

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10970 / August 30, 2021

SECURITIES EXCHANGE ACT OF 1934
Release No. 92804 / August 30, 2021

INVESTMENT ADVISERS ACT OF 1940
Release No. 5837 / August 30, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20493

In the Matter of

Roger E. Dobrovodsky

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Roger E. Dobrovodsky (“Dobrovodsky” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the

findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

This proceeding arises from an offering fraud scheme perpetrated by George S. Blankenbaker (“Blankenbaker”) and his three companies: StarGrower Commercial Bridge Loan Fund 1, LLC (“StarGrower Commercial”), StarGrower Asset Management LLC (“StarGrower Asset”) (collectively, “StarGrower”), and Blankenbaker Investments Fund 17 LLC, in which they raised approximately \$11.4 million from at least 109 investors through unregistered and fraudulent securities offerings..

Between August 2016 and May 2019, Dobrovodsky acted as an unregistered broker on behalf of StarGrower Commercial and StarGrower Asset in connection with two unregistered offerings of securities (collectively, “StarGrower Offerings”). Dobrovodsky raised approximately \$2,381,000 for StarGrower from the offer and sale of securities in unregistered transactions to 37 investors who were customers of his financial services business or clients of his state-registered investment advisory firm. Dobrovodsky fraudulently failed to disclose to his advisory clients that Blankenbaker owed him at least \$200,000 and the material conflict of interest that this debt created. Dobrovodsky received approximately \$203,981 in transaction-based compensation from StarGrower from those sales. Dobrovodsky was not registered as a broker-dealer with the Commission or associated with a registered broker-dealer during this time period.

Respondent

1. Dobrovodsky, age 66, resides in Indianapolis, Indiana. Dobrovodsky owned and controlled EDU Wealth Advisors LLC (“EDU Wealth”), a now-defunct investment adviser that was registered with Indiana until April 2019. He also wholly owned and controlled EDU Financial Strategies LLC (“EDU Financial”), through which he offered financial planning services to customers who were not EDU Wealth advisory clients. He previously held Series 6 and 63 licenses. He has never been registered or associated with a Commission registrant in any capacity. On December 14, 2020, the Commission filed a civil action against Dobrovodsky for unrelated

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

conduct. In that action, Dobrovodsky consented to the entry of an order permanently enjoining him from violations of Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange Act and ordering him to pay \$349,728 in disgorgement and prejudgment interest, and a \$50,000 civil penalty. *SEC v. Roger E. Dobrovodsky*, 20-cv-62561 (S.D. Fla. 2020). Based on the judgment entered in that matter, on December 18, 2020 the Commission instituted settled administrative proceedings imposing associational and penny stock bars against Dobrovodsky. *SEC v. Roger E. Dobrovodsky*, Admin. Proc. No. 3-20178 (Dec. 18, 2020).

Other Relevant Individuals and Entities

2. Blankenkaker, of Westfield, Indiana, solely owned, controlled, and was the sole employee of StarGrower Commercial and StarGrower Asset. On March 31, 2021, the Commission filed a partially settled civil injunctive action against Blankenkaker, StarGrower Commercial, StarGrower Asset and another of Blankenkaker's entities in connection with the conduct that is the subject of this action. *SEC v. George S. Blankenkaker, et al.*, 21-cv-00790 (S.D. Ind., 2021). Blankenkaker consented to entry of an order permanently enjoining him from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, imposing an officer-and-director bar, and ordering him to pay disgorgement, prejudgment interest, and a civil penalty in amounts to be determined by the Court at a later date. On March 31, 2021, Blankenkaker was charged with two counts of wire fraud and one count of money laundering in a related criminal action. *USA v. George S. Blankenkaker*, 21-cr-102 (S.D. Ind., 2021).

3. StarGrower Commercial and StarGrower Asset are Delaware and Indiana limited liability companies, respectively, with their principal place of business in Indianapolis, Indiana. StarGrower Commercial and StarGrower Asset issued the securities described herein. Neither entity has ever been registered with the Commission in any capacity. In *SEC v. Blankenkaker, et al.*, StarGrower Commercial and StarGrower Asset consented to the entry of a judgment permanently enjoining them from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and ordering the payment of disgorgement of \$4,924,275 with prejudgment interest of \$272,366 on a joint-and-several basis.

Facts

Background

4. Between August 2016 and May 2019, Blankenkaker and his companies raised approximately \$11.4 million from at least 109 investors through fraudulent and unregistered securities offerings, including the StarGrower Offerings. Between August 2016 and late April 2017, Blankenkaker and StarGrower Commercial raised approximately \$2.4 million from at least 20 investors in two states. Between May 2017 and May 2019, Blankenkaker and StarGrower Asset raised approximately \$8 million from at least 88 investors in nine states. Many of the investors in the StarGrower Offerings were elderly, and the majority were unaccredited. Neither of the StarGrower Offerings was registered with the Commission.

5. In approximately August 2016, Dobrovodsky began to solicit investors as a sales agent for the StarGrower Commercial offering. Dobrovodsky later acted as a sales agent for the StarGrower Asset offering. Between August 2016 and April 2019, Dobrovodsky raised approximately \$2,381,000 for StarGrower from the offer and sale of securities in unregistered transactions to 37 investors in two states. Thirty-four investors were customers of EDU Financial and three were clients of his investment advisory firm, EDU Wealth. Dobrovodsky also recruited other sales agents who raised funds from StarGrower investors.

6. Dobrovodsky had an agreement with Blankenbaker to offer and sell securities in both StarGrower Offerings in exchange for a transaction-based commission of up to 7.5% of the principal amount invested by his investors plus an additional .5% fee for money raised by sales agents that Dobrovodsky had recruited. Dobrovodsky received approximately \$203,981 in transaction-based compensation through the StarGrower Offerings, which includes his compensation related to recruiting additional agents. During that time, Dobrovodsky was not registered as a broker-dealer or associated with a registered broker-dealer in accordance with Section 15(b) of the Exchange Act.

Blankenbaker Fraudulently Offered and Sold Unregistered Securities in StarGrower

7. Blankenbaker and his companies falsely represented that investor funds would be used to make short-term loans to food exporters in Asia, that the investors would receive interest payments from the profits generated from the loans, and that investments were secured by shipping containers holding the food products.

8. Contrary to his representations, Blankenbaker commingled the approximately \$10.4 million of StarGrower Commercial and StarGrower Asset investors' money with money raised in another offering for a total of approximately \$11.4 million. Unbeknownst to investors, Blankenbaker misused at least \$8.1 million of their money, including by directing at least \$4 million to hemp companies. He also misappropriated at least \$1.7 million in investor funds for his own personal benefit. Blankenbaker also used at least \$965,000 in new investor funds to make Ponzi-style payments to prior investors.

Dobrovodsky Offered and Sold StarGrower Securities as an Unregistered Broker

9. Between August 2016 and April 2019, Blankenbaker provided Dobrovodsky with the offering and marketing documents that he had created for the StarGrower Offerings, described the offerings to Dobrovodsky, instructed Dobrovodsky on what to tell investors about the investments, and answered Dobrovodsky's questions.

10. Using the information and offering and marketing documents Blankenbaker had provided him, Dobrovodsky repeated Blankenbaker's representations to prospective investors about how investor funds would be used and the safety of their investments. Dobrovodsky presented the StarGrower Offerings to his customers and clients in person, telephonically, and by email. When

investors had questions Dobrovodsky could not answer, he sought answers from Blankenbaker on behalf of the investors. Dobrovodsky advised his customers and clients to invest in the StarGrower Offerings.

11. When customers or clients decided to invest, Dobrovodsky assisted them in completing the necessary investment documents and in forwarding them to StarGrower Commercial or StarGrower Asset. Dobrovodsky also helped investors transfer funds to StarGrower Commercial or StarGrower Asset. After Blankenbaker signed the investment documents, he returned them to Dobrovodsky, who provided them to his customers or clients, or maintained them in his own files. Dobrovodsky later advised the investors whether to re-invest in StarGrower or to request the return of their principal.

12. Between August 2016 and April 2017, Dobrovodsky solicited his customers to invest in “Preferred Incentive Units” issued by StarGrower Commercial (“Units”). According to the offering documents Blankenbaker created and that Dobrovodsky provided to the investors, the Units were for a 12-month term with a 7.5% annual return to be paid monthly. The investors’ principal was to be returned after the 12 months unless the investor affirmatively requested that the investment be renewed. Additionally, StarGrower Commercial’s offering materials disclosed that StarGrower Commercial could use a certain amount of investor funds to pay sales agents. Between August 2016 and April 2017, Dobrovodsky sold \$973,500 of StarGrower Commercial securities to 10 investors, at least two of whom were unaccredited.

13. Between May 2017 and April 2019, Dobrovodsky solicited his customers and clients to invest in the StarGrower Asset Offering. He provided them with a Memorandum of Indebtedness (“MOI”) created by Blankenbaker. The MOI provided for monthly interest payments for a nine-month period and paid a 7% annualized return. Dobrovodsky sold \$1,407,500 of StarGrower Asset securities to 27 investors, all of whom were unaccredited.

Dobrovodsky Fraudulently Failed to Disclose a Material Conflict of Interest to Advisory Clients

14. At the time he was advising his EDU Wealth advisory clients to invest in the StarGrower Offerings, Dobrovodsky knew that Blankenbaker owed him at least \$200,000. This debt was incurred from personal expenses Blankenbaker charged to Dobrovodsky’s personal and business credit cards that Dobrovodsky permitted Blankenbaker to use. Blankenbaker incurred the debts beginning in 2012 and made occasional payments to Dobrovodsky through 2019, but never paid off the debt.

15. Dobrovodsky knew or was reckless in not knowing that he was obligated to disclose this material conflict of interest to his advisory clients. The EDU Wealth advisory agreement that Dobrovodsky provided to his clients stated that EDU Wealth would provide the client with written disclosures of “any conflicts of interest that might reasonably compromise [EDU Wealth’s] impartiality or independence.” EDU Wealth’s Code of Ethics stated that EDU Wealth and its employees owe a fiduciary duty to its clients and thus should conduct its affairs to avoid “. . . any actual or potential conflicts of interest or any abuse of their position of trust and

responsibility.” The Code of Ethics further stated that a “Covered Employee [which applied to Dobrovodsky] must not cause or try to cause an advisory client to purchase . . . a security in order to personally benefit a Covered Employee.” Dobrovodsky reviewed and approved the advisory agreement and the Code of Ethics. Despite this, Dobrovodsky never disclosed to his advisory clients that Blankenbaker owed Dobrovodsky at least \$200,000 or the material conflict of interest that this debt presented.

Violations

16. As a result of his conduct, Dobrovodsky willfully violated:
- a. Section 5(a) of the Securities Act, which prohibits, absent an exemption, the sale of securities through interstate commerce or the mails unless a registration statement is in effect;
 - b. Section 5(c) of the Securities Act, which prohibits, absent an exemption, any offer to sell any security unless a registration statement has been filed as to such security with the Commission;
 - c. Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities;
 - d. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibits fraudulent conduct in connection with the purchase or sale of securities;
 - e. Section 15(a)(1) of the Exchange Act, which prohibits any broker or dealer, to effect any transaction in, or to induce or attempt to induce the purchase or sale, of any security unless the broker or dealer is registered in accordance with Section 15(b) of the Exchange Act or is a natural person who is associated with a registered broker or dealer; and
 - f. Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser with respect to any client or prospective client.

Disgorgement and Prejudgment Interest

17. The disgorgement and prejudgment interest referenced in paragraph IV.B. is consistent with equitable principles and does not exceed Respondent’s net profits from his violations and will be distributed to harmed investors, if feasible. The Commission will hold funds paid pursuant to paragraph IV.B. in an account at the United States Treasury pending a decision whether the Commission in its discretion will seek to distribute funds. If a distribution is determined feasible and the Commission makes a distribution, upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be

transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondent Dobrovodsky's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Sections 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Dobrovodsky cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

B. Respondent shall, within 14 days of the entry of this Order, pay disgorgement of \$203,981 and prejudgment interest of \$15,802 to the Securities and Exchange Commission. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, transfer them to the general fund of the United States Treasury, subject to Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$150,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Roger E. Dobrovodsky as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Steven L. Klawans, Assistant Regional Director, Chicago Regional Office, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd. Suite 1450, Chicago, IL 60604.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary