

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 AFSANEH EGHBALDARI (SBN 250107)
Corporations Counsel
4 CALIFORNIA DEPARTMENT OF CORPORATIONS
1350 Front Street, Room 2034
San Diego, California 92101
5 Telephone: (619) 645-3166
6 Fax: (619) 525-4045

7 Attorneys for the Complainant

8 **BEFORE THE DEPARTMENT OF CORPORATIONS**

9 **STATE OF CALIFORNIA**

10 In the Matter of the Desist and Refrain Order
11 Against:

OAH No. 2011061265

12
13 STRUCTURED INVESTMENTS CO., LLC,
STEVEN P. COVEY, AND RONALD P.
14 STEINBERG,

**STIPULATION TO DESIST AND
REFRAIN ORDER**

15 Respondents.

Date: December 12-16, 2011
Time: 9:00 a.m
Place: 320 West Fourth Street, Suite 630
Los Angeles, CA 90013

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19 IT IS HEREBY STIPULATED AND AGREED BETWEEN Structured Investments Co.,
20 LLC, Steven P. Covey, and Ronald P. Steinberg (collectively, "Respondents") and Preston
21 DuFauchard, California Corporations Commissioner ("Commissioner"), as follows:

22 WHEREAS, Respondents admit the jurisdiction of the California Department of Corporations
23 over their persons and over the subject matter of this Stipulation.

24 WHEREAS, Respondents waive their rights to any reconsideration, appeal, or any other rights
25 which may be afforded pursuant to California Corporations Code sections 25532 and 25609, or any
26 other provision of law in connection with these matters, including but not limited to Government
27 Code sections 11521 and 11523, and any writ proceeding in accordance with the Code of Civil
28 Procedure.

1 WHEREAS, all terms used, but not defined herein, shall have the meaning assigned to them
2 by the California Corporations Code.

3 WHEREAS, Respondents represent that no promises of any kind or nature whatsoever were
4 made to induce Respondents to enter into this Stipulation, and that this Stipulation is a voluntary act
5 on the part of Respondents.

6 WHEREAS, Respondents represent, warrant, and agree that they have received or been
7 advised to seek independent legal advice from their attorneys with respect to the advisability of
8 executing this Stipulation.

9 WHEREAS, Respondents, without admitting or denying any of the findings contained within
10 the Desist and Refrain Order (“Order”), in the form attached hereto as Exhibit A, hereby agree and
11 stipulate to the Order.

12 WHEREAS, Respondents hereby understand and agree not to represent that this Stipulation is
13 a settlement or a withdrawal of the Order.

14 WHEREAS, Respondents agree and acknowledge that nothing in this Stipulation shall
15 preclude the Commissioner, his agents, officers, or employees, to the extent authorized by law, from
16 referring any evidence or information regarding this matter to any other state or federal law
17 enforcement official, or from assisting, cooperating, or co-prosecuting with regards to any
18 investigation and/or action.

19 WHEREFORE, Respondents STRUCTURED INVESTMENTS CO., LLC, STEVEN P.
20 COVEY, AND RONALD P. STEINBERG stipulate and agree, solely for the purpose of this
21 proceeding and any other proceeding that the Commissioner may bring, to the finality of the
22 Commissioner’s Order. Respondents further understand and agree that the Order remains in effect, is
23 public and that Respondents cannot deny the existence of the Commissioner’s Order and Stipulation
24 or make any statement or representation that is inconsistent with this Stipulation or the Order.
25 Respondents further understand and agree this Stipulation does not prevent the Commissioner from
26 taking future action in regard to this matter.

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PRESTON DuFAUCHARD,
California Corporations Commissioner

Dated: December 8, 2011

By _____
Alan S. Weinger
Deputy Commissioner

STRUCTURED INVESTMENTS CO., LLC

Dated: December 7, 2011

By _____
Steven P. Covey, individually, and on behalf of
Structured Investments Co., LLC

Dated: December 8, 2011

By _____
Ronald P. Steinberg, individually, and on behalf of
Structured Investments Co., LLC

Approved as to Form

Dated: December 7, 2011

By _____
Robert L. Clarkson, Esq.
Attorney for Steven P. Covey and Ronald P. Steinberg

Dated: December 7, 2011

By _____
Stanley C. Morris, Esq.
Attorney for Structured Investments Co., LLC

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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Structured Investments Co., LLC
Steven P. Covey
Ronald P. Steinberg
Andre D. Fite

5731 McFadden Ave., Unit B
Huntington Beach, CA 92649

DESIST AND REFRAIN ORDER
(For violations of section 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. Structured Investments Co., LLC (“SICo”) is, and was at all relevant times herein, a California limited liability company, located at 5731 McFadden Ave., Unit B, Huntington Beach, CA 92649.
2. SICo doing business as Retired Military Financial Services, LLC and SICo doing business as U.S. Pension Funding, LLC (collectively, “Pension Funding”) are, and were at all relevant times herein, located at 5731 McFadden Ave., Unit B, Huntington Beach, CA 92649.
3. Steven P. Covey (“Covey”) is, and was at all relevant times herein, a Managing Member of SICo.
4. Ronald P. Steinberg (“Steinberg”) is, and was at all relevant times herein, a Managing Member of SICo.
5. Covey and Steinberg formed SICo, in 1996.
6. At all relevant times herein, Andre D. Fite (“Fite”) was a representative of SICo.
7. Commencing on exact dates unknown to the Commissioner, but in or about 1997, and continuing through the present, SICo, Covey, and Steinberg offered and sold securities in the form of membership interests in limited liability companies.
8. Commencing on exact dates unknown to the Commissioner, but in or about 2009, Fite offered securities in the form of membership interests in limited liability companies.

1 9. The purported purpose of the offerings is to provide “lump sum” payments to retiring
2 United States military personnel or veterans (“pensioners”), in exchange for some of their periodic
3 pension payments to be received from their lifelong pension. SICo represented to investors that this
4 was an “opportunity to own a cash stream of payments generated from U.S. military service persons’
5 government pensions.” Pension Funding would purchase future military pension payments in
6 exchange for an upfront lump sum payment to the pensioners.

7 10. According to SICo, an “investor receives maximum safety through this program.”
8 According to Fite, an investment in SICo is zero risk and has an eight percent (8%) return for eight
9 (8) years with a minimum investment of \$50,000.

10 11. In connection with the offer or sale of these securities, SICo, Covey, Steinberg and Fite
11 made the following material misrepresentations and omissions:

- 12 a. Covey was convicted of one count of felony bank fraud, in 1994. Covey was found guilty
13 of knowingly and willfully aiding and abetting the execution of a scheme to obtain
14 moneys, funds, credits, assets and securities under the custody and control of a federally
15 insured bank by means of false and fraudulent pretenses, representations and promises.
- 16 b. In July 1997, the U.S. District Court for the Central District of California entered a
17 permanent injunction, enjoining Fite from directly or indirectly, cheating or defrauding or
18 attempting to cheat or defraud in connection with an offer or sale of any commodity for
19 future delivery.
- 20 c. In 2005, the pensioners filed a class action lawsuit against SICo, Covey and Steinberg for
21 engaging in the business of entering into unfair and unlawful loan transactions.
- 22 d. An investment in SICo is zero risk.
- 23 e. A portion of the pensioners’ gross monthly payments were “to be set aside to cover
24 unexpected, unknown, or unanticipated events that would cause any interruption in the
25 anticipated cash stream.” This “reserve has been accumulating from inception, and
26 provides the foundation for the company to expect, with high certainty, to meet its
27 anticipated payment projections to its investors.” Instead, in 2009, SICo stopped making
28 distributions to its investors. Falsely blaming the California Department of Corporations

1 (“Department”) for failure to make the distributions to the investors, on December 14,
2 2009, Covey sent an email to some investors falsely alleging that the Department
3 prohibited SICo from making “for the time being, our usual electronic distributions to our
4 clients” or receiving additional funds into SICo’s investment program. At the time, the
5 Department had not prohibited SICo from making distributions to its investors, and had
6 not prohibited SICo from receiving additional funds into its investment program.

7 12. In connection with the offer and sale of these securities, SICo, Covey, and Steinberg made
8 the following material misrepresentation: prior to making his investment, an investor asked Covey
9 about whether there were any lawsuits filed against SICo. Covey on numerous occasions assured the
10 investor that there were no lawsuits filed against SICo. Contrary to Covey’s denials, a class action
11 lawsuit had been filed, in 2005, by the pensioners against SICo, Covey and Steinberg. At the time
12 Covey made the misrepresentation, Covey knew about the said lawsuit.

13 Based upon the foregoing, the California Corporations Commissioner is of the opinion that
14 Structured Investments Co., LLC, Steven P. Covey, Ronald P. Steinberg, and Andre D. Fite offered or
15 sold securities by means of oral and written communications including untrue statements of material
16 facts and omissions of material facts necessary in order to make the statements made, in the light of
17 the circumstances under which they were made, not misleading, in violation of section 25401 of the
18 Corporate Securities Law of 1968.

19 Pursuant to section 25532 of the Corporate Securities Law of 1968, Structured Investments
20 Co., LLC, Steven P. Covey, Ronald P. Steinberg, and Andre D. Fite are hereby ordered to desist and
21 refrain from offering or selling or buying or offering to buy any securities in the State of California,
22 including, but not limited to membership interests in limited liability companies, by means of any
23 written or oral communication which includes an untrue statement of a material fact or omits to state
24 a material fact necessary in order to make the statements made, in the light of the circumstances
25 under which they were made, not misleading.

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1 This Order is necessary, in the public interest, for the protection of investors and consistent
2 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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4 Dated: May 13, 2011
5 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

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7 By _____
8 ALAN S. WEINGER
9 Deputy Commissioner
10 Enforcement Division
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