

On April 27, 1979, the Court entered an Order directing Fashion Two Twenty to resolicit its shareholders in connection with its annual meeting. The Order was entered by the Court and consented to by the Commission and the respondent. The respondent did not admit or deny the allegations in an application by the Commission for an order to show why the company and its president were not in civil contempt of the Final Injunction by circulating a memorandum to certain of the company's shareholders which was materially false and misleading with respect to its description of the Commission's investigation and litigation.

SEC v. The Starr Broadcasting Group, Inc. et al.,
Civil Action No. 79-0357 (DDC February 7, 1979)

The Commission filed a Complaint against The Starr Broadcasting Group, Inc. ("SBG"), William F. Buckley, Jr. ("Buckley"), formerly Chairman of the Board of SBG, and certain other former officers and directors of SBG in which the Commission alleged that certain officers and directors of SBG engaged in a five year course of business ultimately resulting in SBG's purchase of seventeen theatre properties from a partnership whose partners were Buckley and certain of the other former officers of SBG. The Complaint further alleged the purpose of these purchases was to extricate Buckley and the other partners from a financial situation which would have resulted in their personal bankruptcy; that various filings of SBG failed to disclose or contained misleading disclosures with respect to these transactions; that SBG's outside directors, after acting on behalf of SBG in approving the transaction, failed to insure the accuracy of SBG's disclosures relating to this transaction; that a director and a senior loan officer of a bank which was a defendant in this action and had made loans to SBG and the partnership, was acting in a manner which benefited the bank to the detriment of SBG by approving the purchase of the theatre properties; and the failure to insure the proper disclosure of these matters. The Complaint also alleged, among other things, the failure to report the use of SBG funds, with the acquiescence of SBG's outside directors in some instances, for the personal benefit of Buckley and certain other defendants who were formerly directors and officers of SBG.

Pursuant to consents of certain of the defendants without admitting or denying the allegations of the Complaint, the court entered a Judgment of Permanent Injunction against SBG, Buckley and certain of the defendants, variously enjoining them from further violations of the antifraud, reporting, proxy, ownership reporting and margin requirements of the Exchange Act. In addition to the Judgment of Permanent Injunction, other equitable relief was ordered including 1) an order compelling SBG to comply with an undertaking to allow all monies disgorged in satisfaction of the Commission's action to be transferred to a fund for the purpose of distributing such monies to shareholders involved in derivative actions and 2) orders compelling Buckley and others to comply with undertakings, a) not to seek employment as an officer or director of a publicly held company for a period of five years (provided they may seek to modify the requirements under certain conditions), and b) to make disgorgement. Finally, certain of the defendants agreed individually to disgorge a total of \$1,771,000.

SEC v. Moog Inc., et al., Civil Action No. 79-0024
(DDC January 5, 1979)

The Commission filed a Complaint against Moog Inc. and its chairman and largest shareholder William C. Moog. The Complaint alleged that substantial amounts of corporate funds and other corporate assets were diverted for the personal use of William Moog and that these transactions were improperly disclosed in violation of the reporting and proxy provisions of the Exchange Act.

Specifically, the Complaint alleged that funds of Moog Inc. were used to secure a condominium in Aspen, Colorado for the personal use of William Moog; that a vacation benefit plan was established solely for the use of William Moog; that an account was established through which interest free advances were made for the payment of personal expenses of William Moog; and personal services were also provided to William Moog that were improperly reflected in Moog Inc.'s books and records. The District Court granted Final Judgments of Personal Injunction against the defendants, enjoining them from further violations of the reporting and proxy provisions of the Exchange Act. Moog Inc. and William Moog consented to the judgment without admitting or denying the allegations.

In addition to the entry of Injunctive Relief, the Court ordered a limited investigation by the Audit Committee of the Board of Directors of Moog Inc. concerning transactions in Moog Inc.'s corporate account to or for William Moog and to or for a discotheque in England. William Moog was ordered to repay any funds the Audit Committee found to exceed that to which he was entitled.

SEC v. Montauk Corp. et al., Civil Action No. 78-1364 (DDC July 25, 1978)

The Commission filed a Complaint alleging violations of various provisions of the securities laws by MPO Videotronics, Inc. ("MPO"), Montauk Corporation ("Montauk"), which owned 52% of MPO, Donald F. Gaston ("Gaston"), a director of MPO, Jerry Jacobs ("Jacobs"), a director of MPO and Montauk, and Arnold Kaiser, the president and a director of MPO. Montauk was owned by Gaston, Jacobs and Kaiser.

The Complaint alleged among other things, that Gaston received a fee for financial advisory services from MPO which he transferred to Montauk. The Complaint further alleged that MPO failed to disclose the true extent of Gaston's services in MPO's 1976 and 1977 proxies, and failed to state that the management of MPO had no objective basis for stating that the fee was not less favorable than could be obtained in a transaction with a non-affiliated person.

The Complaint also alleged that Montauk sold to MPO the assets of a wholesale bakery business which had suffered financial losses. No disclosure of the discounting by MPO of a note of Montauk's used to purchase the business was made in MPO's proxy statement, nor was there any disclosure of the bakery business' unfavorable financial condition.

The Complaint also alleged that Jacobs and Gaston received personal benefits in the form of having MPO pay for certain of their personal expenses which were not disclosed in MPO's proxy materials.

In settlement of the action, a final judgment of permanent injunction was entered enjoining MPO from violations of the reporting and proxy provisions of the Exchange Act and enjoining Montauk, Jacobs and

Kaiser from violations of the beneficial ownership and proxy provisions of the Exchange Act insofar as affiliated transactions are concerned. The Final Judgment also required MPO to 1) appoint two new unaffiliated directors and 2) form an audit committee to review the bakery business transaction, rescind it if necessary and demand the return of personal expenses of Gaston and Jacobs paid by MPO.

SEC and Comptroller of the Currency v. The National Bank of Georgia, et al., Civil Action No. 78-752A (N.D. Ga. May 3, 1978)

In this action, the Commission and the Comptroller of the Currency alleged that the National Bank of Georgia ("NBG"), the Calhoun First National Bank ("Calhoun") and T. Bertram Lance ("Lance") engaged in a course of business which included financial irregularities and unsafe and unsound banking practices. The various undisclosed practices by Calhoun and Lance, which in some instances constituted violations of certain provisions of the federal banking laws, included a pattern of related party transactions by Lance and certain of his relatives, substantial and prolonged overdrafting in the checking accounts at Calhoun of Lance and his wife, certain relatives, friends, business associates, entities controlled by such persons, numerous questionable loans to officers and directors of the bank and persons and entities related to such persons, the use of Calhoun balances in connection with loans by at least one bank to directors of Calhoun and the making of misleading entries on Calhoun's books and records. The course of business constituted a potential material risk to the financial stability of Calhoun.

The Complaint alleges that as part of NBG's course of conduct, NBG improperly recognized income on a real estate transaction, incomplete and inadequate evaluation was given to NBG's loan portfolio and loans were made by NBG to relatives and associates of Lance without adequate regard for the creditworthiness of the borrower and on preferential terms. Further, certain undisclosed payments were made in connection with the purchase of a residential property from NBG which payments were inaccurately described on NBG's books and records; the full facts and circumstances surrounding NBG's intention to form a holding company, and the nature of its correspondent banking business were not disclosed.

The management of NBG either engaged in or acquiesced in certain aspects of the course of business discussed in the Complaint and in certain respects there was no meaningful monitoring by NBG's Board of Directors of the management of NBG in carrying out their responsibilities. The various reports and proxy statements disseminated to NBG's shareholders and filings with the Comptroller failed to disclose the course of business which operated as a fraud and deceit.

The Court simultaneously entered Final Judgments of Permanent Injunction and Other Equitable Relief ("Judgments") restraining and enjoining NBG, Calhoun and Lance from violations of the anti-fraud, reporting and proxy provisions of the federal securities laws, and ordering certain equitable relief. NBG, Calhoun and Lance consented to the entry of the Judgments without admitting or denying the allegations in the Complaint.

In addition to the entry of the Judgment against NBG and Calhoun, certain equitable relief was ordered by the Court and NBG and Calhoun made certain undertakings which they were ordered by the Court to comply with, including the following:

- 1) the appointment of independent directors to NBG's and Calhoun's Board of Directors;
- 2) the establishment of a special committee of NBG's Board of Directors to review the matters alleged in the Commission's Complaint;
- 3) the designation by Calhoun of a special review person to review the matters contained in the Commission's Complaint;
- 4) An order requiring NBG and Calhoun to maintain an Audit Committee; and
- 5) To comply with written agreements entered by the banks with the Comptroller of the Currency which addressed problems identified in the Complaint.

SEC v. Manivest Corp. et al., Civil Action No. 78-0767 (DDC May 1, 1978)

The Commission filed a Complaint against Manivest Corp. ("Manivest"), Professional Manivest, Inc. ("PMI"), Westco Realty ("Westco") and Earnest C. Psarras ("Psarras") alleging violations of, among other things, the registration and anti-fraud provisions of the Securities Act. The Complaint alleged that, in connection with an unregistered public offering of real estate limited partnership interests, in which over \$15,000,000 was raised, the defendants used investors funds to purchase and maintain real estate, to pay interest and principal on bank borrowings, and to pay fees to the defendants. In most instances, different partnerships affiliated with and controlled by Manivest invested in a single property. The investors usually did not know or have any control over the properties in which they would invest.

It was further alleged that frequent purchase and sale transactions were engaged in between and among the limited partnerships and the defendants, and that Psarras had a personal interest in some partnerships.

Without admitting or denying the allegations in the Commission's Complaint, Manivest, PMI and Westco consented to the entry of a Final Judgment of Permanent Injunction and Psarras consented to the entry of a Final Order. In addition, the defendants agreed to select an independent auditor to examine the books and records of the limited partnership and prepare reports to investors concerning primarily the transactions among and between the various Manivest entities.

SEC v. IU International Corporation, Civil Action No. 78-0689, (DDC April 20, 1978)

The Commission filed a Complaint against IU International Corporation ("IU") alleging violations of the proxy and reporting provisions of the Exchange Act during the period from 1972 to 1978.

The Complaint alleged that IU failed to disclose in its proxy statements and annual reports the payment of legal fees in connection with certain civil litigation in which IU's chairman and two other IU officers were named as defendants. In addition, it was alleged

that IU inadequately described the circumstances of the litigation and the facts surrounding the payment of fees of \$445,000 and settlement costs of \$520,333 in connection with the litigation. It was also alleged that this litigation did not involve IU and that it arose out of the defendant's positions in a separate company unrelated to IU. Finally, the Commission alleged that the above-described legal fees and settlement costs were paid by IU, in part, to avoid adverse publicity regarding (1) certain matters occurring prior to September 1965, (2) the existence of business relationships between IU, Seabrook, and other persons, and (3) the existence of an account in a Swiss bank established by Seabrook and the transfer to Seabrook at such bank of certain payments during the period 1963-1964.

Simultaneously with the filing of the Complaint, the court issued a Final Judgment of Permanent Injunction enjoining IU from violating the provisions of the Exchange Act noted herein above. IU consented to the entry of the Final Judgment without admitting or denying the allegations. In addition, a special counsel was appointed to conduct an investigation and submit a report to the Commission.

SEC v. Bookkeepers, Ltd., et al., Civil Action No. 78-905 (C.D. Cal. March 14, 1978)

In this Complaint, the Commission alleged violations of the registration and antifraud provisions of the federal securities laws by Bookkeepers, Ltd. ("Bookkeepers"), Walter Wencke ("Wencke"), Joseph Margala ("Margala") and Jerry Whitley ("Whitley"). The Complaint alleged that Wencke, Margala and Whitley engaged in a fraudulent scheme to reduce the number of Bookkeepers' shareholders from over 800 to approximately 25 by dissemination of false and misleading Bookkeepers' financial statements, two reverse stock splits (with fractional share repurchases) without notice to shareholders, and the sale of illegally issued Bookkeepers' common stock to Margala, Whitley and two Wencke controlled corporations with funds advanced by a Bookkeepers' subsidiary. The Complaint also alleged that in furtherance of the fraudulent scheme, the defendants failed to register Bookkeepers with the Commission in an effort to evade the filing and disclosure requirements of the federal securities laws.

A Final Judgment of Permanent Injunction was entered against Wencke, by default, enjoining him from violating the anti-fraud and registration provisions of the federal securities laws and ordering disgorgement of property he acquired as a result of the scheme. Margala and Whitley later consented to the entry of Final Judgments of Permanent Injunction, without admitting or denying the allegations of the Complaint. The Final Judgment enjoined them from further violations of the anti-fraud provisions of the Securities Act and the Exchange Act as well as the registration provisions of the Exchange Act. In addition, Margala and Whitley were ordered to return the shares of stock they acquired in the allegedly fraudulent transaction.

SEC v. Aminex Resources Corp. et al., Civil Action No. 78-0410 (DDC March 13, 1978)

The Commission alleged in this Complaint that the defendants, Aminex Resources Corp. ("Aminex") and its former president and vice president, engaged in schemes, undisclosed to Aminex's shareholders or to the public to misappropriate and divert at least \$1.24 million of the assets of Aminex. It was further alleged that the defendants disguised these misappropriations by means of false and improper accounting entries in Aminex's books and records. It was also alleged that, in furtherance of this scheme, Aminex filed false and misleading annual and quarterly reports with the Commission which failed to disclose the misappropriations and diversions and falsely stated the financial condition of the company.

With the filing of the Complaint, a federal district court issued a temporary restraining order and issued orders freezing the defendants' assets and appointing a temporary receiver. Final Judgments of Permanent Injunction were entered later, by consent, variously enjoining the defendants from violations of the anti-fraud, reporting and accounting provisions of the Exchange Act and the rules thereunder.

In addition, ancillary relief was ordered including the disgorgement of \$1.24 million to Aminex by the former president and vice president. The Final Judgment further ordered a voting trust over the Aminex common stock owned by the former president, and prohibited one former officer from becoming an officer or director of a public company in the future.

SEC v. InterContinental Diversified Corp. et al.,
Civil Action No. 78-0025 (DDC January 6, 1978)

The Commission filed a Complaint against Inter-Continental Diversified Corp. ("IDC") and C. Gerald Goldsmith ("Goldsmith") the former president and chairman of the board of IDC alleging violations of the anti-fraud, reporting and proxy provisions of the Exchange Act in connection with the diversion of in excess of \$3 million of IDC's corporate funds. It was further alleged that the corporate books and records of IDC were falsified, fictitious records were created in order to conceal the purpose of certain transactions, possible violations of U.S. Customs reporting requirements occurred, and materially false and misleading annual and periodic reports and proxy statements were filed with the Commission.

The Commission's Complaint further alleged violations of various provisions of the federal securities laws in connection with untrue statements of material facts and omissions to disclose material facts concerning the making of political and other payments in the Commonwealth of the Bahamas, a fraudulent stock repurchase plan and the payment of a false commission.

Concurrently with the filing of the Complaint, a federal district court entered judgments of permanent injunction against IDC and Goldsmith enjoining them from further violations of the anti-fraud, reporting and proxy provisions of the Exchange Act, with the consent of the defendants and without admitting or denying the allegations.

In addition, certain ancillary relief was ordered by the Court including: 1) an order enjoining IDC and Goldsmith from among other things, using or aiding and abetting the use of corporate assets for any unauthorized distribution; 2) an order compelling IDC to maintain accurate books and records; 3) an order compelling IDC to correct and amend certain annual and other periodic reports; and 4) the establishment of an Audit Committee to among other things, retain a special counsel to further investigate the matters contained in the Commission's Complaint.

SEC v. Inflight Services, Inc. et al., 77 Civ. 5011 (SDNY November 3, 1977)

The Commission filed a Complaint against Inflight and Flexer, a former officer and employee. The Complaint alleged that the defendants during the period 1971 to 1977 concealed certain facts and misrepresented other material facts concerning: (1) the improper use of corporate monies and assets; (2) the payment of undisclosed compensation to certain employees by company suppliers; (3) the payment of sums of money to persons in order to acquire business for Inflight; and (4) the surrounding circumstances and results of Inflight's own internal investigations of certain employees.

The defendants were enjoined by Permanent Injunction from further violations of the antifraud, reporting, and proxy provisions of the federal securities laws. The defendants consented to the entry of the Judgments without admitting or denying the allegations in the complaint. In addition, certain ancillary relief was ordered including: (1) the appointment of a special counsel to make and file a report with the Commission; (2) the establishment of a Special Review and Litigation Committee of the Board of Directors to amend Inflight's prior filings; and (3) that Flexer would not serve as an officer or director of a public company for a period of three years.

SEC v. Charles Jacquin et Cie Inc., et al., Civil Action No. 77-1794 (DDC October 17, 1977)

The Commission filed a Complaint against Jacquin and two of its officers. The Complaint alleged that during the period from at least 1969 to 1977, the two officers made undisclosed payments to state alcoholic beverage control officials as inducement to purchase Jacquin products. The Complaint also alleged that the defendants, without disclosure, diverted funds and assets for their own benefit and for the benefit of members of their families, including excessive salaries for services that were not rendered. In addition, the Complaint alleged that Jacquin, without disclosure, gave valuable gifts including a snowmobile, free alcoholic beverages and a sauna, to individuals who

were members or employees of the Pennsylvania Liquor Control Board. The Complaint also alleged false and misleading entries were made in the company's accounting system.

Judgments of Permanent Injunction were entered against the defendants enjoining them from further violations of the antifraud provisions of the Exchange Act and the Securities Act and the reporting and proxy provisions of the Exchange Act. The defendants consented to the entry of the Judgments without admitting or denying the allegations in the Complaint. In addition to consenting to the entry of a Final Judgment of Permanent Injunction, Jacquin consented to certain ancillary relief including the appointment of a special counsel to conduct an investigation, to file a report with the Commission and to review an accounting which the Court ordered the two officers to submit, new directors on the Board of Directors of the Company and the establishment of an Audit Committee.

SEC v. Sharon Steel Corp., et al., Civil Action
No. 77-1631 (DDC September 20, 1977)

The Commission filed a Complaint against Victor Posner, then Chairman of the Board of six public corporations listed on the New York Stock Exchange and the American Stock Exchange, Sharon Steel Corp.; Steven Posner; G. Posner Cohen; Walter Gregg; Bernard Krakower; NUF Co.; and DWG Co.

The Complaint alleged, among other things, that Posner, his son and his daughter received at least \$1 million in undisclosed compensation from the Posner controlled companies in the form of personal expenses. This compensation included travel in a corporate jet, groceries, liquor, entertainment, rent for certain of Posner's living quarters, extensive refurbishment of these quarters, restaurant expenses, use of a corporate yacht, limousine and driver, and domestic servants.

In addition, the Complaint alleged that the annual reports proxy statements and registration statements of the companies controlled by Posner failed to disclose the nature and extent of such expenditures made to or on behalf of the Posners in violation of the antifraud and reporting provisions of the Federal securities laws.

All defendants consented to orders of Permanent Injunction enjoining them from further violations, without admitting or denying the allegations in the Commission's Complaint. The defendants agreed to pay the corporation \$600,000 for reimbursement of various personal expenses. In addition, the Court ordered the appointment of two new independent directors and the establishment of a three member audit committee which would adopt financial controls and accounting procedures designed to prevent occurrences of matter alleged in the Complaint. In addition, the company agreed to submit certain filing to counsel for review.

SEC v. Basic Food Industries Inc., et al., Civil Action No. 77-1787 (DDC September 15, 1977)

The Commission filed a Complaint against Basic Food Inc. ("BFI"); Allan Applestein, BFI's former Chairman and CEO; Haitian Equities S.A.; and two former directors of BFI who had interests in Haitian Equities. The Complaint alleged violations of the antifraud, reporting, proxy and stock ownership reporting provisions of the Exchange Act.

Specifically the Complaint alleged that Applestein caused BFI to make cash advances and other payments aggregating in excess of \$217,000 for his personal benefit including personal and family travel, entertainment, legal and telephone expenses. It was also alleged that Applestein, with the help of the other defendants, caused BFI to advance \$97,000 to Haitian equities without disclosing to the Board of Directors Applestein's personal business relationship with Haitian.

In subsequent proceedings, the defendants consented to the entry of Orders of Permanent Injunction against them without admitting or denying the allegations in the Complaint. Further, Applestein was ordered to disgorge and pay for the benefit of BFI, funds found to be in excess of his normal compensation.

SEC v. Solon Automated Services, Inc., et al., Civil Action No. 77-0705 (DDC April 26, 1977)

The Commission filed a Complaint against Solon, a supplier of self-service coin-operated laundry equipment, and eight of its officers, directors and employees including its Chairman S. Solon Cohen. The Complaint alleged that the defendants took deductions from

monthly commissions owed to the lessors of its machines without the knowledge of said lessors. This practice was alleged to have occurred during the years 1940 to 1977. The Complaint further alleged that this practice was not disclosed in Solon's financial statements or other public filings, or to purchasers, sellers, or prospective purchasers or sellers of Solon's securities, or to Solon's customers.

Judgments were entered against the defendants permanently enjoining them from further violations of the antifraud provisions of the Exchange Act. In addition, Solon was ordered to pay to the benefit of its customers \$900,000. The defendants consented to the entry of these judgments without admitting or denying the allegations of the Complaint.

SEC v. SCA Services Inc., et al., Civil Action No. 77-0037-T (DDC August 8, 1977),

The Commission filed Complaints against SCA, a Boston waste removal company; Christopher Recklitis, SCA's former President and Treasurer; Berton Steir, former CEO of SCA; Carlton Hotel Corp., privately owned by Recklitis; Nicholas Liakas, former Controller of SCA; Tony Bentro; Lad Landfill Inc.; and Stanton Kurzman, former Vice President and Director of SCA. The Complaint alleged that Recklitis, aided and abetted by several of the defendants, diverted \$4 million in SCA assets to his and Carlton's use and benefit through SCA's vendors and through three fraudulent land transactions whereby he used straws and nominees to acquire properties, and then sold them to SCA at values inflated by approximately \$2.5 million. In addition, it was alleged that Recklitis used funds improperly to pay Carlton's debts by misrepresenting these transactions as a receivable due SCA, and that the facts concerning the alleged loans and other activities were misrepresented in SCA's reports, proxy materials and registration statements. The Complaint also alleged that employees were given loans, advances and guarantees which were not properly authorized by the Board of Directors and thus contrary to SCA's public representations. Further, it was alleged that facts relating to certain political contributions were concealed in the materials filed with the Commission.

The Complaint requested an accounting and restitution of funds improperly obtained by the defendants. SCA, without admitting or denying the allegations, consented to entry of a Permanent Injunction enjoining it from violating the antifraud, reporting and proxy provisions of the Exchange Act. In addition, SCA consented to the appointment of a special counsel to make further investigations and recommendations. In separate proceedings, the following Judgments were entered: (1) Defendants Bentro and Lad consented to permanent injunctions from further violations of the federal securities laws, from voting or acquiring more SCA securities, and Centro was restrained from serving as an officer and director of any public company for two years; (2) Kurzman was enjoined from further violations and prohibited from serving as an officer or director for 5 years; (3) Recklitis pleaded guilty to three counts of an indictment charging mail fraud and violations of the federal securities laws reporting provisions and was sentenced to two years in prison and fined \$21,000; (4) Steir pleaded guilty to an information and was sentenced to one year in prison and a \$5,000 fine; and (5) Steir and Liakas consented to entry of Judgments of Permanent Injunction against them and were further ordered not to serve in any new positions with SCA.

SEC v. Ormand Industries, Inc., et al., Civil
Action No. 77-0790 (DDC May 10, 1977)

The Commission filed a Complaint against Ormand Industries Inc. and its Chairman, J.D. Ormand. As part of the Commission's action, it alleged the following with respect to the Chairman: (1) Unaccountable cash advances of over \$250,000 to the Chairman--not repaid or used for business business expenses; (2) corporate expenditures for his personal benefit or that of his family, including \$50,000 of improvements on his home and certain payments for sporting events and other items; (3) that the benefits described in (1) and (2) above were inaccurately recorded in the books and records of the company, in some instances were claimed twice as expenses; (3) a subsidiary of the company sold advertising space in exchange for due bills entitling the holder to certain goods and expenses and that officers, directors, and employees used these due bills to procure the benefits for themselves with no related business purpose; and (4)

the chairman purchased another entity giving an option to Ormand to buy it from him. It was further alleged that the Chairman caused Ormand to lend the entity \$150,000 and ultimately caused the company to acquire the entity from him to relieve him from a personal loss. In addition, there was not sufficient documentation to support a number of the advances and expenses claimed by J.D. Ormand.

The Court entered permanent injunctions enjoining the defendants from further violations to which the defendants consented without admitting or denying the allegations in the Complaint. In addition, the Court ordered certain equitable relief including the establishment of an Audit Committee with three independent directors and the appointment of a special counsel to conduct a full investigation of the allegations in the Complaint and file a report with the Commission which would include recommendations concerning the institution of suits against any or all of the officers and directors of Ormand. J.D. Ormand was ordered to submit a written accounting of all monies or things of value used for his benefit from January 1, 1973 to the date of the Court Order and return all monies or things of value that the Audit Committee determines he was not entitled to receive.

SEC v. Stephen Kneapler, et al., Civil Action No. 77-969JLK (S.D. Fla. April 4, 1977)

The Commission filed a Complaint against Stephen Kneapler and five other officers of Richford Industries, Inc. ("Richford"). The Complaint alleged that certain personal expenses incurred by Kneapler in the renovation and refurbishing of his personal residence were paid for by Richford, and were improperly reflected in Richford's books and records by several of the defendants as expenses incurred for work performed on behalf of Richford.

All of the defendants except one consented, without admitting or denying the allegations, to the entry of a Judgment of Permanent Injunction prohibiting further violations of the antifraud, reporting and proxy provisions of the Exchange Act. In addition, certain other Ancillary Relief was granted which, in part, provided that Kneapler would not act as an

officer or director of a publicly held corporation for a period of 10 years and that he would disgorge and pay to Richford the sum of \$56,000 representing the amount of the expenditures paid by Richford for Kneapler's residence.

SEC v. Potter Instrument, et al., Civil Action No. 77-0394 (DDC March 9, 1977)

The Commission filed a Complaint against Potter Instrument and its chairman and largest stockholder John T. Potter. The Complaint alleged violations of the antifraud, reporting and proxy provisions of the Exchange Act.

Among other things, it was alleged that John Potter received undisclosed amounts of corporate funds and undisclosed benefits ranging from \$112,000 to \$137,000 per year. Additionally, it was alleged that he received \$163,000 for maintenance and operating expenses of a racing yacht; that he received payments for this maintenance of his personal residence; and that he received \$15,000 per year in unaccountable business allowances. It was further alleged that Potter Instrument filed false and misleading interim reports which failed to reflect obsolescence in inventory and equipment. Potter Instrument filed a Petition in Bankruptcy under Chapter XI in April 1975.

Potter Instruments and John Potter consented to entry of Permanent Injunctions enjoining them from further violations of the Exchange Act, without admitting or denying the allegations in the Commission's Complaint. Potter Instruments undertook to prepare a report to stockholders of all corporate events since January 1975 and to appoint only outside directors for three years. John Potter was enjoined from voting his shares against any recommendation of a majority of the Board of Directors for three years.

SEC v. Ammon S. Barness & Max Candiotty, Civil Action No. 76-2241 (DDC December 7, 1976)

The Commission filed a Complaint against Barness and Candiotty, the former Chairman of the Board and the former CEO respectively, of Daylin Inc. ("Daylin"). The Complaint alleged violations of the antifraud and proxy provisions of the federal securities laws in

that the defendants caused Daylin to forgive over \$1.5 million in indebtedness which they owed pursuant to an executive stock purchase plan. The Complaint further alleged that they misused their positions of control to obtain \$3 million in loans from banks with which Daylin had business relationships. Proxy statements issued by Daylin, the Complaint alleged, misrepresented or failed to disclose material benefits and conflicts of interest arising out of these transactions. In a subsequent agreement in 1978, the Commission reached a settlement with the defendants whereby they undertook to comply with the proxy provisions of the Exchange Act.

SEC v. E.T. Barwick Industries, Inc. et al.,
Civil Action No. 76-1490 (DDC August 10, 1976)

In this Complaint, the Commission alleged that E.T. Barwick Industries, Inc., ("ETB"), Eugene T. Barwick, and certain officers, directors and employees of ETB violated Sections 10(b), 13(a) and 14(a) of the Exchange Act by engaging in activities which concealed the true financial condition of the company by, among other things, using ETB corporate funds to make payments for the personal benefit of Eugene Barwick in circumstances under which ETB had no obligation to make any such payments, concealing documents from the Commission attempting to influence a witnesses' testimony, concealing material defaults on loans, and maintaining a secret fund to facilitate evasion of foreign income taxes.

Final Judgments of Permanent Injunction were entered against the defendants by consent without admitting or denying the allegations in the Complaint, enjoining them from violations of Section 10(b), 13(a) and 14(a) of the Exchange Act and providing certain ancillary relief including the appointment of a Special Review Committee to investigate the Commission's Complaint and to take further appropriate action.

Eugene Barwick later pleaded guilty to an information charging him with a criminal violation of 18 U.S.C. 1001 in that he made false statements denying knowledge of fraudulent inventory adjustments and was fined.

The Commission filed a Complaint against Emersons Ltd., John P. Radnay and Eli Levi, both former officers of Emersons. Radnay served as Chairman of the Board and President, and Levi served as Treasurer and Executive Vice President.

The Complaint alleged that Radnay misused a substantial amount of corporate funds for his benefit as follows:

1) In a three year period, he had caused the company to pay for improvements on his home, furnishings and environs, extensive home improvements, luxury automobiles and maid service;

2) Radnay received a portion of substantial payments made by three brewing companies to Emersons and to Radnay which were made in cash and concealed from detection by false entries in Emersons accounting system or not recorded. A substantial amount of the payments were used by Radnay for non-business related purposes.

As an additional part of the Commission's action, it was alleged that Emersons failed to disclose that approximately \$9,000 was used by Levi for home improvements. In connection with these payments, Radnay and Levi caused false entries to be made in Emersons' accounting records to show the funds were used for improvements in restaurants operated by Emersons.

The Court entered Judgments of Permanent Injunction restraining and enjoining Emersons, Radnay and Levi from further violations of the antifraud, reporting and proxy provisions of the Exchange Act. Emersons, Radnay and Levi consented to the entry of the Court's Judgments without admitting or denying the allegations in the Complaint. In addition, the Court ordered certain ancillary relief which required Emersons to refrain from making fictitious entries in its books and records and requiring Emersons to appoint three outside directors and a special counsel to pursue further investigations and file a report with the Commission.

SEC v. Medic-Home Enterprises, Inc., et al., Civil
Action No. 75-6277 (SDNY, December 11, 1975)

The Commission filed a Complaint against these officers and directors of Medic-Home including its chairman and largest shareholder Bernard Bergman. As part of the Commission's action, it alleged that Bergman and another Director diverted at least \$140,000 of corporate assets for their personal use and benefit. This was accomplished by rents forgiven by the company and structural repairs purportedly made on corporate buildings which were not, in fact made and which payments were, in fact, pocketed by the two Directors. In addition, there were certain loans and other transactions by the company with certain officers and directors which were not disclosed to shareholders.

The defendants, in several different agreements, consented to the entry of Orders of Permanent Injunction against them without admitting or denying the allegations in the Complaint. In addition to the Injunctions, the Court ordered certain ancillary relief which included: (1) A special counsel was appointed to establish a procedure whereby Bergman would repay \$140,000 to Medic-Home; (2) that Bergman would neither serve as or nominate an officer or director of Medic-Home; (3) that Bergman, without permission of the Commission, could not acquire any Medic-Home securities by any means except by way of a stock split for two years; and (4) that Bergman would cooperate with the special counsel in all phases of his investigation.

SEC v. Kalvex, Inc. et al., 425 F.Supp. 310 (SDNY
1977) Civil Action No. 74-5643 (SDNY December 23, 1974)

On December 23, 1974, the Commission filed a Complaint against Kalvex, Inc. ("Kalvex"), Emmanuel L. Wolf ("Wolf"), president and chairman of the Board of Kalvex, and Robert L. Ingis ("Ingis"), former executive vice president and chief operational officer of Kalvex seeking to enjoining them from violations of the reporting and proxy provisions of the Exchange Act. Contemporaneous with the filing of the Complaint, Kalvex and Wolf consented, without admitting or denying the allegations of the Complaint, to the entry of a judgment granting the relief requested.