

\$2.01 (approximately 44%) from the prior trading day's closing price; 2.3 million ACR Group shares were traded on July 5, compared to the historical average daily volume of approximately 36,000 shares.

3. Randolph Leone, a physician residing in Dallas, Texas, learned of the pending ACR Group/Watsco transaction on July 1, when the wife of ACR Group's in-house general counsel telephoned her sister (Leone's wife) to explain why they were delayed in departing for a joint family vacation. Specifically, she told Mrs. Leone of ACR Group's pending acquisition by another company, explicitly instructing Mrs. Leone that the information was confidential. Leone, who was in the car with his wife at the time of this conversation, overheard it and a second, similar, conversation that occurred on July 2. He understood that the information was confidential and knew that the source, either directly or indirectly, was an employee of ACR Group. Nevertheless, he purchased 4,000 ACR Group shares on July 2, while in possession of that material, nonpublic information. He tendered the shares on August 10, 2007, profiting \$7,866.00.

4. Randall Clark Wall, a former employee of a supplier to both ACR Group and Watsco ("the supplier"), learned of the pending ACR Group/Watsco transaction from his supervisor, who was informed of the deal, in confidence, by Watsco's senior vice president as a step towards concluding Watsco's negotiation with ACR Group. The disclosure to Wall's supervisor occurred at a meeting on Wednesday, June 13, 2007, with express instructions by Watsco's senior vice president that the supplier was receiving confidential information and must keep that information confidential. Shortly thereafter, Wall's supervisor informed Wall, again expressly noting that the information was confidential. Wall knew or had reason to know that

the information he received was, directly or indirectly, from employees of ACR Group and that it was nonpublic. Nevertheless, while in possession of this material nonpublic information, Wall, on June 25, 2007, purchased 3,000 ACR shares. He ultimately sold those shares, realizing a profit of approximately \$6,243.00.

5. By reason of their activities, Defendants violated Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [[15 U.S.C. §§ 78j(b) and 78n(e)] and Rules 10b-5 and 14e-3 [17 C.F.R. § 240.10b-5 and 17 C.F.R. § 240.14e-3] thereunder. The Commission, in the interest of protecting the public from any further violations of the federal securities laws, brings this action against Defendants seeking permanent injunctive relief, appropriate civil money penalties, and disgorgement of ill-gotten gains plus prejudgment interest.

II. Jurisdiction and Venue

6. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The Commission seeks the imposition of civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

7. This Court has jurisdiction over this action under Sections 21(d), 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u-1 and 78aa].

8. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint.

9. Venue is proper because certain of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Northern District of Texas.

III. Defendants

10. Randolph Leone, age 45, is a physician, residing in Dallas, Texas. During the relevant period, his wife was the sister-in-law of ACR Group's Senior Vice President and General Counsel.

11. Randall Clark Wall, age 49, is a former manager of a significant supplier of product to both ACR Group and Watsco. He currently resides near Nashville, Tennessee.

IV. Related Entities

12. During the relevant time period, Watsco was a large distributor of air conditioning, heating and other HVAC-related products based in Miami, Florida. Its securities are registered with the Commission pursuant to Section 12(g) of the Exchange Act and its common stock trades on the New York Stock Exchange, with the trading symbol "WSO."

13. During the relevant time, ACR Group, Inc., was a publicly traded company based in Houston that distributed air conditioning, heating and other HVAC-related products. Its securities were traded on the American Stock Exchange, under the symbol "BRR."

V. Statement of Facts

14. On July 5, 2007, at 8:00 a.m., it was publicly announced that ACR Group had executed a definitive agreement with Watsco, pursuant to which Watsco would acquire ACR Group's outstanding common stock for \$6.75 per share in cash. On July 5, the closing last sale price of ACR Group was \$6.61, a roughly 44% increase from the previous day's closing price. On July 5, approximately 2.3 million ACR Group shares were traded, compared to ACR Group's historical daily trading volume of approximately 36,000 shares.

15. On July 1, 2007, Leone and his family were scheduled to take a joint family vacation with the family of ACR Group's general counsel. The general counsel's wife and Leone's wife are sisters. On July 1, the general counsel's wife telephoned Leone's wife to inform her that the general counsel's family would not begin the vacation on time. To explain the delay, she reported that the general counsel was working on issues related to an acquisition of his employer, ACR Group. She also instructed Ms. Leone that this information was confidential and must remain so. Leone overheard this conversation. He overheard a similar conversation on July 2, when the general counsel's wife telephoned to update the Leone family as to the status of the vacation. Later that day, on July 2, Leone directed his broker to purchase 4,000 shares of ACR Group stock. He tendered those shares on August 10, reaping a profit of \$7,866.00.

16. Leone possessed material nonpublic information about Watsco's prospective acquisition of ACR Group when he purchased his ACR Group shares on July 2. He knew, or was reckless in not knowing that the information he indirectly obtained from ACR Group's in-house counsel was material and nonpublic.

17. Leone, knew, or was reckless in not knowing, that he had obtained this material nonpublic information indirectly from ACR Group's in-house counsel and that his actions, therefore, were in violation of a fiduciary duty of confidentiality.

18. On Wednesday, June 13, 2007, Watsco's senior vice president and other members of Watsco's senior management, met with senior management of the supplier, including Wall's supervisor. At that meeting, Watsco's senior vice president informed the supplier's president (Wall's supervisor) of the pending acquisition of ACR Group by Watsco. He did so because, in Watsco's view, it was critical to ascertain whether the supplier would oppose Watsco's acquiring

of the distribution contracts previously held by ACR. Watsco's senior vice president expressly told the supplier's president that the acquisition information was confidential and must remain so.

19. The supplier's president obtained permission from Watsco's senior vice president to inform at least some of his staff so that they could help him gather information necessary to respond to Watsco's inquiry. Accordingly, shortly after the June 14 meeting, and prior to June 25, 2007, the supplier's president informed Wall of the pending acquisition and tasked him with compiling certain information related to the supplier's contracts with ACR Group. He instructed Wall that the information was confidential and must remain so.

20. On June 25, 2007, despite knowing that he possessed important nonpublic information about Watsco's acquisition of ACR Group, Wall purchased 3000 shares of ACR Group. Wall ultimately sold the shares, realizing profit of \$6,243.00.

21. Wall possessed material nonpublic information about Watsco's prospective acquisition of ACR Group when he purchased his ACR Group shares on June 25. He knew, or was reckless in not knowing, that the information he obtained indirectly from Watsco's senior management was material and nonpublic.

22. Wall, knew, or was reckless in not knowing, that he had obtained this material nonpublic information indirectly from Watsco's senior management on condition of confidentiality and that his actions, therefore, were in violation of a fiduciary duty of confidentiality.

CLAIMS

I.

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] Thereunder by Defendants

19. Plaintiff Commission repeats and incorporates by reference paragraphs 1 through 18 of this *Complaint* as if set forth *verbatim* herein.

21. In breach of their duties, and for their personal benefit, Defendants Leone and Wall purchased ACR Group stock on the basis of material nonpublic information. Defendants each knew or were reckless in not knowing that the information in each of their possession was material and nonpublic and that trading on the basis of the information was improper and in breach of each of their duties.

22. Through their actions as alleged above, defendants Leone and Wall, with scienter:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon persons, including purchasers and sellers of securities;
- d. in connection with the purchase or sale of securities, by use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange.

23. By reason of the foregoing acts and practices, Defendants violated and, unless

enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.

Violations of Section 14(e) of the Exchange Act and Rule 14e-3 Thereunder by Defendants

24. Paragraphs 1-23 are realleged and incorporated by reference.

25. By June 25, 2007, substantial steps had been taken to commence a tender offer for the securities of ACR Group by Watsco. At the time Leone and Wall purchased ACR Group stock on, respectively July 2 and June 25, each was in possession of material information regarding the tender offer for ACR Group securities by Watsco, which each knew or had reason to know was nonpublic, and which each knew or had reason to know was acquired directly or indirectly from an officer, director, partner, or employee or other person acting on behalf of the offering company.

26. By reason of the foregoing, Defendants Wall and Leone violated, and unless enjoined, will continue to violate Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 [17 C.F.R. § 240.14e-3] thereunder.

PRAYER FOR RELIEF

The Commission respectfully requests that this Court enter a judgment:

(i) permanently enjoining Defendants from violating Section 10(b) and 14(e) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(e)] and Rules 10b-5 and 14e-3 [17 C.F.R. §§ 240.10b-5 and 240.14e-3] thereunder;

(ii) ordering Defendants to pay civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1] for their violations of the federal securities laws as alleged

herein;

(iii) ordering Defendants to disgorge all ill-gotten gains from the conduct alleged herein, with prejudgment interest; and

(iv) granting such other relief, both in law and in equity, as this Court may deem just and appropriate.

Dated this 29th day of September, 2008.

Respectfully submitted,



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