was president of USDB and the sole signer on the USDB bank account. USDB solicited investors within Arizona offering fractionalized interests in market-linked certificates of deposit and brokered certificates of deposit. The funds were sent overseas and no market-linked certificates of deposit or brokered certificates of deposit were purchased.

The Securities Division believes this Consent is in the best interest of the public.

Originator: Wendy Coy

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

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

DECISION NO. \_\_\_\_\_

**ORDER TO CEASE AND DESIST FOR  
RESTITUTION AND FOR  
ADMINISTRATIVE PENALTY**

**RE: RESPONDENTS USDB GROUP INC.  
AKA US DEPOSIT BROKERS GROUP AKA  
USDB AND HARTAWAN WIDAYATMO**

On December 23, 2010, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Respondents USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB ("USDB") and HARTAWAN WIDAYATMO ("WIDAYATMO").

The Notice specified that each Respondent had ten days to request a hearing and 30 days to file an answer. The Notice was served upon USDB on December 30, 2010, via certified mail. WIDAYATMO was served on January 6, 2011, via certified mail. USDB and WIDAYATMO have failed to request an administrative hearing within ten days after receipt of the Notice, pursuant to A.R.S. § 44-1972 and A.A.C. Rule R14-4-306. USDB and WIDAYATMO have failed to file an Answer within 30 days of service of the Notice, pursuant to A.A.C. Rule R14-4-305.

## I.

**FINDINGS OF FACT**

1  
2  
3 1. USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka USDB ("USDB")  
4 filed for incorporation in California on October 19, 2009 and is still identified as an active  
5 corporation. At all times relevant, USDB was located in California and operated from a virtual  
6 office in New York, NY.

7 2. HARTAWAN WIDAYATMO ("WIDAYATMO") is an unmarried California  
8 resident. At all times relevant, WIDAYATMO was the sole signatory on the USDB checking  
9 account. According to bank records, WIDAYATMO was the president of USDB.

10 3. USDB and WIDAYATMO may be referred to collectively as "Respondents."

11 4. From October 2009 to June 2010, Respondents, through a sales force ("USDB  
12 representatives") located outside of Arizona, contacted offerees and investors by placing  
13 unsolicited telephone calls to elderly individuals at their Arizona residences to offer them the  
14 opportunity to invest in market-linked certificates of deposit<sup>1</sup> and/or fractionalized interests in  
15 brokered certificates of deposit<sup>2</sup> purportedly held at well-known banking institutions. If offerees  
16 were interested, USDB representatives sent documents to the offerees, via Federal Express, to their  
17 Arizona addresses. If offerees decided to invest, they would send their payments back to  
18 Respondents via a prepaid Federal Express envelope. The funds were then deposited into a bank  
19 account controlled by WIDAYATMO.

**MARKET-LINKED CERTIFICATES OF DEPOSIT**

20  
21 5. The documents provided to offerees and investors state that the market-linked  
22 certificates of deposit will provide principal protection and growth potential. According to the  
23

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

26 <sup>2</sup> 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 documents, a market-linked certificate of deposit offered by USDB “combines some of the features  
2 of a traditional Certificate of Deposit with the growth potential offered by the market.”

3 6. USDB represented to the investors that the market-linked certificates of deposit are  
4 “100% protected by US Deposit Brokers Group if the Market Linked CD is held to maturity.” The  
5 market-linked certificates of deposit allow “investors to invest in areas that are otherwise too  
6 complicated to get into.” USDB represented that the market-linked certificates of deposit have a  
7 guaranteed return of “3% per annum regardless of market performance.”

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

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

#### 15 **BROKERED CERTIFICATES OF DEPOSIT**

16 8. USDB also offered investors the opportunity to purchase fractionalized interests in  
17 brokered certificates of deposit. The documents sent to offerees and investors set forth that  
18 investors can “earn decent returns with low-risk, short to long-term Certificates of Deposit (CDs)  
19 investments as offered by US Deposit Brokers Group.” Further, the documents set forth that  
20 “USDB’s CDs have little to no risk and can be locked in for 3 to 60 months.” The minimum  
21 investment is \$10,000. Investors provided funds for specific brokered certificates of deposit with a  
22 specific maturity date and a specific interest rate.

23 9. The documents for the brokered certificates of deposit provided to offerees and  
24 investors by the USDB representatives stated, “USDB’s main objective is to secure the safety and  
25 security of our client’s principle [sic]. Capital protection is our priority.”

26

1           10.     The USDB representatives provided documents to the offerees and investors that  
2 represented “USDB’s FDIC-insured CDs earn above average interest rates due to the immense  
3 buying power of our institutional division.”

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

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

16           13.     In at least one instance, an investor received a telephone call from an individual who  
17 represented himself to be with Barclay’s Bank and informed the investor that he was calling to  
18 confirm the information provided by a USDB representative to the investor related to a “Master  
19 CD.”

20           14.     Respondents provided fictitious account statements to the investors. The account  
21 statements reflect that investors’ funds were used to purchase specific market-linked certificates of  
22 deposit or brokered certificates of deposit. The account statements provided fictitious account  
23 numbers and fictitious income on the purported market-linked certificates of deposit and brokered  
24 certificates of deposit.

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



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- 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.

- 6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.
- 7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.
- 8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

**III.**  
**ORDER**

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

1 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of  
2 Respondents' agents, employees, successors and assigns, permanently cease and desist from  
3 violating the Securities Act.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents USDB and  
5 WIDAYATMO, jointly and severally, shall pay restitution to the Commission in the principal  
6 amount of \$458,000. Payment is due in full on the date of this Order. Payment shall be made to  
7 the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.  
8 Any principal amount outstanding shall accrue interest at the rate of 10 percent per annum from the  
9 date of purchase until paid in full. Interest in the amount of \$48,325.75 has accrued from the date  
10 of purchase to March 16, 2011.

11 The Commission shall disburse the funds on a pro-rata basis to investors shown on the  
12 records of the Commission. Any restitution funds that the Commission cannot disburse because an  
13 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an  
14 investor because the investor is deceased and the Commission cannot reasonably identify and  
15 locate the deceased investor's spouse or natural children surviving at the time of the distribution,  
16 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the  
17 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse  
18 shall be transferred to the general fund of the state of Arizona.

19 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents USDB and  
20 WIDAYATMO jointly and severally shall pay an administrative penalty in the amount of  
21 \$100,000. Payment is due in full on the date of this Order. Payment shall be made to the "State of  
22 Arizona." Any amount outstanding shall accrue interest as allowed by law.

23 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be  
24 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments  
25 shall be applied to the penalty obligation.

26

1 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of  
2 default. If any Respondent does not comply with this Order, any outstanding balance may be  
3 deemed in default and shall be immediately due and payable.

4 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the  
5 Commission may bring further legal proceedings against that Respondent, including application to  
6 the superior court for an order of contempt.

7 IT IS FURTHER ORDERED that this Order shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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10 \_\_\_\_\_  
11 CHAIRMAN

COMMISSIONER

12  
13 \_\_\_\_\_  
14 COMMISSIONER

COMMISSIONER

COMMISSIONER

15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
16 Executive Director of the Arizona Corporation Commission,  
17 have hereunto set my hand and caused the official seal of the  
18 Commission to be affixed at the Capitol, in the City of  
19 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

20 \_\_\_\_\_  
21 ERNEST G. JOHNSON  
22 EXECUTIVE DIRECTOR

23 \_\_\_\_\_  
24 DISSENT

25 \_\_\_\_\_  
26 DISSENT

27 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA  
28 Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
(wlc)

SERVICE LIST FOR: USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka  
1 USDB and HARTAWAN WIDAYATMO

2 Name and Address

3 USDB GROUP INC. aka US DEPOSIT  
4 BROKERS GROUP aka USDB  
5 556 S. Fair Oakes Ave., Suite 101-443  
Pasadena, CA 91105

6 HARTAWAN WIDAYATMO  
7 350 E. Del Mar Blvd #202  
Pasadena, CA 91101

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