SECURITIES AND EXCHANGE COMMISSION
Washington D.C.

SECURITIES EXCHANGE ACT OF 1934
Rel. No. 66842 / April 20, 2012

Admin. Proc. File No. 3-14496

In the Matter of

VLADIMIR BORIS BUGARSKI, VLADISLAV WALTER BUGARSKI, and ALEKSANDER NEGOVAN BUGARSKI
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OPINION OF THE COMMISSION

EXCHANGE ACT PROCEEDING

Ground for Remedial Action

Injunction

Respondents were permanently enjoined from violations of the federal securities laws. *Held*, it is in the public interest to bar respondents from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in an offering of penny stock.

APPEARANCES:

Darryl C. Sheetz, of the Law Offices of Darryl C. Sheetz, for Vladimir Boris Bugarski, Vladislav Walter Bugarski, and Aleksander Negovan Bugarski.

John M. McCoy III, *John W. Berry*, and *Jason P. Lee*, for the Division of Enforcement.

Appeal filed: January 5, 2012
Last brief received: March 12, 2012

I.

Vladimir Boris Bugarski ("Boris Bugarski"), Vladislav Walter Bugarski ("Walter Bugarski"), and Aleksander Negovan Bugarski ("Aleks Bugarski") (collectively, "Respondents") appeal from the decision of an administrative law judge barring them from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization ("collateral bar") and from participating in any offering of penny stock ("penny stock bar").[1] The law judge based her decision on Respondents' having been enjoined from violating various provisions of the securities laws. We base our findings on an independent review of the record, except with respect to those findings not challenged on appeal.

II.

In April 2011, the Commission filed a complaint ("the Complaint") in the U.S. District Court for the Central District of California against Respondents and mUrgent Corporation, a private, California company controlled by Respondents. mUrgent provides Internet-related marketing services, including e-mail advertising, primarily to restaurant franchises. Walter Bugarski, and his identical twin sons, Boris and Aleks Bugarski, are mUrgent's senior executives, majority shareholders, and board members. The Complaint alleged that Respondents and mUrgent violated the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933;[2] the broker registration provision of Section 15(a)(1) of the Securities Exchange Act of 1934;[3] and the antifraud provisions of Section 17(a) of the Securities Act,[4] Section 10(b) of the Exchange Act,[5] and Exchange Act Rule 10b-5.[6] Specifically, the Complaint alleged that beginning in 2008,[7] mUrgent and Respondents raised approximately $9.6 million from at least 130 investors through unregistered offerings by making material misrepresentations and omissions concerning mUrgent's business performance and financing plans.

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[1] *Vladimir Boris Bugarski*, Initial Decision Rel. No. 444 (Dec. 8, 2011), 102 S.E.C. Docket 49008.

[2] 15 U.S.C. § 77e(a) & (c).

[3] 15 U.S.C. § 78*o*(a)(1).

[4] 15 U.S.C. § 77q(a).

[5] 15 U.S.C. § 78j(b)

[6] 17 C.F.R. § 240.10b-5.

[7] Although the Complaint does not specify the duration of the violative conduct, Respondents did not contest in the injunctive proceeding and do not contest now that the conduct continued up until the filing of the Complaint in 2011.

According to the Complaint, Respondents established a "boiler-room" operation[8] to sell mUrgent stock. Walter and Aleks Bugarski allegedly hired and supervised more than a dozen employees tasked with promoting and selling mUrgent stock to investors. The sales force was divided between "fronters" and "closers." The fronters made over a thousand cold-calls a month to potential investors, most of whom had never heard of mUrgent before being contacted. The fronters passed on likely investors to the closers, who were paid on a commission basis and used high-pressure tactics to finish the sale. Walter, Aleks, and the closers also contacted individuals who had already purchased mUrgent stock and pressured them to purchase additional mUrgent shares. Walter and Aleks received tens of thousands of dollars in commissions for completing such sales. As mUrgent's CEO, Boris Bugarski knew about the sales operation supervised by Walter and Aleks, and he personally signed all the subscription agreements and stock certificates. He also communicated with investors about mUrgent's financial condition and business prospects.

The Complaint alleged that Respondents directly or through fronters or closers made several material misrepresentations and omissions when soliciting investors. First, investors were told that an initial public offering of mUrgent shares was imminent and would substantially increase the value of mUrgent stock. In fact, mUrgent had no concrete plans to go public, and contrary to explicit representations made to investors, mUrgent had not retained a financial consulting company to assist with an IPO. Second, investors were led to believe that mUrgent had on-going business relationships with certain major, well-known companies. In fact, some of these companies did not have any business relationship with mUrgent at the time investors were solicited. Third, while closers touted mUrgent's business prospects, the offering documents provided to investors failed to include any financial information. And in fact, the company's financial condition was precarious: it had never made a profit, and internal documents forecasted increasing losses. Finally, the offering documents stated that the executive officers were not to receive any cash compensation. In fact, during the relevant period, Respondents received several hundred thousand dollars each in cash salaries and bonuses.

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[8] A "boiler-room" operation is characterized by numerous salespeople making a high volume of telephone calls to previously unknown individuals and using high-pressure tactics to sell securities, often through the use of misrepresentations. *See Gershon Tannenbaum*, 50 S.E.C. 1138, 1139 (1992) (describing a boiler-room operation as "engaging in a wide array of high pressure tactics to sell securities to the public by means of fraudulent representations"); *Charles Michael West*, 47 S.E.C. 39, 40 (1979) (describing respondent's participation in a boiler-room operation as "engag[ing] in a high pressure sales campaign, involving the use of repeated telephone calls, to induce persons previously unknown to him to buy highly speculative" securities); *Palombi Secs. Co., Inc.*, 41 S.E.C. 266, 269 (1962) (describing a boiler-room operation as involving "high-pressure selling methods" and often "the use of false confirmations to generate sales"); *see also* Securities Exchange Act Rel. No. 27160 (Aug. 22, 1989), 54 Fed. Reg. 35468 (Aug. 28, 1989) (describing boiler-room operations as part of a Final Rule addressing sales practice requirements for certain low-priced securities in the wake of misconduct by some broker-dealers).

The Complaint further alleged that Respondents misused investor funds by treating mUrgent "as their personal piggybank." According to the Complaint, Respondents charged the company for numerous personal expenses, including luxury automobiles. And in July 2008, Walter Bugarski allegedly created a slush fund for the benefit of himself and his sons by withdrawing over half a million dollars from mUrgent's bank account and depositing it in a newly opened account at another financial institution from which he wrote checks to himself and his sons totaling more than $150,000.

In June 2011, Respondents consented, without admitting or denying the allegations of the Complaint, to entry of an injunction against them. Respondents' Consents each stated that the defendant "acknowledges that the Court's entry of a permanent injunction may have collateral consequences" and that, "in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that he shall not be permitted to contest the factual allegations of the Complaint in this action." Moreover, Respondents agreed in their Consents "not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis." Following the execution of the Consents, the district court permanently enjoined Respondents from violating the antifraud provisions of the securities laws, the broker registration requirements of Section 15(a)(1) of the Exchange Act, and the securities registration requirements of Section 5 of the Securities Act. In addition, the district court imposed an officer-and-director bar and ordered the disgorgement of Respondents' ill-gotten gains.[9]

Based on the injunction, we initiated this administrative proceeding on August 1, 2011, pursuant to Exchange Act Section 15(b). At a prehearing conference, the law judge granted the Division leave to file a motion for summary disposition pursuant to Commission Rule of Practice 250.[10] On December 8, 2011, the law judge granted the Division's motion for summary disposition and imposed both collateral and penny stock bars. Relying on the uncontested allegations in the Complaint, the law judge concluded that Respondents' actions were egregious. The law judge further noted that "Respondents have not given any meaningful assurances against future violations or indication that they recognize the wrongful nature of their conduct." Ultimately, the law judge concluded that "[t]he overwhelming evidence is that the public interest requires that Respondents be barred from participating in the securities industry in the broadest possible way." This appeal followed.

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[9] The court subsequently set the amount of disgorgement at $9,634,872, plus prejudgment interest of $1,821,012, for which Respondents are jointly and severally liable, and imposed additional third-tier civil penalties on Boris Bugarski in the amount of $457,750, on Walter Bugarski in the amount of $398,511, and on Aleks Bugarski in the amount of $470,077.

[10] 17 C.F.R. § 201.250.

III.

A. Exchange Act Section 15(b)(6) authorizes us to bar a person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock if the person has been, among other things, enjoined from any conduct or practice in connection with the purchase or sale of a security and if, at the time of the alleged misconduct, the person was participating in an offering of any penny stock.[11] It is undisputed that the district court enjoined Respondents from conduct in connection with the purchase or sale of securities and that, at the time of the alleged misconduct, Respondents were participating in an offering of penny stock.[12] Accordingly, we find that the threshold statutory requirements for the imposition of sanctions have been satisfied.

Before imposing sanctions, we must also satisfy ourselves that the sanctions to be imposed are in the public interest.[13] In analyzing the public interest we consider, among other things: the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his or her conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.[18]

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[11] 15 U.S.C. § 78*o*(b)(6)(A). The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010), which was signed into law July 21, 2010, expanded the categories of associational bars authorized by Section 15(b)(6), allowing the Commission to impose a broad collateral bar on participation throughout the securities industry. Respondents do not challenge the law judge's finding that their conduct continued through the filing of the Complaint on April 21, 2011.

[12] It is undisputed that mUrgent stock, as an unregistered, unlisted security priced at less than five dollars per share, fits the definition of a penny stock. *See* 15 U.S.C. § 78c(a)(51)(A); 17 C.F.R. § 240.3a51-1. It is likewise undisputed that Respondents' activities related to the offering of mUrgent stock bring them within the statute's definition of persons participating in an offering of a penny stock. *See* 15 U.S.C. § 78*o*(b)(6)(C) ("[T]he term 'person participating in an offering of penny stock' includes any person acting as any promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading.").

[13] 15 U.S.C. § 78*o*(b)(6)(A).

[18] *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

Our "inquiry into . . . the public interest is a flexible one, and no one factor is dispositive."[19] Based on these factors, we conclude that collateral and penny stock bars are warranted.

We agree with the law judge that Respondents' conduct was egregious. Respondents were enjoined based on allegations that they established a boiler-room operation through which they sold almost $10 million in mUrgent shares to unsophisticated investors through flagrant misrepresentations about the company and its plans, including the false promise of an imminent IPO. And the allegations in the Complaint do not represent isolated incidents of misconduct by Respondents. As Respondents admit in their Answer to the Order Instituting Administrative Proceedings, Boris Bugarski is subject to a cease-and-desist order issued by the securities regulator in the State of Wisconsin in 2000, and Walter Bugarski is subject to cease-and-desist orders issued by securities regulators in the Commonwealth of Pennsylvania in 2001, the State of Kansas in 1996, and the State of Wisconsin in 2000.

The allegations supporting the consent injunction, including the use of high-pressure boiler-room tactics, also suggest that Respondents' misrepresentations to investors were no mere oversight but were part of a scheme to defraud. Thus, the allegations in the Complaint describe scienter-based conduct. In addition, we are unconvinced by Respondents' assurances that the sanctions already imposed by the district court are more than sufficient to "deter any future violations of the federal and state securities laws." Indeed, the need for an administrative sanction is underscored by Respondents' seeming failure to recognize the wrongful nature of their actions by down-playing their misconduct and insisting that they are "just businessmen attempting to run a successful corporation for the benefit of their shareholders and employees." In short, the weight of the relevant public interest factors supports imposing both collateral and penny stock bars.

B. Respondents put forward a handful of challenges to the imposition of sanctions, none of which is persuasive. First, Respondents argue that it is "blatantly unfair" for the Commission to use their Consents to prevent them from contesting the allegations in the Complaint. But this is expressly what Respondents agreed to when they voluntarily entered into their Consents: they acknowledged that the entry of an injunction against them "may have collateral consequences" and agreed that "in any disciplinary proceeding before the Commission" they would "not be permitted to contest the factual allegations of the Complaint." It is hardly unfair for the Commission to hold them to the terms of their Consents.[20]

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[19] *David Henry Disraeli*, Exchange Act Rel. No. 57027 (Dec. 21, 2007), 92 SEC Docket 852, 875, *petition denied*, 33 F. App'x 334 (D.C. Cir. 2008) (per curiam).

[20] We have noted that a respondent "was obligated to familiarize himself with the terms of the consent order he signed and with the potential collateral consequences of settling an injunctive action . . . . It was not the Division's obligation to advise [the respondent] of the legal consequences of his consent." *Ralph W. LeBlanc*, 56 S.E.C. 800, 811 (2003).

In attacking the Commission's use of their Consents, Respondents also point to the court's rejection of the consent judgment in *SEC v. Citigroup Global Markets Inc.*,[21] noting that "the Commission's use of consents has come under scrutiny." But the *Citigroup* decision is inapposite because, unlike the court in *Citigroup*, the district court here accepted the parties' agreement embodied in the Consents and on that basis entered the injunction against Respondents. Once the injunction was entered, Section 15(b) authorized the Commission to institute administrative proceedings. And when an injunction has been entered by consent, it is appropriate to prohibit Respondents from contesting the factual allegations of the Complaint.[22]

Next, Respondents protest that the language of the Complaint—i.e., the use of words such as "scheme," "boiler-room," "family-controlled," "cold-calls," "fronters," "closers," and "ill-gotten gains"—paints an unnecessarily inflammatory and inaccurate picture of them and their business. As just discussed, however, Respondents are not permitted under the terms of their Consents to contest the factual allegations of the Complaint—including the descriptions of their conduct to which they now object. In any event, it is the actual conduct alleged in the Complaint—not merely the labels used—that convinces us that collateral and penny stock bars against Respondents are in the public interest. For example, even if Respondents' effort to sell mUrgent stock is not characterized as a boiler-room operation, their solicitation of investors through the use of high-pressure sales tactics and fraudulent representations was no less egregious.[23] Moreover, as already mentioned, Respondents' insistence that they are simply businessmen looking out for their shareholders and employees reflects a lack of recognition of the wrongful nature of their conduct and further supports the imposition of sanctions.[24]

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[21] No. 11 Civ 7387 (JSR), 2011 WL 5903733 (S.D.N.Y. Nov. 28, 2011).

[22] *See Marshall E. Melton*, 56 S.E.C. 695, 711–12 (2003) ("For purposes of consent injunctions that are agreed to and entered by a court . . . , we will construe the 'neither admit nor deny' language as precluding a person who has consented to an injunction in a Commission enforcement action from denying the factual allegations of the injunctive complaint in a follow-on proceeding before this agency.").

[23] *Cf. Billings Associates, Inc.*, 43 S.E.C. 641, 647 (1967) ("It is clear that the respondents now before us engaged in a scheme to defraud in the sale of a speculative stock by means of a high-pressure sales campaign involving fraudulent representations and predictions. Under the circumstances, the respondents' culpability is established whether or not their activity is specifically described as that of a boiler-room.").

[24] To the extent Respondents are arguing that sanctioning them would harm current mUrgent shareholders, we note that "we look beyond the interests of particular investors, in assessing the need for sanctions, to the protection of investors generally." *Jeffery L. Gibson*, Exchange Act Rel. No. 57266 (Feb. 4, 2008), 92 S.E.C. Docket 2104, 2110; *see also Christopher A. Lowry*, 55 S.E.C. 1133, 1145 (2003) (stating that the public interest analysis extends beyond

(continued...)

Finally, Respondents insist that the "imposition of additional remedial action against [them] would be simply adding to the severe sanctions that have already been imposed" and therefore would not be in the public interest. We reject this argument. While the sanctions imposed by the district court—the permanent injunction, disgorgement, and third-tier civil penalties—are severe, this simply underscores the seriousness of Respondents' misconduct. Indeed, "conduct that violates the antifraud provisions of the securities laws is especially serious and subject to the severest of sanctions under the securities laws."[25] As we have previously held, an injunction against violations of the antifraud provisions of the securities laws "has especially serious implications for the public interest," and "ordinarily, and in the absence of evidence to the contrary, it will be in the public interest to . . . suspend or bar from participation in the securities industry, or prohibit from participation in an offering of penny stock, a respondent who is enjoined from violating the antifraud provisions."[26] In this case, barring Respondents from participating in the securities industry and from participating in an offering of penny stock provides an important additional layer of protection to the public beyond the sanctions imposed by the district court. Accordingly, in light of the allegations of fraud in connection with Respondents' offering and sale of mUrgent securities, we are convinced that these additional sanctions are in the public interest.

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[24] (...continued)
interests of a particular group of investors), *aff'd*, 340 F.3d 501 (8th Cir. 2003).

[25] *Melton*, 56 S.E.C. at 713.

[26] *Id.*; *see also Gibson*, 92 S.E.C. Docket at 2114 (imposing a securities industry bar based on allegations of fraud and noting that "'[f]idelity to the public interest' requires a severe sanction when respondent's misconduct involves fraud because the 'securities business is one in which opportunities for dishonesty recur constantly'" (quoting *Richard C. Spangler, Inc.*, 46 S.E.C. 238, 252 (1976))).

After considering the relevant factors, we hold that the public interest requires barring Respondents from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.

An appropriate order will issue.[27]

By the Commission (Chairman SCHAPIRO and Commissioners WALTER, AGUILAR, PAREDES and GALLAGHER).

Elizabeth M. Murphy
Secretary

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[27] We have considered all of the parties' contentions. We have rejected or sustained them to the extent that they are inconsistent or in accord with the views expressed in this opinion.

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
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ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's opinion issued this day, it is

ORDERED that Vladimir Boris Bugarski, Vladislav Walter Bugarski, and Aleksander Negovan Bugarski be, and they hereby are, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in an offering of penny stock.

By the Commission.

Elizabeth M. Murphy
Secretary