ORIGINAL

OPEN MEETING ITEM

10/4/12

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

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

RECEIVED

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 388-1335
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

MEMORANDUM

Arizona Corporation Commission
DOCKETED
SEP 21 2012
DOCKETED BY JM

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

FROM: Matthew J. Neubert
Director of Securities

DATE: September 20, 2012

RE: Order to Cease and Desist, Order for Administrative Penalties and Consent to Same By: Respondents Benjamin M. Cvetkovich, Sterling Investments Group International, LLC, and George A. Pruden and Janet F. Pruden
Docket No. S-20843A-12-0121

CC: Ernest G. Johnson, Executive Director

Attached is a proposed Order to Cease and Desist, Order for Administrative Penalties and Consent to Same By: Respondents Benjamin M. Cvetkovich, Sterling Investments Group International, LLC, and George A. Pruden and Janet F. Pruden ("Order"). Janet F. Pruden ("Respondent Spouse") was joined pursuant to A.R.S. § 44-2031(C) solely for the purposes of determining the liability of the marital community. The Order finds that from at least September 2007 to October 2008, Respondents Benjamin M. Cvetkovich and George A. Pruden represented to investors and offerees that Sterling Investments Group International, LLC ("SIGI") was an investment club in the business of trading stock for profit using pooled investor money. Investors were offered and sold limited liability interests in SIGI. Respondents raised $111,000 from investors, and only $2,000 was repaid. Respondents are not registered as securities salesmen or dealers, nor has the investment been registered with the Commission.

The Order finds that Respondents violated A.R.S. §§ 44-1841 and 44-1842 by selling unregistered securities while being unregistered. In addition, the Order finds that Respondents violated A.R.S. §44-1991 because there were untrue statements or misleading omissions of material fact represented to investors either verbally or in writing.

The Order requires Respondents to permanently cease and desist from violating the Securities Act, to pay a $20,000 administrative penalty, and to pay restitution of $109,000.

The Division believes that the Order is appropriate to protect the public welfare.

Originator: Stacy Luedtke

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of: BENJAMIN M. CVETKOVICH, STERLING INVESTMENTS GROUP INTERNATIONAL, LLC, GEORGE A. PRUDEN and JANET F. PRUDEN, husband and wife, Respondents.	DOCKET NO. S-20843A-12-0121 DECISION NO. _____ **ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION AND ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME** **BY: RESPONDENTS BENJAMIN M. CVETKOVICH, STERLING INVESTMENTS GROUP INTERNATIONAL, LLC, AND GEORGE A. PRUDEN AND JANET F. PRUDEN**

Respondents Benjamin M. Cvetkovich, Sterling Investments Group International, LLC, and George A. Pruden and Janet F. Pruden ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order for Restitution and Order for Administrative Penalties ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. At all times relevant, Respondent Benjamin M. Cvetkovich ("Cvetkovich") has been a single man and a resident of the state of Colorado. At all times relevant, Cvetkovich offered and sold unregistered securities within and from Arizona in his individual capacity, and on behalf of

Sterling Investments Group International, LLC as its managing member. Cvetkovich has not been registered by the Commission as a securities salesman or dealer.

2. Respondent Sterling Investments Group International, LLC ("SIGI") is a Colorado limited liability company. SIGI was organized under the laws of the state of Colorado on March 14, 2008 and has been in delinquent status since September 1, 2009. SIGI has not been registered by the Commission as a securities salesman or dealer.

3. At all times relevant, Respondent George A. Pruden ("Pruden") has been a married man and a resident of the state of Arizona. At all times relevant, Pruden offered and sold unregistered securities within and from Arizona in his individual capacity, and on behalf of SIGI. Pruden has not been registered by the Commission as a securities salesman or dealer.

4. Janet F. Pruden was at all relevant times the spouse of Respondent Pruden. Janet F. Pruden 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.

5. At all times relevant, Respondent Pruden was acting for his own benefit and for the benefit or in furtherance of his and Respondent Spouse's marital community.

6. Cvetkovich and Pruden, both individually and doing business as SIGI, and SIGI may be referred to collectively as "Respondents."

7. From on or about September 2007 until at least October 2008, Cvetkovich and Pruden represented to investors and offerees that SIGI was in the business of trading stock for profit using pooled investor money ("stock trading investment"). Cvetkovich represented himself to investors and offerees as a "general partner" and "lead audit consultant" of SIGI. Pruden represented himself to investors and offerees as a "general partner" of SIGI.

8. Cvetkovich and Pruden represented to investors and offerees that the investments would be made through SIGI, an "investment club", with Cvetkovich performing the trading activities.

9. SIGI's trading activities were performed using one or more TD Ameritrade accounts ("trading accounts").

10. Starting in approximately late 2007, Respondents held seminars for investors and offerees regarding the stock trading investment in Scottsdale, Arizona; Albuquerque, New Mexico; and Anaheim, California. Both in state investors and out of state residents attended Respondents' Arizona seminar.

11. At the seminars, Pruden and Cvetkovich gave presentations to investors and offerees, and provided investors and offerees with handout materials concerning the stock trading investment. The materials listed both Pruden and Cvetkovich as "general partners" of SIGI, and invited attendees to "enter this business opportunity through membership in SIGI, LLC."

12. In return for their investment, investors obtained a membership interest in the limited liability company, SIGI. 100% of SIGI's capital contributions were to be used for the stock trading program.

13. Respondents represented, and investors expected, a profit as a result of the stock trading investment.

14. Investors were not required to meet any standards or qualifications to invest in SIGI.

15. Respondents sold investments to at least five Arizona residents. Investments were also sold to at least two out of state residents that attended an Arizona seminar. The capital raised by Respondents from these investors totals $111,000. Of this total, only $2,000 was paid back to investors by Respondents.

16. The management of SIGI was vested in the managers under its Articles of Organization, and investors were given no rights to participate in or control the management of

SIGI. None of the investors participated in the trading activities, directed such activities, or had access to the trading accounts.

17. Pruden represented to investors that investor funds were deposited "in the SIGI trading account."

18. Respondents failed to disclose to investors that the trading accounts were opened by Cvetkovich individually, and controlled by Cvetkovich, with no reference to SIGI.

19. Investors were required to pay SIGI a commission from any profits from the stock trading investment which was between 20% - 30%, depending on the individual investor's capital contribution. The commissions were then to be split equally between Pruden and Cvetkovich.

20. Respondents represented to investors and potential investors, either verbally or in writing, that the stock trading investment in SIGI was "safe", and failed to adequately disclose risks of the investment, instead promoting an inflated return.

21. For example, Respondents made the following representations to investors and offerees:

(a) "**Safe** investment strategies that utilize a proven system of investing;"

(b) "[W]e will make a good and consistent return, and we will not be exposed to the huge losses that a volatile market can produce;"

(c) SIGI can "consistently achieve stable growth and gains in spite of the spikes of an up and down market" and "ensure we invest wisely, safely and make money every time;"

(d) SIGI's "position is always cash and can respond to market changes effectively without incurring losses;"

(e) SIGI's trading strategy was "in the safe middle range" and "we will not be exposed to the huge losses that a volatile market can produce;"

(f) Promoting an annual return of 20% or more; and

(g) Respondents provided potential investors with example trading scenarios that showed only profits and downplayed the risk of loss.

22. Respondents communicated to investors and offerees that they would use margin accounts to "triple the amount of the investment" and represented this leveraging was "safe" without adequately disclosing the risks of margin trading.

23. Pruden and Cvetkovich told investors and potential investors that SIGI had a "conservative" investment strategy and that investor funds were not exposed to the market for lengthy periods of time "because far too much can happen that may have an adverse impact." Pruden and Cvetkovich represented that the key part of the investment strategy was trading in the stock market for not more than one week per month, which allowed cash funds to remain "safely in a bank account" for the remaining period.

24. In mid-2008, Respondents unilaterally changed the trading strategy to trade more frequently than one week per month, but failed to advise investors and offerees of this change.

25. Respondents represented to investors and offerees "maximum liquidity" of their investment, and that investors could "receive profits in cash monthly", had "[t]he opportunity of withdrawing the full balance of your capital account at will with 30 days notice", and "can take out cash as needed to accomplish your own personal goals." Pruden told at least one investor that he could withdrawal a portion or all of his investment funds with "10 business days notice."

26. Investors have repeatedly asked Respondents to return of all or part of their investment, and have been denied the return of their funds.

27. Respondents never made a profit with the stock trading investment.

II.

CONCLUSIONS OF LAW

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

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as dealers or salesmen nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

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.

9. Respondent Pruden acted for the benefit of his and Respondent Spouse's marital community and, pursuant to A.R.S. §§ 25-214 and 25-215, this Order of restitution and administrative penalties is a debt of the communities.

10. Respondent Cvetkovich directly or indirectly controlled SIGI within the meaning of A.R.S. § 44-1999; Cvetkovich is jointly and severally liable with, and to the same extent as those SIGI, for SIGI's violations of A.R.S. § 44-1991.

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III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

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

IT IS FURTHER ORDERED that Respondents and Respondent Spouse comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Benjamin M. Cvetkovich, Sterling Investments Group International, LLC, and George A. Pruden individually, and the marital community of Respondent George A. Pruden and Janet F. Pruden respectively, jointly and severally shall pay restitution to the Commission in the principal amount of $ 109,000. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of 10 percent per annum from the date of purchase until paid in full.

The Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased and the Commission cannot reasonably identify and locate the deceased investor's spouse or natural children surviving at the time of the distribution, shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the

Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents Benjamin M. Cvetkovich, Sterling Investments Group International, LLC, and George A. Pruden individually, and the marital community of Respondent George A. Pruden and Janet F. Pruden respectively, shall jointly and severally pay an administrative penalty in the amount of $20,000. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest from the date judgment is entered at the rate of 10 percent per annum.

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

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

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of _____, 2012.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.
(sll)

CONSENT TO ENTRY OF ORDER

1. Respondents Benjamin M. Cvetkovich ("Cvetkovich"), Sterling Investments Group International, LLC ("SIGI"), George A. Pruden ("Pruden"), and Janet F. Pruden ("Respondent Spouse") (collectively "Respondents") admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge that Respondents have been fully advised of Respondents' right to a hearing to present evidence and call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist, Order for Restitution and Order for Administrative Penalties ("Order") constitutes a valid final order of the Commission.

2. Respondents knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondents understand and acknowledge that Respondents have a right to seek counsel regarding this Order, and that Respondents have had the opportunity to seek counsel prior to signing this Order. Respondents acknowledge and agree that, despite the foregoing, Respondents freely and voluntarily waive any and all right to consult or obtain counsel prior to signing this Order.

5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order. Respondents agree that Respondents shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding in which the Commission or any other state agency is a party concerning the denial or

issuance of any license or registration required by the state to engage in the practice of any business or profession.

6. By consenting to the entry of this Order, Respondents agree not to take any action or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual basis. Respondents will undertake steps necessary to assure that all of Respondents' agents and employees understand and comply with this agreement.

7. While this Order settles this administrative matter between Respondents and the Commission, Respondents understand that this Order does not preclude the Commission from instituting other administrative or civil proceedings based on violations that are not addressed by this Order.

8. Respondents understand that this Order does not preclude the Commission from referring this matter to any governmental agency for administrative, civil, or criminal proceedings that may be related to the matters addressed by this Order.

9. Respondents understand that this Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal proceedings that may be related to matters addressed by this Order.

10. Respondents agree that Respondents Cvetkovich, SIGI, and Pruden will not apply to the state of Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser or investment adviser representative until such time as all restitution and penalties under this Order are paid in full.

11. Respondents agree that Respondents Cvetkovich, SIGI, and Pruden will not exercise any control over any entity that offers or sells securities or provides investment advisory services within or from Arizona until such time as all restitution and penalties under this Order are paid in full.

12. Respondent Pruden and Respondent Spouse, acknowledge that any restitution or penalties imposed by this Order are obligations of the Respondent Pruden as well as the marital community.

13. Respondents consent to the entry of this Order and agree to be fully bound by its terms and conditions.

14. Respondents acknowledge and understand that if Respondents fail to comply with the provisions of the order and this consent, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

15. Respondents understand that default shall render Respondents liable to the Commission for its costs of collection and interest at the maximum legal rate.

16. Respondents agree and understand that if Respondents fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

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17. Respondent Cvetkovich represents that he is the managing member of Respondent SIGI and has been authorized by name of SIGI to enter into this Order for and on behalf of it.

George A. Pruden

Janet F. Pruden

STATE OF ~~CALIFORNIA~~ OHIO)
) ss
County of Montgomery)

SUBSCRIBED AND SWORN TO BEFORE me this 14 day of September 2012.

NOTARY PUBLIC

GINA M. SPARKS, NOTARY PUBLIC
MY COMM. EXP. AUG. 2, 2017
STATE OF OHIO

My commission expires:
02 Aug 2017

Sterling Investments Group International, LLC

By Benjamin M. Cvetkovich

Its Managing Member

STATE OF COLORADO)
) ss
County of)

SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____,

NOTARY PUBLIC

My commission expires:

_____

My commission expires:

Benjamin M. Cvetkovich

17. Respondent Cvetkovich represents that he is the managing member of Respondent SIGI and has been authorized by name of SIGI to enter into this Order for and on behalf of it.

_____
George A. Pruden

_____
Janet F. Pruden

STATE OF CALIFORNIA)
) ss
County of)

SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____,

_____
NOTARY PUBLIC

My commission expires:

_____

OFFICIAL SEAL
TERESA JEAN IMEL
NOTARY PUBLIC-OREGON
COMMISSION NO. 470860
MY COMMISSION EXPIRES AUGUST 25, 2016

Sterling Investments Group International, LLC

By Benjamin M. Cvetkovich

Its Managing Member

STATE OF ~~COLORADO~~ Oregon)
) ss
County of Deschutes)

SUBSCRIBED AND SWORN TO BEFORE me this 18th day of September 2012,

Teresa Jean Imel
NOTARY PUBLIC

My commission expires:

August 25, 2016

My commission expires:

Benjamin M. Cvetkovich

Decision No. _____

OFFICIAL SEAL
TERESA JEAN IMEL
NOTARY PUBLIC-OREGON
COMMISSION NO. 470860
MY COMMISSION EXPIRES AUGUST 25, 2016

STATE OF ~~COLORADO~~ Oregon)
) ss
County of Deschutes)

SUBSCRIBED AND SWORN TO BEFORE me this 18th day of September 2012.

Teresa Jean Imel
NOTARY PUBLIC

My commission expires:
August 25, 2016

SERVICE LIST FOR: BENJAMIN M. CVETKOVICH

Benjamin M. Cvetkovich
1182 Belle Drive
Loveland, CO 80537
Respondent

Sterling Investments Group International, LLC
c/o Benjamin M. Cvetkovich
1182 Belle Drive
Loveland, CO 80537
Respondent

George A. Pruden
Janet F. Pruden
1140 Wall Street, No. 9018
La Jolla, CA 92038-9018
Respondent

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of: BENJAMIN M. CVETKOVICH, STERLING INVESTMENTS GROUP INTERNATIONAL, LLC, GEORGE A. PRUDEN and JANET F. PRUDEN, husband and wife, Respondents.	DOCKET NO. S-20843A-12-0121 **NOTICE OF FILING OF PROPOSED OPEN MEETING AGENDA ITEM**

Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order to Cease and Desist, Order for Administrative Penalties and Consent to Same By: Respondents Benjamin M. Cvetkovich, Sterling Investments Group International, LLC, and George A. Pruden and Janet F. Pruden was filed with the Arizona Corporation Commission's Docket Control.

Dated: 9/21/12

By: Stacy L. Luedtke, Staff Attorney

Decision No. _____

I hereby certify that I have this day served the foregoing document on all parties of record in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

Benjamin M. Cvetkovich
1182 Belle Drive
Loveland, CO 80537
Respondent

Sterling Investments Group International, LLC
c/o Benjamin M. Cvetkovich
1182 Belle Drive
Loveland, CO 80537
Respondent

George A. Pruden
Janet F. Pruden
1140 Wall Street, No. 9018
La Jolla, CA 92038-9018
Respondent

Dated: 9/21/12

By: Emie L. Bridges
Emie R. Bridges, Executive Assistant