

Thereafter, a federal district court granted the Commission's motion for summary judgment against Ingis, and permanently enjoined Ingis from further violations of the aforementioned laws.

The Commission's Complaint alleged that the defendants engaged in a scheme to funnel money through a dummy corporation for the purpose of secretly receiving kickback payments from a Kalvex supplier. The Commission also alleged that Ingis siphoned off corporate funds from Kalvex for personal use by submitting expense vouchers and obtaining reimbursements therefor from Kalvex for expenses unrelated to any corporate purpose. The Commission further alleged that none of these activities was disclosed in Kalvex's proxy materials or annual reports.

SEC v. Sunshine Mining Company, et al., Civil
Action No. 74-4492 (SDNY October 11, 1974)

The Commission filed a Complaint against Sunshine Mining Company ("Sunshine") and Irwin P. Underweiser ("Underweiser"), the chairman of the board of Sunshine alleging violations of Section 14(a) of the Exchange Act and Rules 14a-3, 14a-9 and Schedule 14-A of Regulation 14A thereunder.

The Commission's Complaint alleged that Sunshine failed to disclose and describe in its proxy statements, transactions wherein Sunshine satisfied certain personal arrangements and agreements made by or on behalf of Louis Beryl, then chairman of the board and chief executive officer of Sunshine and others to acquire control of a bank. It was further alleged that certain transactions occurred involving the opening of bank accounts and the purchase by Sunshine of certificates of deposit at competitive rates and the obtaining by certain Sunshine directors of personal loans at the same banks. The Complaint alleged that the proxy statements for certain annual meetings of Sunshine failed to disclose and describe these transactions which inured to the direct or indirect benefit of the Sunshine directors concerned.

Contemporaneously with the filing of this action, the defendants consented to the entry of a final judgment of permanent injunction, without admitting or denying the allegations in the Complaint, enjoining the defendants from violations of the above-mentioned securities laws. In addition, the final judgment ordered Sunshine to implement procedures to avoid similar acts and practices which led to the violations.

In the Matter of the Telex Corporation, Securities Exchange Act Release No. 34-18694 issued April 29, 1982

The Commission instituted an Administrative Proceeding with respect to Telex to determine whether its books, records, and accounts failed to comply with respect to the provisions of 13(b)(2) of the Exchange Act.

The Commission found inter alia, that Telex's former CEO used Telex's assets individually or for his other business interests. Among those assets and services improperly used were: (1) secretarial, administrative and bookkeeping services; (2) professional services of Telex's in-house counsel; (3) Telex office space for employees of his private companies; (4) the services of the chief financial officer; and (5) numerous other support services. In addition, Telex leased from one of the CEO's private companies an aircraft under an arrangement whereby an account was set up by Telex to offset the leasing charges against the reimbursable expenses incurred by Telex for pilot salaries and fuel. Additionally, the Commission found that with respect to items (1) through (4) that Telex did not maintain books, records or accounts which accurately and fairly reflected the work performed and time spent by Telex's employees on the CEO's private matters and the business purpose or lack of business purpose of the expenses. With respect to the aircraft leasing plan, the Commission found that Telex did not maintain books and records that accurately reflected its use of, or its obligation for the use of the aircraft. Simultaneously with the institution of the Proceedings, Telex submitted an offer of Settlement and Consent and Undertaking which was accepted by the Commission.

In the Matter of Michigan National Corporation, Securities Exchange Act Release No. 34-17902 issued June 30, 1981

The Commission instituted proceedings pursuant to Section 15(c)(4) of the Exchange Act with respect to Michigan National Corporation ("MNC"). The Commission found that MNC failed to adequately disclose all of the circumstances under which its subsidiary banks engaged in the practice of selling bank premises to and leasing them back from certain officers and directors of MNC and MNC subsidiary banks, including MNC's president and

Mr. Stoddard, and certain related parties. These transactions included the leasing back of bank premises was accomplished under terms very favorable to the parties involved. The practices originated many years prior to MNC's becoming a public company in 1972. MNC failed to disclose that these transactions were entered into without determining the market value of the leases and without attempting to market them to unrelated parties. Mr. Stoddard and persons related to him leased 13 premises to MNC banks which paid an aggregate of \$325,679 in annual rentals on leases running 10 to 25 years. Half of these leased premises were purchased with loans sometimes amounting to 100% financing from MNC subsidiary banks. Several other officers and directors had similar arrangements with MNC. Stoddard also arranged through a partnership in which he was an undisclosed director, to lease 130 teller machines to MNC. This transaction provided a substantial tax benefit to Stoddard. The Commission found that MNC failed to comply with many of the requirements of Form 10-K in its inadequate disclosures of the transactions described. In addition, MNC failed to disclose this transaction in its proxy statements.

MNC submitted an offer of settlement and undertaking under which it agreed inter alia, to: (1) establish a Review Committee of the Board of Directors to investigate all related party transactions; (2) comply with all provisions of the Federal securities laws; and (3) require all of its officers and directors to comply with the findings and orders of the Review Committee. The Commission accepted this settlement offer.

In the Matter of Playboy Enterprises, Inc., Securities Exchange Act Release No. 34-17059 issued August 13, 1980

The Commission instituted Administrative Proceedings under an order pursuant to Section 15(c)(4) of the Exchange Act with respect to Playboy Enterprises, Inc. ("Playboy"). The Commission found inter alia, that Playboy failed to make proper disclosure of certain forms of remuneration provided to its officers and directors, and in particular its CEO, chairman and majority shareholder Hugh Hefner ("Hefner") over an eight year period in our amount in excess of \$2 million.

Among the numerous benefits received by Hefner and improperly disclosed by Playboy were: (1) use of two opulent company mansions for personal entertainment and other non-business purposes; (2) refurbishment of Hefner's accommodations within those mansions; (3) use of video equipment, supplies and services while at the mansions; (4) direct payment of Hefner's personal entertainment expenses; (5) limousine service for Hefner, his guests, and other officers of the corporation; (6) use of a corporation aircraft for non-business purposes; (7) complimentary use of various hotels and clubs; and (8) similar remuneration and benefit plans for other officers of the corporation.

Simultaneously with the institution of the Proceedings, Playboy submitted an offer of settlement, consent and undertakings which the Commission accepted. Hefner also submitted to certain undertakings which required him to comply with the proxy and reporting requirements of the Exchange Act. Playboy and Hefner entered into the undertakings without admitting or denying the findings of the Commission.

In the Matter of Hycel, Inc., Securities Exchange Act Release No. 34-14981 issued July 20, 1978

The Commission instituted Administrative Proceedings under an order pursuant to Section 15(c)(4) of the Exchange Act with respect to Hycel Inc. ("Hycel"). The Commission found among other things, that Hycel did not disclose, as direct or indirect remuneration, amounts totaling \$103,469 as paid by Hycel to its Chairman Moran for which a business purpose was not shown in its reports filed with the Commission.

Simultaneously with the institution of the Proceedings, Hycel submitted and the Commission accepted an Offer of Settlement under which Hycel consented to the findings of the Commission. In addition, Hycel consented to an order directing it to among other things: (1) mail a Form 8-K to all shareholders; (2) comply with the reporting requirements of the Exchange Act; (3) amend its reports filed on Form 10-K during the period in question; and (4) develop a corporate policy for business travel and entertainment and a statement of corporate policy on changes to the company.

The Commission instituted Stop Order Proceedings pursuant to §8(d) of the Securities Act with regard to Franchard. The Commission's action was prompted by allegations that certain amendments to three registration statements filed with the Commission in an attempted public offering by Franchard failed to disclose material transactions between the issuer and its controlling stockholder and CEO Louis Glickman.

It was found that Glickman had transferred large sums from Franchard for use in his own ventures without Board approval or knowledge and, further, that he had pledged his controlling shares as security for high-interest loans, without disclosing these transactions in the registration statements in question or the amendments thereto. The Commission determined that these omissions in Franchard's effective filings were of material importance.

CASES INVOLVING ACCOUNTING PROVISIONS OF
THE FOREIGN CORRUPT PRACTICES ACT

MANIPULATION OR FALSIFICATION OF FINANCIAL DATA
EXAGGERATION OF COMPANY SALES AND ASSETS

SEC v. A.M. International, Inc., Civil Action No.
83-1256 (DDC May 2, 1983)

The Commission filed a civil injunctive action against A.M. International, Inc. ("AMI"), alleging violations of the anti-fraud, reporting, and accounting provisions of the federal securities laws. Without admitting or denying the allegations in the Complaint, AMI consented to the entry of a Final Judgment of Permanent Injunction and other Equitable Relief ("Final Judgment"), as described below.

According to the Commission's Complaint, during the period covered by the Complaint, AMI was engaged in the development, manufacture, sale and service of machines and supplies relating to document reproduction, graphics and information management. AMI's common stock was listed for trading on the New York Stock Exchange and other exchanges. For its 1980 and 1981 fiscal years (ended July 31) AMI reported revenues of \$909 million and \$652 million and pre-tax losses, before special items, of \$1.5 million and \$81 million, respectively. For the same periods, AMI reported net income of \$5.8 million and a net loss of \$245 million, respectively. On April 14, 1982, AMI voluntarily filed a Debtor Petition under Chapter XI of the U.S. Bankruptcy Code in the Northern District of Illinois.

The Commission's Complaint alleged that throughout its 1980 fiscal year and continuing in its 1981 fiscal year, AMI misrepresented to its shareholders and the public its consolidated financial condition and results of operations by improperly and arbitrarily making adjustments to certain of its allowance and accrual accounts and to its gross profit, attributing certain expenses and charges to periods other than those to which the expenses and charges were attributable, and inflating revenues and results of operations. Moreover, according to the Complaint, AMI failed to record on its books and records material amounts of adjustments to its results of operations which were necessary to present properly consolidated results of operations.

According to the Complaint, as a result of the above-described courses of business, AMI's consolidated financial statements were materially false and misleading in that results of operations, assets and shareholders' equity were overstated, liabilities understated, and statements of changes in financial position were misstated. Moreover, various notes to AMI's consolidated financial statements were false and misleading concerning, among other things, AMI's accounting policies, interim results of operations, unusual income, acquisitions, bank loans and long term debts and the income and financial condition of AMI's finance subsidiary.

During the period covered by the Complaint, AMI failed to make and keep books, records and accounts which, in reasonable detail, fairly and accurately reflected the transactions of and dispositions of, its assets. For example, AMI's books, records and accounts were improperly misstated with respect to, among other things, the period in which costs and expenses were incurred and revenues realized. Moreover, during the same period, AMI's system of internal accounting controls was materially deficient in that, among other things, it failed to permit the preparation of financial statements of AMI and certain of its subsidiaries in accordance with generally accepted accounting principles and to provide accountability for its assets.

AMI consented to the entry of a Final Judgment restraining and enjoining AMI from violating Section 17(a) of the Securities Act of 1933 and Sections 10(b), 13(a) and 13(b)(2) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, and 13a-13 promulgated thereunder. AMI has also undertaken, for a period of three years from the entry of the Final Judgment, to maintain an audit committee of nonmanagement members of its board of directors and to appoint no later than 90 days after confirmation of AMI's plan of reorganization two persons to serve as additional members of its board of directors and on its audit committee. In addition, AMI has undertaken to retain its independent auditors for a three year period to report on AMI's accounting system and procedures to assess the adequacy of its system of internal controls.

SEC v. Charles M. Stange and Herbert E. Burdett,
Civil Action No. 83-0762, (DDC, March 17, 1983)

The Commission filed a Complaint against Charles M. Stange ("Stange") and Herbert E. Burdett ("Burdett") the President and Vice president-Operations respectively of Security America Corp. The Complaint alleged that the defendants caused Security America to materially overstate its net worth in connection with a public offering. Specifically, the Complaint alleged that: (1) loss reserves for both assumed worker's compensation claims and direct insurance business were materially understated; (2) substantial cash-flow problems were not adequately disclosed; (3) a proposed settlement with a major primary insurer which required a material reduction in net worth and income was not disclosed; and (4) reserves were removed arbitrarily for reported claims in order to cover up an apparent deficiency in reserves for incurred but not reported claims. In addition, the Complaint alleged that defendants made or caused to be made materially false or misleading statements to Security America's accountants.

Defendants consented to the entry of Final Judgments of permanent injunctions from further violations of the anti-fraud provisions of the Securities Act and the Exchange Act and of the provisions of the Exchange Act relating to records and representations to accountants.

SEC v. William E. Nashwinter, Jr., Civil Action
No. 83-0064-R, (E.D. Va. February 2, 1983)

The Commission filed a complaint seeking injunctive relief against William E. Nashwinter ("Nashwinter"). The Complaint alleged that Nashwinter, while general manager of Doughtie's Foods filed or caused to be filed reports for the company which materially overstated its inventories, net income, and earnings per share. Specifically, the Complaint alleged that Nashwinter falsified the quantities of specific food items when compiling inventory from count sheets. Moreover, in an attempt to conceal his falsification of inventory reports and other records, Nashwinter submitted inflated count sheets to the company's independent auditors. In addition, the Complaint alleged that, later, in his capacity as vice president, Nashwinter made and caused to be made misleading statements to an accountant in connection with the annual audits of the financial statements of Doughtie's Foods.

Defendant consented to the entry of an Order of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, 13b2-1 and 13b2-2 promulgated thereunder.

SEC v. Jerald H. Maxwell and Larry A. Rasmusson,
No. 4-83 Civil 62, (D. Minn. January 20, 1983)

The Commission filed a Complaint seeking injunctive relief against Jerald H. Maxwell ("Maxwell"), former President and Chairman of Med General, Inc. and against Larry A. Rasmusson ("Rasmusson") former Executive Vice President. The Complaint alleged that Med General's sales and financial condition were overstated in certain filings through: (1) the inclusion of post-quarter sales in reported quarterly sales figures; (2) the improper deferral of expenses; (3) the failure to report material credit terms of sales; and (4) the recording of fictitious sales. In addition, the Complaint alleged that defendants falsified, or caused to be falsified, the company's books and records and thereby violated Section 13(b)(2)(A) of the Exchange Act and Rule 13b-2(1) thereunder. The Complaint sought injunctions from further violations of the antifraud, corporate filing and recordkeeping provisions of the Federal securities laws.

SEC v. Robert C. Kenney, Clifton D. West, and Maurice Mattalia, 83 Civ. 0425 (SDNY Jan. 13, 1983)

The Commission filed a Complaint against Robert C. Kenney, ("Kenney"), Clifton D. West ("West"), and Maurice Mattalia ("Mattalia") alleging violations of Sections 10(b), 13(a), 13(b)(2) and 14(a) of the Exchange Act as well as the Rules thereunder. Simultaneously with the filing of the Complaint, West and Mattalia consented to the entry of final judgments of Permanent Injunctions without admitting or denying the allegations contained in the Commission's Complaint. The Complaint alleges that present and former officers and employees of Saxon Industries, Inc. ("Saxon") and of its divisions and subsidiaries were engaged in a scheme to falsify the books and records of Saxon. [This action is related to the action instituted by the Commission on Sept. 9, 1982, wherein the Commission alleged that Saxon and several former Officers and/or Directors were directing and participating in a scheme to falsify Saxon's books and records. See, SEC v. Saxon Industries, Inc., et al., infra.]

SEC v. McCormick & Company, Inc., et al.,
Civil Action No. 82-5992, (DDC Dec. 21, 1982)

The Commission filed a Complaint seeking injunctive relief against McCormick & Company, Inc. ("McCormick") and David B. Michels ("Michels"), a former director of McCormick and the general manager of McCormick's Grocery Products Division. The Complaint alleges that defendants violated the reporting and accounting provisions of the Exchange Act.

The Complaint alleges that from at least December 1976, McCormick and Michels engaged in a scheme to inflate the company's reported earnings to meet profit objectives mandated by corporate management. The alleged scheme was accomplished by: (1) systematic deferral of the recognition of substantial amounts of advertising expenses; and (2) the recognition of sales revenues in a fiscal period that were not shipped until a later period. In addition, the Complaint alleges that McCormick, among other things, concealed these improper accounting practices from the company's auditors by making false statements to them, maintaining fictitious records which related to the accounting of these expenses and altering various documents, including shipping invoices and advertising bills. The Complaint alleges that as a result of these practices several of McCormick's filings with the Commission materially overstated the company's sales revenues, net income and retained earnings.

Simultaneously with the filing of the Complaint, the defendants consented to the entry of Final Judgments of Permanent Injunction from future violations of the reporting and accounting provisions of the Exchange Act and the rules thereunder including the rules relating to records and representations to accountants.

SEC v. Saxon Industries, Inc., et al., Civil
Action No. 82-5992, (SDNY Sept. 9, 1982)

The Commission filed a Complaint seeking injunctive relief against Saxon Industries, Inc. ("Saxon") and three of its Officers and/or Directors. The Complaint alleged, among other things, that the former President and the former Vice President-Finance of Saxon knowingly and wilfully falsified Saxon's books and records by the creation of non-existent inventory on the records of various divisions of Saxon. According to the Complaint the falsification was carried out

in three ways: false records were manually prepared and maintained; Saxon's computer was programmed to automatically add false figures to inventory levels; and non-existent inventory was transferred from one division to another. The defendants consented to the entry of final judgments which permanently enjoin them from violating Sections 10(b), 13(a), 13(b)(2) and 14(a) of the Exchange Act and the rules promulgated thereunder.

SEC v. William E. Tate, Civil Action No. H-82-0175(R), (S.D. Miss. Sept. 24, 1982)

The Commission filed a Complaint on September 24, 1982 charging William E. Tate ("Tate") with violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and the rules thereunder. The Complaint alleges that Tate, who was a plant manager of a wholly-owned subsidiary of the Dorsey Corporation ("Dorsey") falsified the production reports and other corporate records concerning the plant's operation. This resulted in an inventory overstatement in excess of \$1 million, thereby causing Dorsey to overstate its publicly reported net income. The Complaint states that the falsifications by Tate were made without the knowledge of any officer of Dorsey. Tate consented to an entry of final judgment, permanently enjoining him from violating Sections 13(a) and 13(b)(2)(A) and Rules 13a-1 and 13a-13 thereunder.

SEC v. Flight Transportation Corporation, Civil Action No. 4-82-874, (D. Minn. June 18, 1982)

The Commission filed a Complaint seeking, among other things, a temporary restraining order, a freeze on defendants' assets, and orders of permanent injunction against Flight Transportation Corporation ("Flight"), two of its wholly-owned subsidiaries, FTC Executive Air Charter, Inc. ("Executive") and FTC Cayman, Ltd. ("Cayman") and William Rubin ("Rubin"), President and Chief Executive Officer of Flight. The Complaint alleges various violations of the anti-fraud, filing, and accounting provisions of the Federal securities laws. The Commission's Complaint alleges in substance that from January 1, 1980 to the date of the Complaint, defendants filed three registration statements with the Commission which were materially false and misleading.

Specifically, the Complaint alleges that Executive reported revenues for 1980 and 1981 of \$1,332,000 and \$4,450,000 respectively, when in fact its actual revenues did not exceed \$600,000 per year. The Complaint also alleges that the gross revenues reported for Cayman had no basis in fact. The Complaint further alleges that from August 1981 to at least April 1982, Flight and its subsidiaries were experiencing serious cash shortages. In order to deal with the shortages, Rubin and others kited checks between various accounts of Flight and its subsidiaries.

The Complaint further alleges that Rubin purchased \$1 million of Flight stock with funds from Flight; that stock was never turned over to Flight; and that Rubin caused Flight's records to be altered to conceal his misappropriation. The Complaint also alleges that Rubin caused funds from Flight's bank accounts to pay for his classic car collection. In addition, Rubin sold airplanes to Flight at inflated prices realizing a profit of about \$400,000. On July 8, 1982, Flight, Executive, and Cayman consented to the entry of orders of preliminary injunction, and extension of an order appointing a receiver.

SEC v. Jack Friedland, et al., Civil Action No. 82-1748, (E.D. Pa. April 21, 1982)

The Commission filed a Complaint seeking permanent injunctions against Jack Friedland, Harold Friedland and Leo DiCandilo, all former officers and/or directors of Food Fair, Inc. ("Food Fair"). The Complaint alleges that the defendants variously violated and aided and abetted violations of the antifraud, reporting and accounting provisions of the federal securities laws with respect to periodic reports filed with the Commission by Food Fair and reports to shareholders. The Complaint alleges that such reports did not disclose the true amounts of accounts payable and the nature and support for certain accounting entries. The Complaint further alleges, that certain reports did not disclose that Food Fair was unable to meet its current financial obligations on a timely basis. It also alleges that Food Fair did not devise and maintain an adequate system of internal accounting controls. All defendants consented to the entry of Final Judgments permanently enjoining them from future violations. Jack Friedland was enjoined from violations of Sections 17(a), 10(b),

13(a), 13(b)(2) and 14(a); Harold Friedland was enjoined from violations of Section 14(a); and Leo DiCandilo was enjoined from violations of Sections 10(b), 13(a)(1) and 13(b)(2).

SEC v. William R. Bundy, et al., Civil Action No. IP81-1s350C (S.D. Ind. December 18, 1981)

The Commission filed a Complaint against William R. Bundy ("Bundy"), Ernesto Ancira ("Ancira"), Consolidated American Industries ("CAI"), Marion Charles Buchanan ("Buchanan") and Cayman Independent Petroleum Company ("CIPCO") for violations of the federal securities laws involving the sale of securities of Kokomo National Life Insurance Company ("Kokomo"). The Commission's Complaint charged defendants with various violations of the Securities Act and the Exchange Act. In addition, the Complaint charged the defendants with materially overstating the financial strength of Kokomo by distributing financial statements which showed Kokomo's net worth as approximately \$30 million, when in fact Kokomo's net worth was approximately \$3.3 million. It also alleged that Bundy caused Kokomo's failure to make and keep reasonably detailed and accurate accounting books and records, and its failure to devise and maintain a system of internal accounting controls.

Bundy, Ancira, and CAI consented to the entry of Final Judgments which enjoined them from violations of Sections 5 and 17(a) of the Securities Act and Section 10(b) of the Exchange Act. Bundy was also enjoined from violating the recordkeeping and internal accounting controls provisions of Section 13(b)(2) and the filing provisions of Section 15(d) of the Exchange Act.

SEC v. Data Access Systems, Inc., et al. Civil Action No. 81-3362 (D. N.J. Oct. 28, 1981)

The Commission filed a Complaint alleging, among other things, that an individual defendant violated Section 13(b)(2) and Rule 13b2-2 by making materially false and misleading statements to accountants in connection with audits of the financial statements of Data Access Systems, Inc. The Complaint alleged that about \$27 million treated as "sales" were improper because the Company remained at risk in the transactions involved. The Complaint also alleged that as

a result of the manipulation of the company's financial data it overstated its pre-tax earnings by about \$8.1 million for its 1978, 1979, and 1980 fiscal years and understated its liabilities by about \$17.1 million as of February 1981. Data Access was not charged with having violated Section 13(b)(2).

SEC v. Computer Communications, Inc. Civil Action No. 81-2590 (BDC Oct. 19, 1981)

The Commission filed a Complaint against Computer Communications, Inc. and several of the Company's officers alleging, among other things, violations of the recordkeeping provisions of the Federal securities laws. The Complaint alleged that the Company and the individual defendants had violated the provisions by engaging in a scheme which recorded revenue and income with respect to transactions which had not yet been consummated. The Complaint alleged that this scheme was effectuated to conceal the deteriorating financial condition of the company prior to a \$3.5 million public offering. The Complaint also alleged that certain defendants violated Rules 13b2-1 and 13b2-2 by falsifying or causing to be falsified, Company books and records, and by making materially false statements to accountants in connection with their audit of the Company's financial statements.

SEC v. Tiffany Industries, et al. Civil Action No. 81-1106-C (E.D. Mo. Sept. 10, 1981)

The Commission filed a Complaint against Tiffany Industries, Inc. ("Tiffany"), Joseph Simpkins ("Simpkins") and Abraham Appel ("Appel"), both senior officers of Tiffany, alleging violations of the antifraud, reporting, recordkeeping and proxy provisions of the Federal securities laws. In addition to other allegations, the Complaint charges that Tiffany and the individual defendants violated the recordkeeping requirement and Rule 13b2-1 thereunder by creating false records -- including backdated purchase orders, forged letters concerning purchase orders, and improper adjustments with respect to inventory -- as part of a scheme to exaggerate its sales and assets.

Tiffany and Appel consented to the entry of a Final Judgment enjoining them from violations of Section 17(a) of the Securities Act, Sections 10(b), 13(b)(2) and 14(a) of the Exchange Act, and Rules

promulgated thereunder. Simpkins also consented and was ordered not to violate Sections 17(a) and 17(a)(3) of the Securities Act and Sections 13(a), 13(b)(2) and 14(a)(3) of the Exchange Act and Rules thereunder.

SEC v. World-Wide Coin Investments, Ltd., Civil Action No. C-81-1642A (N.D. Ga. Aug. 31, 1981)

The Commission filed a Complaint against World-Wide Coin Investments, Ltd. and several individual defendants alleging violations of, among other things, the accounting provisions of the Exchange Act. The Complaint alleges that defendants failed to keep general ledgers and journals with respect to its transactions. The Commission also alleged that the defendants violated the internal accounting controls provisions of FCPA. Specifically, the Complaint stated that there was no documentation of certain purchases and sales of assets and inadequate controls over access to inventory. In this context, the Complaint also alleged that certain employees had written checks and removed cash and inventory of the Company without approval and/or without documentation.

On March 29, 1983, the Court entered a Final Judgment enjoining the defendants from, among other sections, the accounting provisions of the Exchange Act and requiring the individual defendants from retaining an independent auditor to perform an accounting of all company transactions and to return stock the the company.

SEC v. Torotel, Inc., et al. Civil Action No. 81-0116-CV-W-4 (W.D. Mo. Feb. 13, 1981)

The Commission filed a Complaint against Torotel, Inc. and its Chairman of the Board and President alleging violations of the anti-fraud, reporting and accounting provisions of the Federal securities laws. Among other things, the Complaint alleged that Torotel, Inc. and its subsidiaries routinely counted sales occurring after the end of an interim quarter as net sales for the quarter already ended, resulting in interim financial statements which were materially false and misleading. The Commission alleged that in furtherance of this scheme false documents were generated -- including false invoices, production records, shipping records, inventory transfers and computer runs of accounting and shipping records -- in order to create the appearance that goods were shipped before the quarter's end instead of after the calendar date.

It was further alleged that this manipulation of the financial data resulted in misstatements of the company's records by amounts ranging from \$200,000 to \$813,000 for each quarter involved. Defendants consented to the entry of Final Judgments enjoining them from violations of the related provisions of the Federal securities laws.

SEC v. Wyoming Coal Corporation, et al., Civil
Action No. C-79-312 (D. Wyo. October 15, 1979)

The Commission filed a Complaint against Wyoming Coal Corp. and Jack C. Bradley, Jr. ("Bradley") seeking to enjoin them from violations of the bookkeeping requirements and the periodic reporting requirements of the Federal securities laws. The Complaint alleged that since December of 1977 Wyoming Coal aided and abetted by Bradley failed to make and keep books, records and accounts which reasonably reflected the transactions and dispositions of the assets of Wyoming Coal and failed to devise an adequate system of internal accounting controls. Defendants consented to the entry of Final Judgments enjoining them from future violations of said provisions.

UNAUTHORIZED MANAGEMENT PERQUISITES

SEC v. Harry Scharf, et al., Civil Action No. 83-0891 (DDC March 29, 1983)

On March 29, 1983, the Commission filed a civil injunctive action against Harry Scharf, Stanley I. Miller, Marvin Koppelman, J.M. Home & Office Products, Incorporated, and Pentron Industries. The Complaint alleges violations of the antifraud, reporting, record-keeping and proxy provisions of the Exchange Act.

The Commission's Complaint alleges that, from about July 1973 to about July 1976, Scharf, the former president, and Miller, a former sales manager of Pentron, engaged in a scheme to divert funds from Pentron by issuing checks to Miller which were recorded on Pentron's books as sales promotion expenditures. Although Scharf and Miller claimed they were buying business with these funds, it is alleged that they in fact divided the proceeds from these checks between themselves for their personal use and benefit. The Complaint further alleges that from July 1976 through March 1982, Scharf and Miller entered into a scheme with Koppelman and J.M., one of the Pentron's sales representatives located in New York City, to divert funds from Pentron to J.M., in the guise of commissions and reimbursements for expenses, and, upon receipt of such diverted funds, to divided them among Scharf, Miller and Koppelman. The Complaint further alleges that as a result of such activities, Pentron's annual and quarterly reports and its proxy solicitation materials for the years 1973 through 1982 were rendered false and misleading and that, in furtherance of the defendants' scheme, Scharf, Miller, Koppelman, and J.M. falsified and caused the falsification of books, records, and accounts of Pentron.

Concurrently with the filing of the Complaint, the Court entered a Final Judgment of Permanent Injunction against Pentron, enjoining it from further violations of reporting, recordkeeping, and proxy provisions of the Exchange Act. Pentron consented to the entry of the Final Judgment without admitting or denying the allegations in the Commission's Complaint. The individual defendants are litigating this matter.

SEC v. Hermetite Corp., et al., Civil Action No. 82-1332 (DDC May 4, 1982)

The Commission filed a Complaint against Hermetite Corp., Morton Ladge (the President, Treasurer and a Director), Sheldon I. Avaratin (former Senior Vice President), and Samuel Gilman (former bookkeeper) seeking injunctive and other equitable relief. The Complaint alleged that the defendants violated, among other things, the books and records and internal controls provisions of the FCPA. The Complaint also alleged that Hermetite, Ladge and Avaratin violated the antifraud, reporting and shareholder information provisions of the Exchange Act in connection with Hermetite's method of accounting for inventory and reporting of management remuneration for at least 1977 to 1980. The Complaint also alleged that Gilman embezzled in excess of \$235,000 from Hermetite and falsified the books, records and accounts of Hermetite.

Simultaneously with the filing of the Complaint, Hermetite, Ladge and Avaratin consented to the entry of Final Judgments enjoining them from violations of said provisions. In addition, Ladge and Avaratin undertook to pay to Hermetite \$30,000 and \$12,000 respectively, for funds they allegedly received from Hermetite which were unauthorized and/or unrelated to the company's business. On September 15, 1982 Gilman consented to the entry of a Final Order of Permanent Injunction enjoining him from violations of the record-keeping provisions of the Exchange Act.

SEC v. Marlene Industries, et al., 79 Civ. 1959, (SDNY April 17, 1979)

The Commission filed a Complaint against Marlene Industries Corp. and its principal officers and directors, Charles Meltzer and Samuel Meltzer alleging violations of the anti-fraud, reporting and proxy provisions of the Exchange Act, as well as the record-keeping and internal controls provisions of the FCPA. The Complaint alleged that corporate assets were diverted for the personal use of the Meltzers and that corporate controls were inadequate to monitor the expenditure of Marlene's assets by corporate insiders. Defendants consented to the entry of Final Judgments enjoining them from violations and the individual defendants consented to repay a total of \$110,000 to the company.

In the Matter of Telex Corporation, Securities Exchange Act Release No. 34-18694 issued April 29, 1982)

The Commission instituted an administrative proceeding pursuant to Section 15(c)(4) of the Exchange Act with respect to the Telex Corporation. The proceedings were instituted to determine whether the books, records, and accounts Telex made and kept and the system of internal accounting controls it devised and maintained during December, 1977 through May 1981, with respect to perquisites and benefits granted to and related-party transactions with its former Chief Executive Officer, failed to comply in any material respect with the provisions of Section 13(b)(2) of the Act.

Simultaneous with the institution of the proceedings, Telex submitted an Order of Settlement wherein Telex agreed to consent to the issuance of the Commission's Order, without admitting or denying any of the matters set forth therein.

In the Matter of Playboy Enterprises, Inc., Securities Exchange Act Release No. 34-17059 issued Aug. 13, 1980)

The Commission instituted an administrative proceeding pursuant to Section 15(c)(4) of the Exchange Act with respect to Playboy Enterprises, Inc. The Commission found that Playboy's audit committee had determined that officers and directors received in excess of \$2 million in personal benefits during an eight year period, and that unauthorized personal benefits had been repaid to the company. In this context the Commission found that Playboy violated Section 13(b)(2) because it "lacked an adequate system of internal accounting controls for distinguishing between business and nonbusiness . . . expenses of officers." Simultaneously with the institution of these proceedings Playboy submitted an Offer of Settlement in order to dispose of the issues raised in the proceeding. Playboy consented to the Findings and Order of the Commission, without admitting or denying any of the findings therein.

QUESTIONABLE OR ILLEGAL CORPORATE PAYMENTS

SEC v. Crown Cork & Seal Co., Inc., Civil Action No. 81-2065 (DDC Sept. 2, 1981)

The Commission filed a Complaint seeking injunctive and other relief against Crown Cork & Seal Co. ("Crown Cork") alleging violations of the anti-fraud, periodic reporting and books and records provisions of the Exchange Act. The Complaint alleged that Crown Cork made 42 payments to Pasha Services Corporation from October 1970 through October 1978, which amounted to about \$5.9 million. It was further alleged that Pasha Services Corp. was controlled by a senior officer of one of Crown Cork's major customers; that the payments were recorded by Crown Cork as competitive allowances, discounts or rebates; and that approximately \$5.1 million was diverted to the benefit of the senior officer that controlled Pasha Services Corp. The Complaint alleged that Crown Cork violated the record-keeping requirement because it was reckless in not knowing that the payments were for the personal benefit of the individual involved rather than for the purposes stated.

Simultaneously with the filing of the Complaint, Crown Cork consented to the entry of a Final Order of Permanent Injunction from future violations of Sections 10(b), 13(a), 13(b)(2)(A) of the Exchange Act, and Rules 10b-5, 12b-20, and 13a-1 thereunder. [This action is related to SEC v. Herbert G. Paige et al., Civil Action No. 81-2666 (DDC Sept. 2, 1981).]

SEC v. International Systems & Controls Corp., et al., Civil Action No. 79-1760 (DDC July 9, 1979)

The Commission filed a Complaint alleging, among other things, that International Systems & Controls Corp. ("ISC") paid more than \$23 million through one or more subsidiaries to certain foreign persons and entities in order to assist the company in securing certain contracts. The Complaint alleges that in furtherance of this scheme ISC disguised such payments on its books and records as consulting fees, consulting services, agent's fees or commissions. The Complaint also alleged that ISC violated the internal accounting controls provisions by failing to devise an adequate