

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
2 DIVISION OF FINANCE AND CORPORATE SECURITIES
3 SECURITIES SECTION
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF
5 CONSUMER AND BUSINESS SERVICES
6 STATE OF OREGON

4 In the Matter of:) O-95-0009
5)
6 HAROLD MICHAEL PETERSON,)
7 B.A. PRABHUDASS,) FINAL ORDER
8 aka AARON BOLLEDDULA,) ENTERED BY
9 M & L INVESTMENTS, INC., AND) DEFAULT
10 STEADFAST VENTURES, LTD.,)
11)
12 Respondents.)

10 PREAMBLE

11 On March 14, 1995, the Director of the Department of
12 Consumer and Business Services for the State of Oregon,
13 acting under the authority of the Securities Law, Chapter 59
14 of the Oregon Revised Statutes (hereinafter cited as ORS
15 Chapter 59), issued an Order to Cease and Desist, Order
16 Denying Exemptions, Order Assessing Civil Penalty, and
17 Notice of Right to a Hearing. In the Order, Respondents
18 HAROLD MICHAEL PETERSON (hereinafter "PETERSON"), B.A.
19 PRABHUDASS (hereinafter "PRABHUDASS"), M & L INVESTMENTS,
20 INC. (Hereinafter "M & L INVESTMENTS"), and STEADFAST
21 VENTURES, LTD. (Hereinafter "STEADFAST VENTURES"), were
22 advised of their right to a hearing, and that a hearing

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1 would be held if a demand for such hearing was filed within
2 20 days after service of the Order.

3 Respondents were duly served with copies of the Order.
4 Service was effected by mailing a copy to respondent
5 Peterson and respondent PRABHUDASS at their addresses by
6 certified mail. The certified mail receipt for Respondent
7 PRABHUDASS was returned with a signature affixed to it,
8 showing that the Order was received March 17, 1995. The
9 certified mail receipt for Respondent PETERSON was returned
10 with a signature affixed, showing that the Order was
11 received March 16, 1995. On April 4, 1995, the Securities
12 Section received a request for an administrative hearing for
13 each of the respondents, from Mark Cushing, an attorney.
14 Thereafter, Cushing and David Grau of the Securities Section
15 entered into negotiations to settle the order without
16 hearing. Respondents agreed to a settlement and form of
17 Consent Order, but never completed the terms of that
18 settlement. The matter was set for hearing on June 19,
19 1995, at 9:00 a.m., and respondents' attorney was notified.
20 On June 16, 1995, Cushing notified the Securities Section by
21 facsimile transmission that Respondents agreed to the
22 Consent, and no hearing was necessary. On June 19, 1995, at

1 9:00 a.m., the hearing commenced at the offices of the
2 Securities Section at 350 Winter St. NE, Room 410, Salem,
3 Oregon 97301. Present at the hearing were the Hearings
4 Officer, James G. Harlan, and James M. Hanson, Jr.,
5 appearing on behalf of the Securities Section. The
6 Securities Section Investigation Report and accompanying
7 exhibits prepared by David P. Grau were offered and received
8 into the record as evidence in support of the allegations
9 contained in the Order. None of the respondents appeared at
10 the hearing, there was no evidence presented by them or on
11 their behalf. On June 19, 1995, following the hearing,
12 Cushing was sent a letter by facsimile transmission. The
13 letter advised Cushing that the Consent Order to which the
14 Respondents had previously agreed had to be executed by the
15 Respondents and delivered to the Securities Section offices
16 not later than the close of business, June 21, 1995, or a
17 Default Order would be entered against the Respondents.
18 There has been no contact from Cushing or any of the
19 Respondents since Cushing was sent the June 19, 1995,
20 letter.

21 Therefore, based on the evidence adduced at the
22 hearing, the Director finds the following:

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FINDINGS OF FACT

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The Director **FINDS** that:

1. At all times material herein, Respondent M & L INVESTMENTS, INC. (hereinafter M&L INVESTMENTS), was an Oregon corporation incorporated on October 5, 1992. The business address is 11220 SE Stark #6, Portland, Oregon 97216.

2. At all times material herein, Respondent STEADFAST VENTURES, LTD. (hereinafter STEADFAST VENTURES), was an ongoing business venture in the State of Oregon. There is no record of STEADFAST with the Oregon Corporation Division. The business address is P.O. Box 16380, Portland, Oregon 97216.

3. At all times material herein, Respondent HAROLD MICHAEL PETERSON (hereinafter PETERSON), was president of Respondents M & L INVESTMENTS and STEADFAST VENTURES. PETERSON'S address is 15627 SE Clinton Court, Portland, Oregon 97236.

4. At all times material herein, Respondent B.A. PRABHUDASS, a.k.a. AARON BOLLEDDULA (hereinafter PRABHUDASS), was an individual residing in the State of Oregon and was an employee of Respondents PETERSON, M & L

Oregon Department of Consumer & Business Services
Corporate Securities Section
350 Winter St. NE, Room 21
Salem, OR 97310
(503) 378-4367

1 INVESTMENTS and STEADFAST VENTURES. PRABHUDASS' address is
2 3164 SW 176th Ave., Aloha, OR 97006-4576.

3 5. Respondents M & L INVESTMENTS, and STEADFAST
4 VENTURES were represented by PETERSON and PRABHUDASS to be
5 in the business of managing investment funds for other
6 people.

7 6. On or about November 13, 1993, Simion and Adriana
8 Holbura (hereinafter the Holburas), of Portland, Oregon,
9 physically gave Respondent PRABHUDASS \$3,000 cash for the
10 purpose of investing in a "Loan Roll Program" (the Program).
11 Respondent PETERSON signed a receipt for the investment
12 funds, promising the funds would increase to \$3,500 in 60
13 days, \$6,000 in 90 days, and to \$8,250 in 120 days. Based
14 upon the 120 day return, the annual rate of interest on this
15 investment is 525%. The receipt provides for fund
16 withdrawal by the investors in part or in whole in 45 days.
17 Respondents PETERSON and PRABHUDASS have not repaid any
18 portion of the principal or interest on this investment.

19 7. On or about November 13, 1993, the Holburas gave
20 Respondent PRABHUDASS a cashier's check for \$3,000 and \$500
21 in cash for the purpose of investing in the Program.
22 Respondent PETERSON promised rates of return similar to the

1 other investments made by the Holburas as set forth herein.
2 Respondents PETERSON and PRABHUDASS have not repaid any
3 portion of the principal or interest on this investment.

4 8. On or about December 9, 1993, the Holburas
5 physically gave Respondent PRABHUDASS \$2,000 cash for the
6 purpose of investing in the Program. Respondent PETERSON
7 signed a receipt for the investment funds, promising the
8 funds would increase to \$2,500 in 60 days, \$10,000 in 90
9 days, and to \$13,128 in 120 days. The receipt provides for
10 fund withdrawal by the investors in part or in whole in 60
11 days. Based upon the 120 day return, the annual rate of
12 interest on this investment is 1,670%. Respondents PETERSON
13 and PRABHUDASS have not repaid any portion of the principal
14 or interest on this investment.

15 9. On or about December 15, 1993, the Holburas
16 physically gave Respondent PRABHUDASS \$6,000 cash for the
17 purpose of investing in the Program. Respondent PETERSON
18 promised the Holburas a return of \$17,000 in 120 days.
19 Based upon the 120 day return, the annual rate of interest
20 on this investment is 550%. Respondents PETERSON and
21 PRABHUDASS have not repaid any portion of the principal or
22 interest on this investment.

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1 10. On or about January 31, 1994, the Holburas
2 physically gave Respondent PRABHUDASS \$5,000 cash for the
3 purpose of investing in the Program. Respondent PETERSON
4 signed a receipt for the investment funds, promising the
5 funds would increase to \$10,000 in 60 days, \$20,000 in 90
6 days, and to \$35,000 in 120 days. Based upon the 120 day
7 return, the annual rate of interest on this investment is
8 1,800%. The receipt provides for fund withdrawal by the
9 investors in part or in whole in 60 days. Respondents
10 PETERSON and PRABHUDASS have not repaid any portion of the
11 principal or interest on this investment. The Holburas made
12 this and each of the investments described above based on
13 information provided to them by Respondent PRABHUDASS.

14 11. On or about April 15, 1994, Respondent PRABHUDASS
15 issued a personal check to the Holburas in the amount of
16 \$17,000 to guarantee full repayment of the Holbura's
17 principal. Respondent PRABHUDASS told the Holburas that
18 they could cash the check as soon as sufficient funds were
19 deposited. Despite the tendering of this check, Respondents
20 PETERSON and PRABHUDASS have not repaid any portion of the
21 principal or interest due as a result of these investments.

22 12. Respondent PETERSON, in a written response to the

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1 State of Oregon Department of Consumer and Business
2 Services, Division of Finance and Corporate Securities
3 (hereinafter the Securities Section) dated December 17,
4 1993, made the following assertions:

5 (a) PETERSON is the principal of an investment
6 program;

7 (b) the monies invested go into the Barclay's
8 bank; the bank issues either letters of
9 credit against the monies invested or prime
10 bank guarantees;

11 (c) PETERSON acts as a broker for commodities for
12 which he receives a commission;

13 (d) no investment opportunities are being
14 offered;

15 (e) no solicitation for investors is taking
16 place.

17 13. At all times material herein, Respondent
18 PRABHUDASS, was employed as a sales representative by
19 Respondent PETERSON and was paid a 10% commission on all
20 money he brought in as a result of locating investors.
21 Respondent PRABHUDASS asserts that during his time of
22 employment, at least eight persons gave money to the
Respondents for investment purposes, that no escrow account
existed to safeguard an investor's funds, and that
Respondent PETERSON used investor funds for his personal
expenses.

1 14. At all times material herein, the investment
2 opportunities offered to the Holburas, including the
3 guarantee of a security, were not registered for sale in the
4 State of Oregon.

5 15. At all times material herein, Respondents
6 PETERSON, PRABHUDASS, M & L INVESTMENTS and STEADFAST
7 VENTURES were not licensed as broker-dealers or salespersons
8 to sell securities in the State of Oregon.

9 16. Respondents PETERSON and PRABHUDASS misrepresented
10 or failed to disclose to the Holburas the following
11 information:

12 (a) the risks involved in investing in the Loan
13 Roll Program or the Loan Investment Program;

14 (b) that Respondent PETERSON had filed for
15 personal bankruptcy in 1991;

16 (c) the underlying value of the companies upon
17 which the investment's return and security
18 depended;

19 (d) that 10% of the investment funds would be
20 used to pay a sales commission;

21 (e) that no escrow account would be established
22 to protect the investor's funds pending sufficient
funding to complete the investment program
transactions;

 (f) that some or all of the monies invested would
be used for Respondent PETERSON'S personal
expenses;

1 (g) that the securities offered and sold by
2 Respondents were not registered for sale in the
State of Oregon;

3 (h) that Respondents were not licensed as
4 broker-dealers or salespersons to sell securities
in the State of Oregon.

5 **CONCLUSIONS OF LAW**

6 The Director **CONCLUDES** that:

7 1. The investments offered and sold by Respondents
8 PETERSON, PRABHUDASS, M & L INVESTMENTS, and STEADFAST
9 VENTURES, as set forth above in the Findings of Fact, were
10 investment contracts, and, as such, each constituted a
11 security under ORS 59.015(17)(a);

12 2. The guarantee of an investment contract, as
13 evidenced by the tendering of a personal check by Respondent
14 PRABHUDASS as set forth above in Findings of Fact #11, is a
15 security under ORS 59.015(17)(a);

16 3. By offering and selling investment contracts and
17 guaranteeing the same, as set forth above, Respondents
18 PETERSON, PRABHUDASS, M & L INVESTMENTS, and STEADFAST
19 VENTURES offered and sold unregistered securities in the
20 State of Oregon in violation of ORS 59.055;

21 4. The facts which Respondents PETERSON, PRABHUDASS,
22 M & L INVESTMENTS, and STEADFAST VENTURES misrepresented or

1 failed to disclose to the investors as set forth above in
2 Findings of Fact #16, were material facts;

3 5. By misrepresenting or failing to disclose material
4 facts to investors as set forth above in Findings of Fact
5 #16, Respondents PETERSON, PRABHUDASS, M & L INVESTMENTS,
6 and STEADFAST VENTURES misrepresented or omitted material
7 facts in violation of ORS 59.135(2);

8 6. By offering and selling securities as set forth
9 above in the Findings of Fact, Respondents PETERSON,
10 PRABHUDASS, M & L INVESTMENTS, and STEADFAST VENTURES sold
11 securities without being licensed as broker-dealers or
12 salespersons in violation of ORS 59.165(1);

13 7. By paying a commission to Respondent PRABHUDASS to
14 offer and sell securities, Respondent PETERSON employed an
15 unlicensed salesperson in violation of ORS 59.165(3).

16 **ORDER**

17 The Director, pursuant to ORS 59.245, hereby **ORDERS**
18 that Respondents PETERSON and PRABHUDASS shall **CEASE AND**
19 **DESIST** from:

20 1. Offering and/or selling unregistered securities in
21 the State of Oregon in violation of ORS 59.055;

22 2. Offering and/or selling securities in the State of

1 Oregon in violation of ORS 59.135;

2 3. Offering and/or selling securities without being
3 licensed in the State of Oregon in violation of ORS 59.165;

4 4. Making statements or providing information in
5 violation of ORS 59.451;

6 5. Violating any of the provisions of ORS Chapter 59
7 and Oregon Administrative Rules, Chapter 441.

8 The Director, pursuant to ORS 59.045, hereby **DENIES THE**
9 **USE OF ANY EXEMPTIONS** to Respondents PETERSON and
10 PRABHUDASS, which would otherwise be available under ORS
11 Chapter 59.

12 The Director, pursuant to ORS 59.995, hereby imposes
13 the following **CIVIL PENALTIES** against Respondents:

14 1. Respondents PETERSON and PRABHUDASS are ordered to
15 pay, jointly and severally, a civil penalty of \$10,000.00 as
16 follows:

- 17 a.) \$3,000.00 for violations of ORS 59.055;
18 b.) \$4,000.00 for violations of ORS 59.135;
19 c.) \$3,000.00 for violations of ORS 59.165.

20 2. In addition to the above civil penalties,
21 Respondents PETERSON, M & L INVESTMENTS, and STEADFAST
22 VENTURES, are ordered to pay, jointly and severally, the sum

1 of \$3,000 for violations of ORS 59.135(4) and ORS 59.451.

2 The entry of this Order in no way limits further
3 remedies which may be available to the Director under Oregon
4 law upon discovery of other conduct in violation of Oregon
5 law.

6 Dated this 6th day of July, 1995, at Salem, Oregon.

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9 KERRY BARNETT, DIRECTOR
10 DEPARTMENT OF CONSUMER AND
11 BUSINESS SERVICES

12 **NOTICE TO PARTIES**

13 You are entitled to judicial review of this Order.
14 Judicial review may be obtained by filing a petition for
15 review to the Oregon Court of Appeals within 60 days from
16 the date of service of this Order pursuant to the provisions
17 of ORS 183.482.

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