

**ORIGINAL
NEW APPLICATION**



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BEFORE THE ARIZONA CORPORATION COMMISSION**

2012 MAR 30 P 12:45

COMMISSIONERS

GARY PIERCE, Chairman
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AZ CORP COMMISSION
DOCKET CONTROL

In the matter of: BENJAMIN M. CVETKOVICH, STERLING INVESTMENTS GROUP INTERNATIONAL, LLC, GEORGE A. PRUDEN and JANET F. PRUDEN, husband and wife, Respondents.	}	DOCKET NO. S-20843A-12-0121 NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES AND FOR OTHER AFFIRMATIVE ACTION
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**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents BENJAMIN M. CVETKOVICH, STERLING INVESTMENTS GROUP INTERNATIONAL, LLC, and GEORGE A. PRUDEN have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division further alleges BENJAMIN M. CVETKOVICH is a person controlling STERLING INVESTMENTS GROUP INTERNATIONAL, LLC within the meaning of A.R.S. § 44-1999, so that they are jointly and severally liable under A.R.S. § 44-1999 to the same extent as STERLING INVESTMENTS GROUP INTERNATIONAL, LLC for violations of the Securities Act.

Arizona Corporation Commission
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I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. At all times relevant, Respondent BENJAMIN M. CVETKOVICH (“CVETKOVICH”) has been a married man and a resident of the state of Colorado. At all times relevant, CVETKOVICH offered and sold unregistered securities within and from Arizona in his individual capacity, and on behalf of STERLING INVESTMENTS GROUP INTERNATIONAL, LLC as its managing member. CVETKOVICH has not been registered by the Commission as a securities salesman or dealer.

3. Respondent STERLING INVESTMENTS GROUP INTERNATIONAL, LLC (“SIGI”) is a Colorado limited liability company. SIGI was organized under the laws of the state of Colorado on March 14, 2008 and has been in delinquent status since September 1, 2009. SIGI has not been registered by the Commission as a securities salesman or dealer.

4. At all times relevant, Respondent GEORGE A. PRUDEN (“PRUDEN”) has been a married man and a resident of the state of Arizona. At all times relevant, PRUDEN offered and sold unregistered securities within and from Arizona in his individual capacity, and on behalf of SIGI. PRUDEN has not been registered by the Commission as a securities salesman or dealer.

5. JANET F. PRUDEN was at all relevant times the spouse of Respondent PRUDEN. JANET F. PRUDEN may be referred to as “Respondent Spouse”. Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

6. At all times relevant, Respondent PRUDEN was acting for his own benefit and for the benefit or in furtherance of his and Respondent Spouse’s marital community.

1 14. Respondents represented, and investors expected, a profit as a result of the stock
2 trading investment.

3 15. Investors were not required to meet any standards or qualifications to invest in SIGI.

4 16. Respondents sold investments to at least five Arizona residents. Investments were
5 also sold to at least two out of state residents that attended an Arizona seminar. The capital
6 raised by Respondents from these investors totals \$111,000. Of this total, only \$2,000 was paid
7 back to investors by Respondents.

8 17. The management of SIGI was vested in the managers under its Articles of
9 Organization, and investors were given no rights to participate in or control the management of
10 SIGI. None of the investors participated in the trading activities, directed such activities, or had
11 access to the trading accounts.

12 18. PRUDEN represented to investors that investor funds were deposited "in the SIGI
13 trading account."

14 19. Respondents failed to disclose to investors that the trading accounts were opened
15 by CVETKOVICH individually, and controlled by CVETKOVICH, with no reference to SIGI.

16 20. CVETKOVICH failed to inform investors and potential investors that he had failed
17 to pay federal taxes in 1997 and 2000 totaling \$531,074.06, ultimately resulting in a 2009 tax lien
18 on the trading accounts opened in CVETKOVICH's name individually.

19 21. Investors were required to pay SIGI a commission from any profits from the stock
20 trading investment which was between 20% - 30%, depending on the individual investor's capital
21 contribution. The commissions were then to be split equally between PRUDEN and
22 CVETKOVICH.

23 22. Respondents represented to investors and potential investors, either verbally or in
24 writing, that the stock trading investment in SIGI was "safe", and failed to adequately disclose risks
25 of the investment, instead promoting an inflated return.

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1 23. For example, Respondents made the following representations to investors and
2 offerees:

- 3 (a) “**Safe** investment strategies that utilize a proven system of investing;”
4 (b) “[W]e will make a good and consistent return, and we will not be exposed to
5 the huge losses that a volatile market can produce;”
6 (c) SIGI can “consistently achieve stable growth and gains in spite of the spikes
7 of an up and down market” and “ensure we invest wisely, safely and make
8 money every time;”
9 (d) SIGI’s “position is always cash and can respond to market changes
10 effectively without incurring losses;”
11 (e) SIGI’s trading strategy was “in the safe middle range” and “we will not be
12 exposed to the huge losses that a volatile market can produce;”
13 (f) Promoting an annual return of 20% or more; and
14 (g) Respondents provided potential investors with example trading scenarios that
15 showed only profits and downplayed the risk of loss.

16 24. Respondents communicated to investors and offerees that they would use margin
17 accounts to “triple the amount of the investment” and represented this leveraging was “safe”
18 without adequately disclosing the risks of margin trading.

19 25. PRUDEN and CVETKOVICH told investors and potential investors that SIGI had
20 a “conservative” investment strategy and that investor funds were not exposed to the market for
21 lengthy periods of time “because far too much can happen that may have an adverse impact.”
22 PRUDEN and CVETKOVICH represented that the key part of the investment strategy was
23 trading in the stock market for not more than one week per month, which allowed cash funds to
24 remain “safely in a bank account” for the remaining period.

25 26. In mid-2008, Respondents unilaterally changed the trading strategy to trade more
26 frequently than one week per month, but failed to advise investors and offerees of this change.

1 VI.

2 VIOLATION OF A.R.S. § 44-1991

3 (Fraud in Connection with the Offer or Sale of Securities)

4 35. In connection with the offer or sale of securities within or from Arizona, Respondents
5 directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements
6 of material fact or omitted to state material facts that were necessary in order to make the statements
7 made not misleading in light of the circumstances under which they were made; or (iii) engaged in
8 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon
9 offerees and investors. Respondents' conduct includes, but is not limited to, the following:

10 a) Representing that the stock trading investment in SIGI was "safe" without
11 adequately disclosing the risks of the investment, and promoting an inflated return.

12 b) Representing that the use of margin accounts was a "safe" strategy in the stock
13 trading investment, and failing to adequately disclose the risks.

14 c) Representing that the stock trading investment used a conservative strategy of
15 investing in the stock market for not more than one week per month, with the cash funds remaining in
16 a bank account for the remaining period, but changing this strategy in mid-2008 to trade more
17 frequently without advising investors of this change.

18 d) Representing that investor funds had "maximum liquidity" and that investors
19 could withdraw their investment with short notice, but failing to return investor money when
20 requested.

21 e) Representing to investors that investor funds were deposited in a SIGI trading
22 account, but failing to disclose that the trading accounts were opened by CVETKOVICH individually,
23 with no reference to SIGI.

24 f) Failing to inform investors and potential investors that CVETKOVICH had
25 failed to pay federal taxes in 1997 and 2000 totaling \$531,074.06, which resulted in a 2009 tax lien on
26 the trading accounts opened in CVETKOVICH's name individually.

1 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.

3 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
4 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
5 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
6 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
7 Opportunity for Hearing.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
10 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
11 Requests should be made as early as possible to allow time to arrange the accommodation.
12 Additional information about the administrative action procedure may be found at
13 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

14 **IX.**

15 **ANSWER REQUIREMENT**

16 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,
17 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing
18 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
19 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
20 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
21 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

22 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
23 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
24 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
25 addressed to Stacy Luedtke.

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