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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

MAR 21 2011

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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. 72235

**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.

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I.

FINDINGS OF FACT

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

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

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

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

MARKET-LINKED CERTIFICATES OF DEPOSIT

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

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 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.³) 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.

25
26 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).

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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.



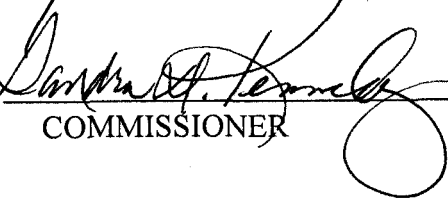

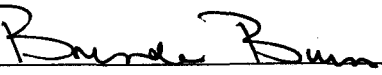
23 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
24 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
25 shall be applied to the penalty obligation.
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1 For purposes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

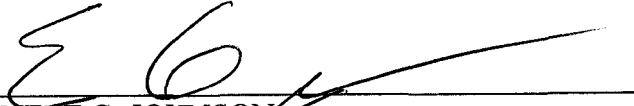
4 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
5 Commission may bring further legal proceedings against that Respondent, including application to
6 the superior court for an order of contempt.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

9
10  CHAIRMAN  COMMISSIONER
11
12  COMMISSIONER  COMMISSIONER  COMMISSIONER
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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 21st day of March, 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.
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SERVICE LIST FOR: USDB GROUP INC. aka US DEPOSIT BROKERS GROUP aka
USDB and HARTAWAN WIDAYATMO

Name and Address

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

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