

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10969 / August 30, 2021

SECURITIES EXCHANGE ACT OF 1934
Release No. 92803 / August 30, 2021

INVESTMENT ADVISERS ACT OF 1940
Release No. 5835 / August 30, 2021

INVESTMENT COMPANY ACT OF 1940
Release No. 34367 / August 30, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20492

In the Matter of

Michael R. Arbuckle

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, SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY 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”), Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Michael R. Arbuckle (“Arbuckle” 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, Section 203(f) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act, 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 December 2017, Michael R. Arbuckle acted as an unregistered broker on behalf of StarGrower Commercial and StarGrower Asset in connection with two unregistered offerings of securities (collectively, "StarGrower Offerings"). Arbuckle raised approximately \$1,435,600 for StarGrower from the offer and sale of securities in unregistered transactions to 13 investors who were customers of his financial services business or clients of his state-registered investment advisory firm. Arbuckle received approximately \$105,023 in transaction-based compensation from StarGrower from those sales. Arbuckle was not registered as a broker-dealer with the Commission or associated with a registered broker-dealer during this time period.

Respondent

1. Michael R. Arbuckle, age 48, resides in Fishers, Indiana. Arbuckle wholly owned and controlled Preservation Wealth Associates LLC ("Preservation Wealth"), a now-defunct investment adviser registered with Indiana through December 2017. He also wholly owns Preservation Associates LLC ("Preservation Associates"), which offered retirement planning services to customers who were not advisory clients of Preservation Wealth. Preservation Associates is no

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.

longer operating. He held Series 6 and 63 licenses until 2005. He has never been registered or associated with a Commission registrant in any capacity.

Other Relevant Individuals and Entities

2. Blankenbaker, 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 Blankenbaker, StarGrower Commercial, StarGrower Asset and another of Blankenbaker's entities in connection with the conduct that is the subject of this action. *SEC v. George S. Blankenbaker, et al.*, 21-cv-00790 (S.D. Ind., 2021). Blankenbaker 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, Blankenbaker was charged with two counts of wire fraud and one count of money laundering in a related criminal action. *USA v. George S. Blankenbaker*, 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. Blankenbaker, 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

4. Between August 2016 and May 2019, Blankenbaker 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, Blankenbaker and StarGrower Commercial raised approximately \$2.4 million from at least 20 investors in two states. Between May 2017 and May 2019, Blankenbaker 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, Arbuckle began to solicit investors as a sales agent for the StarGrower Commercial offering. Arbuckle later acted as a sales agent for the StarGrower Asset offering. Between August 2016 and December 2017, Arbuckle raised approximately \$1,435,600 for StarGrower from the offer and sale of securities in unregistered transactions to 13 investors. Seven investors were customers of Preservation Associates and six were clients of his investment advisory firm, Preservation Wealth.

6. Arbuckle had an agreement with Blankenbaker to offer and sell securities in both StarGrower Offerings in exchange for a transaction-based commission of up to 8% of the principal amount invested by his investors. Arbuckle received approximately \$105,023 in transaction-based compensation through the StarGrower Offerings. During that time, Arbuckle 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.

Arbuckle Offered and Sold StarGrower Securities as an Unregistered Broker

9. Between August 2016 and December 2017, Blankenbaker provided Arbuckle with the offering and marketing documents that he had created for the StarGrower Offerings, described the offerings to Arbuckle, instructed Arbuckle on what to tell investors about the investments, and answered Arbuckle's questions.

10. Using the information and offering and marketing documents Blankenbaker had provided him, Arbuckle repeated Blankenbaker's representations to prospective investors about how investor funds would be used and the safety of their investments. Arbuckle presented the StarGrower Offerings to his customers and clients in person, telephonically, and by email. When investors had questions Arbuckle could not answer, he sought answers from Blankenbaker on behalf of the investors. Arbuckle advised his customers and clients to invest in the StarGrower Offerings.

11. When customers or clients decided to invest, Arbuckle assisted them in completing the necessary investment documents and in forwarding them to StarGrower Commercial or StarGrower Asset. Arbuckle also helped investors transfer funds to StarGrower Commercial or StarGrower Asset. After Blankenbaker signed the investment documents, he returned them to Arbuckle, who provided them to his customers or clients, or maintained them in his own files. Arbuckle 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, Arbuckle solicited his customers to invest in “Preferred Incentive Units” issued by StarGrower Commercial (“Units”). According to the offering documents Blankenbaker created and that Arbuckle 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, Arbuckle sold \$1,170,800 of StarGrower Commercial securities to eight investors, at least five of whom were unaccredited.

13. Between June 2017 and December 2017, Arbuckle 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. Arbuckle sold \$264,800 of StarGrower Asset securities to five investors, at least two of whom were unaccredited.

Violations

14. As a result of his conduct, Arbuckle 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; and
 - c. 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.

Disgorgement and Prejudgment Interest

15. The disgorgement and prejudgment interest referenced in paragraph IV.D 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.D 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 Arbuckle's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Arbuckle cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange Act.

B. Respondent be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory

organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall, within 14 days of the entry of this Order, pay disgorgement of \$105,023 and prejudgment interest of \$13,983 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.

E. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$35,000 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 Michael R. Arbuckle 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.

F. 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