

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
September 13, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11646

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In the Matter of	:	ORDER INSTITUTING
	:	ADMINISTRATIVE PROCEEDINGS
ROBERTO E. VEITIA,	:	PURSUANT TO SECTION 15(b)
	:	OF THE SECURITIES EXCHANGE
	:	ACT OF 1934
Respondent.	:	
_____	:	

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Roberto E. Veitia (“Veitia”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Veitia, age 56, lived in Florida during the relevant time period. He was the president and chairman of the board of Corporate Relations Group, Inc. (“CRG”), a public relations firm located in Winter Park, Florida, and the president, chief executive officer and chairman of the board of Stratcomm Media Ltd. (“Stratcomm”), CRG’s parent. For most of the relevant period, Veitia was the sole director of Gulf Atlantic Publishing, Inc. (“Gulf/Atlantic”), a wholly-owned subsidiary of Stratcomm that, in late 1995, succeeded CRG as the entity publishing certain promotional materials.

B. THE UNDERLYING ACTION, THE INJUNCTION AND THE APPELLATE RULING

2. On September 27, 1999, the Commission filed a civil injunctive action in the United States District Court for the Middle District of Florida against Veitia, CRG, Stratcomm, Gulf/Atlantic and 13 other defendants. The action was styled, S.E.C. v. Corporate Relations Group, Inc., et al., C.A. No. 6:99-cv-1222-Orl-28A (filed Sept. 27, 1999). In its Complaint, the Commission alleged that Veitia violated Sections 5(a), 5(c), 17(a) and 17(b) of the Securities Act of 1933 (“Securities Act”), and Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, and that Veitia was liable for CRG’s violations of the federal securities laws as a controlling person under Section 20 of the Exchange Act. As to Veitia, the Commission sought an injunction, an accounting, disgorgement along with prejudgment interest and civil penalties.

3. The Commission’s Complaint alleged, among other things, that from at least September 1994 through December 1996, Veitia participated in a fraudulent scheme in which CRG acquired control of large blocks of securities from at least 15 small public companies either for free or at a steep discount, touted these securities to the public, and then sold the securities while promoting them. According to the Complaint, CRG failed to disclose its compensation from these issuers and, at the same time it was promoting the issuers’ stock to the public, it was selling its positions in these stocks. The Complaint further alleged that Veitia was the mastermind behind CRG’s fraudulent scheme, that he directed and controlled the activities of CRG, Stratcomm and Gulf/Atlantic and that he was the publisher of most CRG and Gulf/Atlantic promotional materials. The Complaint also alleged that Veitia convinced CRG clients that two Costa Rican entities, both of which were defendants in the Commission’s action, were legitimate, independent offshore purchasers qualified to acquire U.S. securities under Regulation S, a special exemption from the registration provisions of the federal securities laws, and that Veitia negotiated on behalf of the Costa Rican entities with CRG clients.

4. On April 4, 2002, the Commission filed a motion for summary judgment against Veitia, CRG, Stratcomm and Gulf/Atlantic on the aforementioned claims. On March 28, 2003, the Honorable John Antoon II, United States District Judge for the Middle District of Florida, granted the Commission’s motion for summary judgment against Veitia, CRG, Stratcomm and Gulf/Atlantic.

5. The District Court made the following findings of fact and conclusions of law. The Court found that Veitia was the president and chairman of CRG; the president, chief executive officer and chairman of Stratcomm; and the sole director of Gulf/Atlantic. The Court also found that Veitia was listed as “publisher” on the masthead of promotional materials produced by CRG, Stratcomm and Gulf/Atlantic. The Court found that CRG operated as a stock promotion firm, and that CRG touted securities in its publications and forwarded investors’ inquiries to brokers who then sold the securities featured in CRG publications to those investors.

The Court also found that Gulf/Atlantic touted stock to the public through promotional materials. The Court found that CRG entered into contracts with issuers for the provision of promotional services in exchange for monetary compensation, stock, or both. Because many of these issuer-clients were cash-poor, the only consideration for them was shares of stock of those issuers. Shortly after the promotion of an issuer appeared in the promotional materials, the stock price of that issuer would rise in response to the promotion, and CRG would sell its position for a profit.

6. The Court also found that Veitia was intricately involved in the management of CRG, Stratcomm and Gulf/Atlantic. The Court found that Veitia had the power to control the general affairs of CRG, and Veitia had the power to directly or indirectly control the specific CRG corporate policy that resulted in primary liability of CRG for each of CRG's violations of the federal securities laws.

7. The Court also found that Veitia directed the affairs of the two Costa Rican entities. Neither entity had any business activity other than to serve as apparent foreign purchasers of securities on behalf of Veitia and CRG, so that CRG's client companies could sell securities to these entities in the belief that they were exempt from the Securities Act's registration requirements.

8. On May 13, 2003, the District Court, among other things, entered final judgment against Veitia and CRG permanently enjoining them from violating Sections 5, 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, as well as Section 15(a) of the Exchange Act as to CRG. The final judgment further ordered that, as a controlling person of CRG, pursuant to Section 20(a) of the Exchange Act, Veitia was permanently enjoined from violating Sections 5, 17(a) and 17(b) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act, and Exchange Act Rule 10b-5. The final judgment ordered that Veitia, CRG, Stratcomm and Gulf/Atlantic were liable, jointly and severally, for disgorgement of \$25,571,443, together with prejudgment interest in the amount of \$19,280,551, for a total amount of \$44,851,994. Finally, the final judgment ordered Veitia to pay a civil penalty of \$1,400,000.

9. In June 2003, Veitia appealed the District Court's entry of final judgment to the United States Court of Appeals for the Eleventh Circuit. No other appeals were filed. The Court of Appeals heard oral argument on January 28, 2004.

10. On March 2, 2004, the Court of Appeals affirmed the judgment of the District Court. The Court of Appeals rejected certain of Veitia's arguments and found others to be moot. Veitia did not appeal the Court of Appeal's judgment, and, by June 1, 2004, the time to appeal had run.

11. The securities of at least one of the companies that Veitia and CRG promoted, Tracker Corporation of America, constituted a penny stock within the meaning of Section 3(a)(51) of the Exchange Act and Exchange Act Rule 3a51-1.

12. Veitia participated in an offering of penny stock by acting as a promoter, finder consultant, agent or other person who engaged in activities with an 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.

13. Veitia, by virtue of his position as a controlling person of CRG, participated in an offering of penny stock by acting as a promoter, finder consultant, agent or other person who engaged in activities with an 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.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it appropriate and in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Veitia an opportunity to establish any defenses to such allegations; and

B. Whether it is appropriate and in the public interest to bar Veitia from participating in any offering of penny stock, as a promoter, finder, consultant, agent, or other person who engaged 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.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice [17 C.F.R. § 201.200].

IT IS FURTHER ORDERED that Veitia shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice [17 C.F.R. § 201.220].

If Veitia fails to file the directed answer, or fails to appear at a hearing after being duly notified, he may be deemed in default and the proceeding may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by

Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice [17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310].

This ORDER shall be served forthwith upon Veitia personally or by certified mail, or by any other means permitted by Rule 141 of the Commission's Rules of Practice [17 C.F.R. § 201.141].

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice [17 C.F.R. § 201.360(a)(2)].

In the absence of the appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision upon this matter, except as a witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule-making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed to be subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz
Secretary