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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

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

OCT 16 2012

DOCKETED BY nr

In the matter of: BENJAMIN M. CVETKOVICH, STERLING INVESTMENTS GROUP INTERNATIONAL, LLC, GEORGE A. PRUDEN and JANET F. PRUDEN, husband and wife, <p style="text-align: center;">Respondents.</p>) DOCKET NO. S-20843A-12-0121)) DECISION NO. <u>73550</u>)) 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
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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

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

3 2. Respondent Sterling Investments Group International, LLC (“SIGI”) is a Colorado
4 limited liability company. SIGI was organized under the laws of the state of Colorado on March 14,
5 2008 and has been in delinquent status since September 1, 2009. SIGI has not been registered by
6 the Commission as a securities salesman or dealer.

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

11 4. Janet F. Pruden was at all relevant times the spouse of Respondent Pruden. Janet F.
12 Pruden may be referred to as “Respondent Spouse”. Respondent Spouse is joined in this action
13 under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital
14 community.

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

17 6. Cvetkovich and Pruden, both individually and doing business as SIGI, and SIGI may
18 be referred to collectively as “Respondents.”

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

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

4 9. SIGI’s trading activities were performed using one or more TD Ameritrade accounts
5 (“trading accounts”).

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

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

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

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

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

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

24 16. The management of SIGI was vested in the managers under its Articles of
25 Organization, and investors were given no rights to participate in or control the management of
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1 SIGI. None of the investors participated in the trading activities, directed such activities, or had
2 access to the trading accounts.

3 17. Pruden represented to investors that investor funds were deposited “in the SIGI
4 trading account.”

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

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

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

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

- 15 (a) “Safe investment strategies that utilize a proven system of investing;”
- 16 (b) “[W]e will make a good and consistent return, and we will not be exposed to
17 the huge losses that a volatile market can produce;”
- 18 (c) SIGI can “consistently achieve stable growth and gains in spite of the spikes
19 of an up and down market” and “ensure we invest wisely, safely and make
20 money every time;”
- 21 (d) SIGI’s “position is always cash and can respond to market changes
22 effectively without incurring losses;”
- 23 (e) SIGI’s trading strategy was “in the safe middle range” and “we will not be
24 exposed to the huge losses that a volatile market can produce;”
- 25 (f) Promoting an annual return of 20% or more; and

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

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

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

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

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

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

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

22 **II.**

23 **CONCLUSIONS OF LAW**

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

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

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

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

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

11 6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.
12 § 44-2032.

13 7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
14 2032.

15 8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-
16 2036.

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

20 10. Respondent Cvetkovich directly or indirectly controlled SIGI within the meaning of
21 A.R.S. § 44-1999; Cvetkovich is jointly and severally liable with, and to the same extent as those
22 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

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

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

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

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

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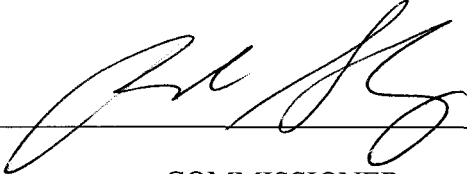
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IT IS FURTHER ORDERED that this Order shall become effective immediately.

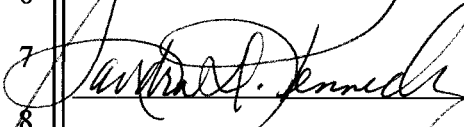
BY ORDER OF THE ARIZONA CORPORATION COMMISSION



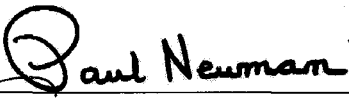
CHAIRMAN



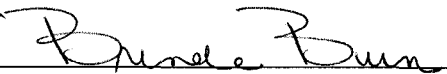
COMMISSIONER



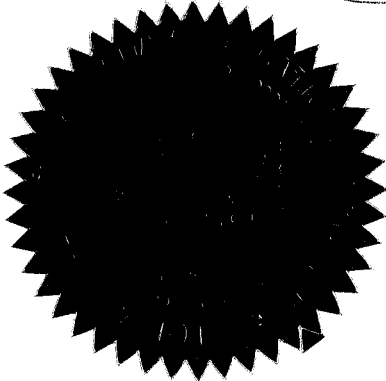
COMMISSIONER



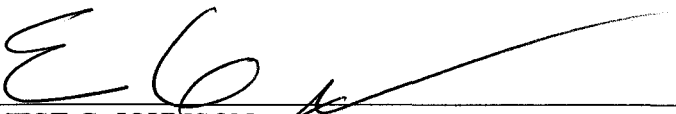
COMMISSIONER



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 16th day of October, 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

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

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

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

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

22 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
23 contained in this Order. Respondents agree that Respondents shall not contest the validity of the
24 Findings of Fact and Conclusions of Law contained in this Order in any present or future
25 proceeding in which the Commission or any other state agency is a party concerning the denial or
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1 issuance of any license or registration required by the state to engage in the practice of any business
2 or profession.

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

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

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

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

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

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

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

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

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

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

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

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

[Signature]

George A. Pruden

[Signature]

Janet F. Pruden

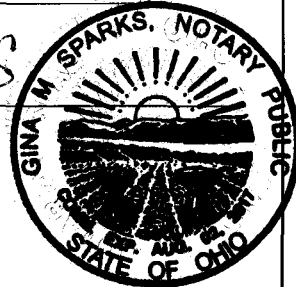
OHIO

STATE OF CALIFORNIA)

County of Montgomery ss

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

[Signature]
NOTARY PUBLIC



11 My commission expires:

02 Aug 2017

13 Sterling Investments Group International,
14 LLC

15 By Benjamin M. Cvetkovich

16 Its Managing Member

17 STATE OF COLORADO)

18 County of) ss)

19 SUBSCRIBED AND SWORN TO BEFORE me this ___ day of _____.

21 _____
NOTARY PUBLIC

22 My commission expires:

24 My commission expires:

25 _____
Benjamin M. Cvetkovich

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

3 _____
4 George A. Pruden

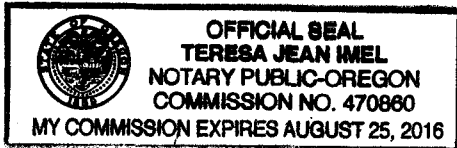
5 _____
6 Janet F. Pruden

7 STATE OF CALIFORNIA)
8) ss
9 County of)

10 SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____.

11 _____
12 NOTARY PUBLIC

13 My commission expires:



14 Sterling Investments Group International,
15 LLC

16 By Benjamin M. Cvetkovich

17 Its Managing Member

18 Oregon
19 STATE OF ~~COLORADO~~)
20) ss
21 County of Deschutes)

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

23 _____
24 NOTARY PUBLIC

25 My commission expires:

26 August 25, 2016

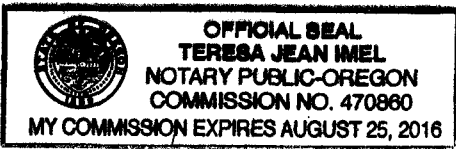
My commission expires:

_____ Benjamin M. Cvetkovich

Oregon

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STATE OF COLORADO)
County of Deschutes) SS)



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

Teresa Jean Imel
NOTARY PUBLIC

My commission expires:
August 25, 2016

1 SERVICE LIST FOR: BENJAMIN M. CVETKOVICH

2 Benjamin M. Cvetkovich
3 1182 Belle Drive
4 Loveland, CO 80537
5 *Respondent*

6 Sterling Investments Group International, LLC
7 c/o Benjamin M. Cvetkovich
8 1182 Belle Drive
9 Loveland, CO 80537
10 *Respondent*

11 George A. Pruden
12 Janet F. Pruden
13 1140 Wall Street, No. 9018
14 La Jolla, CA 92038-9018
15 *Respondent*

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1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 COMMISSIONERS

4 GARY PIERCE, Chairman
5 BOB STUMP
6 SANDRA D. KENNEDY
7 PAUL NEWMAN
8 BRENDA BURNS

9 In the matter of:

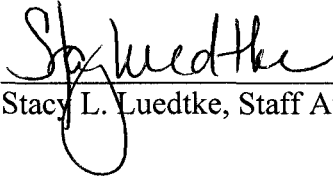
10 BENJAMIN M. CVETKOVICH,
11 STERLING INVESTMENTS GROUP
12 INTERNATIONAL, LLC,
13 GEORGE A. PRUDEN and JANET F.
14 PRUDEN, husband and wife,
15 Respondents.

) DOCKET NO. S-20843A-12-0121

) **NOTICE OF FILING OF PROPOSED OPEN**
) **MEETING AGENDA ITEM**

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

20 Dated: 9/21/12

21 By: 

22 Stacy L. Luedtke, Staff Attorney

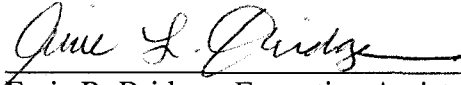
1 I hereby certify that I have this day served the foregoing document on all parties of record in this
2 proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

3
4 Benjamin M. Cvetkovich
5 1182 Belle Drive
6 Loveland, CO 80537
7 *Respondent*

8 Sterling Investments Group International, LLC
9 c/o Benjamin M. Cvetkovich
10 1182 Belle Drive
11 Loveland, CO 80537
12 *Respondent*

13 George A. Pruden
14 Janet F. Pruden
15 1140 Wall Street, No. 9018
16 La Jolla, CA 92038-9018
17 *Respondent*

18 Dated: 9/21/13

19 By: 
20 Emie R. Bridges, Executive Assistant

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