

sec news digest

Issue 94-192

October 7, 1994

COMMISSION ANNOUNCEMENTS

Following is a schedule of Commission meetings which will be conducted under provisions of the Government in the Sunshine Act. In general, the Commission expects to follow a schedule of holding open meetings on Wednesday mornings. Otherwise, meetings will be scheduled according to the requirements of agenda items under consideration.

Visitors are welcome at all open meetings, insofar as space is available.

Meetings will be held in the Commission Meeting Room, Room 1C30, at the Commission's headquarters building, 450 Fifth Street, N.W., Washington, D.C. Persons wishing to photograph or videotape Commission meetings must obtain permission in advance from the Secretary of the Commission. Persons wishing to tape record a Commission meeting should notify the Secretary's office 48 hours in advance of the meeting.

Any member of the public who requires auxiliary aids such as a sign-language interpreter or material on tape to attend a public meeting should contact Nancy Wolynetz, Office of Administrative and Personnel Management, to make arrangements. Ms. Wolynetz can be reached at (202) 942-4091 or at a TTY number (202) 942-4075. Staff members at the Commission are encouraged to contact Ms. Wolynetz if they receive inquiries on availability of auxiliary aids.

OPEN MEETING - THURSDAY, OCTOBER 13, 1994 - 11:00 A.M.

The subject matter of the open meeting scheduled for Thursday, October 13, 1994, at 11:00 a.m., will be:

1. The Commission is considering the adoption of amendments to the proxy rules applicable to registered investment companies under the Investment Company Act of 1940 and the Securities Exchange Act of 1934. The amendments would revise the information required in investment company proxy statements. For further information, please contact Kathleen K. Clarke at (202) 942-0724.

2. The Commission will consider whether to issue a concept release concerning the effectiveness of the current safe harbor for forward-looking information set forth in Securities Act of 1933 Rule 175 and Securities Exchange Act of 1934 Rule 3b-6. The concept release would solicit public comment on the effectiveness of the current safe harbor as well as various proposals to amend the safe harbor. The Commission also will consider whether, given the significance of these matters, public hearings should be conducted. For further information, please contact Amy Bowerman, Kevin C. Bruce or Andrew A. Gerber at (202) 942-2900.

CLOSED MEETING - THURSDAY, OCTOBER 13, 1994 - FOLLOWING THE OPEN MEETING

The subject matter of the closed meeting scheduled for Thursday, October 13, 1994, following the 10:00 a.m. open meeting will be: Institution of administrative proceedings of an enforcement nature; Settlement of administrative proceedings of an enforcement nature; Institution of injunctive actions; and Opinion.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary (202) 942-7070.

ENFORCEMENT PROCEEDINGS

DAVID RICE BARRED

The Commission announced that it has entered an Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (Order) against David Jeffrey Rice (Rice) and has simultaneously accepted Rice's offer of settlement. The Order which institutes public administrative proceedings pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934, bars Rice from association with any broker, dealer, municipal securities dealer, investment company or investment adviser. Rice consented to entry of the Order without admitting or denying the findings therein.

The Order was based on findings that from August 1990 through August 1993, Rice conducted a fraudulent scheme wherein he misappropriated at least \$3.7 million by making unauthorized cash withdrawals from his customers' accounts at PaineWebber. He used at least \$1.5 million of the customers' funds to finance his personal investments and living expenses. The Order further finds that Rice acted as an unregistered broker-dealer by selling his customers certain investments that were not authorized for sale by PaineWebber. (Rel. 34-34754)

ORDER MAKING FINDINGS AND INSTITUTING REMEDIAL SANCTIONS ENTERED AGAINST
BERNHARD MANKO

The Commission has accepted an offer by Bernhard F. Manko (Manko) to settle an administrative proceeding which was instituted against him on May 10, 1994. Manko consented to the issuance of an Order Making Findings And Imposing Remedial Sanctions, without admitting or denying the findings, barring him from association with any broker, dealer, investment adviser, investment company, or municipal securities dealer with a right to reapply with the appropriate self-regulatory organization, or, where there is none, with the Commission, after a period of five years. The institution of the administrative proceeding against Manko was based upon his criminal conviction in the United States District Court for the Southern District of New York (United States v. Bernhard F. Manko, a/k/a "Fred," and Jon Edelman, 89 Cr. 91 (S.D.N.Y. 1991), aff'd, 979 F.2d 900 (2d Cir. 1992), cert. denied, U.S., 113 S. Ct. 2993 (1993)). Manko was convicted on twenty-three counts of felony tax fraud in violation of 26 U.S.C. §§ 7206(1) and 7206(2) and one felony count under 18 U.S.C. § 371 for conspiring to defraud the Internal Revenue Service. (Rel. 34-34755)

ADMINISTRATIVE PROCEEDINGS INSTITUTED AGAINST JOAN CONAN

The Commission issued an Order Instituting Proceedings, Making Findings, and Imposing Remedial Sanctions (Order) against Joan Conan (Conan). Conan was formerly employed as a portfolio manager by a registered investment adviser (Adviser).

Conan, without admitting or denying the Commission's findings, consented to the issuance of the Order, which finds that Conan violated certain antifraud and recordkeeping provisions of the federal securities laws. The Order found that, in February 1987, Conan breached her fiduciary duty by purchasing for herself 50,000 warrants issued by Champion Parts Rebuilders, Inc. for \$12,500, without disclosing the purchase to the Adviser or the clients and without obtaining their prior or subsequent consent. Less than one month later, Conan resold the warrants for \$225,000. Conan had learned of the warrants in her capacity as portfolio manager. The warrants were an investment opportunity of limited availability which would have been an appropriate investment for the portfolios she managed and one in which those portfolios were financially and legally able to invest. Conan concealed these transactions in violation of the Adviser's compliance procedures.

The Order bars Conan from association with any broker, dealer, municipal securities dealer, investment adviser, or investment company and orders her to cease and desist from committing or causing any violation and any future violation of the above-referenced statutory provisions. (Rel. 34-34756; IA-1446)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST GREGORY MUMTAZ HASHO

The Commission has instituted public administrative and cease and desist proceedings, pursuant to Sections 15(b), 19(h) and 21C of the Securities Exchange Act of 1934 (Exchange Act), against Gregory Mumtaz Hasho (Hasho). The Order Instituting Proceedings (Order) alleges that from in or about May 1988 to in or about January 1990 Hasho was the de facto branch manager of the Garden City, New York branch office of J.T. Moran & Co., Inc. (Moran), a now-defunct broker-dealer.

The Order further alleges that Hasho willfully aided and abetted violations of the antifraud provisions of the federal securities laws by five Moran registered representatives, or, alternatively, that Hasho failed reasonably to supervise the five registered representatives with a view to preventing such violations, pursuant to Section 15(b)(4)(E) of the Exchange Act.

In addition, the Order alleges that Hasho failed reasonably to supervise the five registered representatives with a view to preventing them from committing other violations of the antifraud provisions of the federal securities laws, pursuant to Section 15(b)(4)(E) of the Exchange Act.

A hearing will be scheduled to determine whether the allegations against Hasho are true, and, if so, what remedial action, if any, is appropriate in the public interest and whether a cease and desist order should issue. (Rel. 34-34757)

ADMINISTRATIVE PROCEEDINGS INSTITUTED AGAINST ROBERT HILLARD

The Commission announced that it instituted previously authorized public administrative proceedings against Robert Earl Hillard (Hillard) of St. Louis, Missouri, pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 (Exchange Act) to determine whether he failed reasonably to supervise within the meaning of Section 15(b)(4)(E) of the Exchange Act and, if so, what remedial action, if any, should be taken against him. Hillard is alleged to have failed reasonably to supervise registered representatives under his control with a view to preventing their violations of the federal securities laws. (Rel. 34-34778)

IN THE MATTER OF CIRO INC.

The Commission today announced that it instituted and settled administrative proceedings against Ciro Inc. (Ciro), a retailer of high-quality imitation jewelry with administrative and executive offices located in New York and Ft. Lauderdale, Florida. Without admitting or denying the findings therein, Ciro consented to the issuance of an Order finding that Ciro violated the antifraud and corporate reporting provisions of the Securities Exchange Act of 1934 (Exchange Act) and ordering Ciro to cease and desist from committing or causing any violation or future violation of Sections 10(b), 13(a), and 13(b)(2) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-13, and 13b2-1 thereunder.

The Order finds that Ciro filed periodic reports for the fiscal years 1989 through 1992 that contained materially false and misleading information. Specifically, the financial statements contained in Ciro's annual report filed on Form 10-K for the year ended December 31, 1991 falsely reflected revenues of \$43.9 million and net income before taxes of \$1.1 million. Ciro thereby overstated net income before taxes by 3.6 million, reducing Ciro's reported net income of \$1.1 million to a \$2.4 million loss. Further, Ciro's books and records for the 1992 fiscal year contained overstatements of net income totalling approximately \$4.4 million. Ciro's Forms 10-Q filed for the period March 31, 1991 through September 30, 1992 reflect corresponding misstatements and overstatements.

Further, Ciro's Forms 10-K for the fiscal years 1989 through 1991 failed to disclose that Jack Levine formerly Ciro's president and chief executive officer, had filed for personal bankruptcy protection in October 1987 as a result of a judgment rendered against him for fraud, conversion, unjust enrichment, breach of contract and violation of the federal racketeering statutes. (Rel. 34-34767; AAE Rel. 612)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST RICHARD CHEMA

The Securities and Exchange Commission announced that administrative and cease and desist proceedings have been instituted against Richard D. Chema. The Commission's Order alleges that Chema aided and abetted and caused a manipulation of the stock of James Madison, Ltd. (JML), by John G. Broumas, a former JML director. In September 1991, Broumas was enjoined from future violations of the antifraud and manipulation provisions of the Exchange Act in connection with his manipulation of JML stock (SEC v. John G. Broumas, C.A. No. 91-2449, D.D.C). The Order alleges that Broumas conducted his manipulation involving 560 wash trades, matched orders and trades that marked-the-close in JML, through 29 accounts at 14 broker-dealers.

It is alleged that Broumas conducted a portion of his manipulation through 3 accounts that he maintained at H. Beck, Inc., a registered broker-dealer, and through 4 nominee accounts at H. Beck that Broumas controlled. The Order alleges that Chema, Broumas' account representative at H. Beck, aided and abetted and caused Broumas' violations of Sections 9(a)(1), 9(a)(2) and 10(b) of the Exchange Act and Rule 10b-5 thereunder, by executing approximately 119 wash trades and 18 trades that marked-the-close in JML.

The Order seeks appropriate remedial action and the imposition of a cease and desist order. (Rel. 34-34768)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST RONALD LARA AND RICHARD KULAK

The Securities and Exchange Commission announced that administrative and cease and desist proceedings have been instituted against E. Ronald Lara and Richard M. Kulak. The Commission's Order alleges that Lara and Kulak aided and abetted and caused a manipulation of the stock of James Madison, Ltd. (JML), by John G. Broumas, a former JML director. In September 1991, Broumas was enjoined from future violations of the antifraud and manipulation provisions of the Exchange Act in connection with his manipulation of JML stock. The Order alleges that Broumas conducted his manipulation involving 560 wash trades, matched orders and trades that marked-the-close in JML.

The Order seeks appropriate remedial action and the imposition of a cease and desist order. (Rel. 34-34769)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST ADRIAN HAVILL

The Securities and Exchange Commission announced that administrative and cease and desist proceedings have been instituted against Adrian C. Havill. The Commission's Order alleges that Havill aided and abetted and caused a manipulation of the stock of James Madison, Ltd. (JML), by John G. Broumas, a former JML director. In September 1991, Broumas was enjoined from future violations of the antifraud and manipulation provisions of the Exchange Act in connection with his manipulation of JML stock. The Order alleges that Broumas conducted his manipulation involving 560 wash trades, matched orders and trades that marked-the-close in JML, through 29 accounts at 14 broker-dealers.

It is alleged that Broumas conducted a portion of his manipulation through an account he maintained at Scott & Stringfellow, a registered broker-dealer. The Order alleges that Havill, Broumas' account representative at Scott & Stringfellow, aided and abetted and caused Broumas' violations of Sections 9(a)(1), 9(a)(2) and 10(b) of the Exchange Act and Rule 10b-5 thereunder, by executing approximately 7 wash trades and 30 trades that marked-the-close in JML.

The Order seeks appropriate remedial action and the imposition of a cease and desist order. (Rel. 34-34770)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST SHARON GRAHAM, STEVEN VOSS AND JAMES PASZTOR

The Securities and Exchange Commission announced that administrative and cease and desist proceedings have been instituted against Sharon M. Graham, Steven C. Voss and James J. Pasztor. The Commission's Order alleges that Graham aided and abetted and caused a manipulation of the

stock of James Madison, Ltd. (JML), by John G. Broumas, a former JML director. In September 1991, Broumas was enjoined from future violations of the antifraud and manipulation provisions of the Exchange Act in connection with his manipulation of JML stock (SEC v. John G. Broumas, C.A. No. 91-2449, D.D.C). The Order alleges that Broumas conducted his manipulation involving 560 wash trades, matched orders and trades that marked-the-close in JML, through 29 accounts at 14 broker-dealers.

It is alleged that Broumas conducted a portion of his manipulation through 3 accounts that he maintained at Voss & Co., Inc., a registered broker-dealer. The Order alleges that Graham aided and abetted and caused Broumas' violations of Sections 9(a)(1) and 10(b) of the Exchange Act and Rule 10b-5 thereunder, by executing approximately 60 of Broumas' 75 wash trades and matched orders through Voss & Co. The Order further alleges Voss, the president of Voss & Co., and Pasztor, Voss & Co.'s former compliance director, failed to supervise Graham with a view toward preventing her violations.

The Order seeks the appropriate remedial action and the imposition of a cease and desist order. (Rel. 34-34771)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST CAROLE HAYNES

The Securities and Exchange Commission announced that administrative and cease and desist proceedings have been instituted against Carole L. Haynes. The Commission's Order alleges that Haynes aided and abetted and caused a manipulation of the stock of James Madison, Ltd. (JML), by John G. Broumas, a former JML director. In September 1991, Broumas was enjoined from future violations of the antifraud and manipulation provisions of the Exchange Act in connection with his manipulation of JML stock (SEC v. John G. Broumas, C.A. No. 91-2449, D.D.C). The Order alleges that Broumas conducted his manipulation involving 560 wash trades, matched orders and trades that marked-the-close in JML, through 29 accounts at 14 broker-dealers.

It is alleged that Broumas conducted a portion of his manipulation through 3 accounts that he maintained at First Potomac Investment Services, Inc., a registered broker-dealer, and through 3 nominee accounts at First Potomac that Broumas controlled. The Order alleges that Haynes, the owner and president of First Potomac, and Broumas' account representative, aided and abetted and caused Broumas' violations of Sections 9(a)(1) and 10(b) of the Exchange Act and Rule 10b-5 thereunder, by executing approximately 61 wash trades and matched orders in JML.

The Order seeks appropriate remedial action and the imposition of a cease and desist order. (Rel. 34-34772)

CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST L. LAWTON ROGERS

The Securities and Exchange Commission announced that cease and desist proceedings have been instituted against L. Lawton Rogers. The Commission's Order alleges that Rogers was a cause of a manipulation of the stock of James Madison, Ltd. (JML), by John G. Broumas, a former JML director. In September 1991, Broumas was enjoined from future violations of the antifraud and manipulation provisions of the Exchange Act in connection with his manipulation of JML stock (SEC v. John G. Broumas, C.A. No 91-2449, D.D.C). The Order alleges that Broumas conducted his manipulation involving 560 wash trades, matched orders and trades that marked-the-close in JML, through 29 accounts at 14 broker-dealers.

It was alleged that Rogers, a patent attorney in Alexandria, Virginia, was a cause of Broumas' violations of Sections 9(a)(1) and 10(b) of the Exchange Act and Rule 10b-5 thereunder. The Order alleges that, at Broumas' direction, Rogers placed approximately 19 matched orders and wash trades for JML stock through 3 brokerage accounts maintained by Rogers. The Order further alleges that Rogers maintained a joint checking account with Broumas which Broumas used to pay for Rogers' JML stock purchases. In addition, it is alleged that the proceeds from Rogers' stock sales were deposited into this account and taken by Broumas.

The Order seeks the imposition of a cease and desist order against Rogers. (Rel. 34-34773)

CEASE AND DESIST ORDER IMPOSED AGAINST HARVEST INTERNATIONAL OF AMERICA, INC. AND ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ROBERT GORDON

The Commission has instituted cease and desist proceedings, made findings and imposed a cease and desist order (Order) against Harvest International of America, Inc. (Harvest) and its chairman and chief executive officer, Robert Paul Gordon (Gordon), both of St. Petersburg, Florida. The Commission has accepted Offers of Settlement in which Harvest and Gordon consented, without admitting or denying the Commission's findings, to entry of the Order which contains findings by the Commission that Harvest and Gordon violated the antifraud provisions of the federal securities laws by selling securities of Harvest while misrepresenting and omitting to state material facts relating to the true nature of the securities and the conversion and registration features of the securities.

The Order requires Harvest and Gordon to cease and desist from committing or causing violations or future violations of the antifraud provisions of the federal securities laws. (Rel. 34-34774)

PROCEEDINGS INSTITUTED AGAINST FRANCIS O'REILLY, C.P.A., AND RAYMOND STANKEY, C.P.A.

The Commission instituted administrative proceedings pursuant to Rule 2(e) of the Commission's Rules of Practice against Francis J. O'Reilly and Raymond Stankey, certified public accountants. O'Reilly served as the independent auditor for Atratech, Inc. and audited the company's financial statements included in Atratech's Form 10-K filed for the company's fiscal year ended 1989 (1989 Form 10-K). Stankey served as the controller of Atratech during 1990. O'Reilly and Stankey simultaneously offered to settle the Commission's administrative claims and consented to an order permanently denying them the privilege of appearing or practicing before the Commission.

The Commission previously sued Atratech, O'Reilly, Stankey and others in Federal District Court for violations of the antifraud, corporate reporting, and books and records provisions of the federal securities laws (SEC v. Atratech, et al., No. 94 Civ. 6016, S.D.N.Y., Aug. 23 1994). The Commission's complaint alleged, among other things, that O'Reilly engaged in a scheme to falsify Atratech's 1989 Form 10-K and that Stankey falsified Atratech's books and records and lied to Atratech's public auditors in 1990. O'Reilly and Stankey consented to be permanently enjoined from further violations of the federal securities law and their judgments were entered on August 31, 1994. (Rel. 34-34775)

WARREN SANDS BARRED

The Securities and Exchange Commission announced today that it has issued an Order Instituting Proceedings against Warren M. Sands (Sands). Sands was formerly associated with First Alliance Securities, Inc. (First Alliance), a now defunct penny stock broker-dealer headquartered in Atlanta, Georgia. The Commission simultaneously accepted an Offer of Settlement from Sands in which he consented to the Order without admitting or denying the Commission's findings.

The Commission found that on January 26, 1993, Sands pled guilty, before the United States District Court for the Northern District of Georgia, to one count of aiding and abetting securities fraud in connection with the offer and sale of penny stocks.

The criminal information to which Sands pled guilty charged that, from approximately May 1989 through August 1989, Sands worked at First Alliance as an assistant to another First Alliance broker and that Sands assisted that broker in defrauding First Alliance customers by preparing false account opening documentation, preparing order tickets for unauthorized transactions in customer accounts, and by making lulling comments to customers who telephoned to ask about suspicious activities in their accounts.

On April 19, 1993 Sands was sentenced in the criminal action to five years probation, six months home confinement, 300 hours community service, a \$3,000 fine and joint and several restitution of \$4.5 million.

The Commission's order barred Sands from association with any broker, dealer, municipal securities dealer, investment adviser or investment company. The order further barred Sands from participating in any offering of penny stock. (Rel. 34-34777)

COMPLAINT FILED AGAINST ROBERT MCNULTY, GEORGE HANDGIS, FRANKLIN ROBERTS, JOHN SHANKLIN & WILLARD THOMPSON

The Commission filed a complaint in the United States District Court for the Southern District of New York against Robert J. McNulty (McNulty), the former Chairman of HQ Office Supplies Warehouse, Inc. (HQOS), HQ Office International, Inc. (HQOI), AG Automotive Warehouses, Inc. (Auto Giant) and Auto Depot, Inc. (Auto Depot), George G. Handgis (Handgis), former President, CEO and director of HQOI and HQOS and director of Auto Giant and Auto Depot, Franklin D. Roberts (Roberts), former President, CEO and director of Auto Giant and director of Auto Depot, John M. Shanklin (Shanklin), former President, CEO and director of Auto Depot, CEO and director of Auto Giant and director of HQOI, and Willard N. Thompson (Thompson), McNulty's business partner. The Complaint seeks permanent injunctive relief as to all defendants, disgorgement as to McNulty, and civil penalties as to McNulty, Shanklin and Thompson. The Complaint also seeks an order barring McNulty from serving as an officer or director of a public company.

The complaint alleges that McNulty, Handgis, Roberts and Shanklin engaged in a scheme to defraud investors by using the proceeds of securities offerings to prop up affiliated companies and the underwriter for the companies rather than the stated purpose of funding operations. In furtherance of this scheme, McNulty, Handgis, Roberts and Shanklin violated the antifraud and the issuer reporting and books and records provisions of the federal securities laws. In addition, an entity formed by McNulty and Thompson failed to file a required report with the Commission regarding its holdings of the securities of Auto Depot. [SEC v. Robert J. McNulty, et al., Civil Action No. 94-7114, MBM] (LR-14274)

FINAL JUDGMENT OF PERMANENT INJUNCTION AGAINST SIDNEY LEVINE

The Commission announced that on September 26 the Honorable William J. Zloch, United States District Judge for the Southern District of Florida, entered a final judgment of permanent injunction and other relief against Sidney Levine (Levine) enjoining Levine from violations of the registration and antifraud provisions of the federal securities laws. Levine consented to the entry of the final judgment without admitting or denying the allegations of the Commission's complaint. The final judgment also notes the appropriateness of civil money penalties and requires Levine to disgorge \$1,950,000, plus prejudgment interest, but waives disgorgement and civil money penalties based upon Levine's financial inability to pay. Levine was the president of Teleamerica, Inc. (Teleamerica), which was in the business of selling and servicing public pay telephones.

The complaint alleges that between in or about April 1988 through in or about June 1991, Levine offered and sold \$1,950,000 of investment contracts in public pay telephones through Teleamerica to the general public and made material misrepresentations and omissions to investors with respect to, among other things the risk associated with the investments. [SEC v. Sidney Levine, Civil Action No. 94-6898-CIV-ZLOCH] (LR-14279)

COMPLAINT FILED AGAINST RAND INSTRUMENT CORPORATION, ITS PRINCIPAL AND SALESPERSONS

The Commission filed an injunctive action against Rand Instrument Corporation (Rand), its president Alan E. Rand and six salespersons in federal court in Atlanta on September 23, 1994 seeking a permanent injunction, an accounting, disgorgement with prejudgment interest and civil penalties. The complaint alleges that the company raised \$1.2 million from about 60 investors in 1992 and 1993 by selling its unregistered common stock. In conjunction with the sales, it made material misrepresentations and omissions concerning its financial condition, manufacturing capabilities and sales record, among other things. Although Rand represents that it is in the business of developing and manufacturing night vision equipment for sales to the U.S. military and foreign countries, the company sold none of its products from 1972 through 1993. [SEC v. Rand Instrument Corporation et al., Civil Action No. 1:94-CV-2539-GET, N.D. Ga.] (LR-14289)

CONTEMPT PROCEEDINGS INSTITUTED AGAINST MCCARLEY & ASSOCIATES, INC.

The Commission announced that on September 27, 1994, it filed an application for an order to show cause why defendant McCarley & Associates, Inc. (McCarley & Associates) should not be held in civil contempt for failing to comply with a court order requiring that it pay \$11,000 of the \$900,000 disgorgement ordered. The order waived payment of disgorgement in excess of \$11,000 based upon a demonstrated inability to pay beyond that amount.

On June 10, 1994, the Honorable G. Ross Anderson, Jr., United States District Judge in the District of South Carolina, entered the disgorgement order. McCarley & Associates had previously been permanently enjoined from violations of Sections 10(b), 15(c)(1), 15(c)(3) and 17(a)(1) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

In its application, the Commission states that McCarley & Associates agreed to the entry of the disgorgement order, understands its obligations under it and have refused and failed to pay any monies in compliance with the order, despite an ability to do so. The Commission contends that McCarley & Associates should be held in civil contempt for its disregard of the order. [SEC v. McCarley & Associates, Inc., et al., Civil Action No. 6:93-2032-3 1422, D.S.C.] (LR-14290)

COMMISSION DISMISSES FRAUD CLAIMS AGAINST KEY WEST WIRELESS PARTNERS, ET. AL.

The Commission announced that on September 30, 1994, the Honorable

Magistrate Judge Kemp, granted the Commission's request to withdraw its motion for a preliminary injunction, and to dissolve the Temporary Restraining Order, previously entered on August 16, 1994, against Key West Wireless Partners, Lancaster Broadcasting Partners, Universal Funding Corporation, Gerald Wireless Cable Corporation, Strathmore & Associates, Inc., Raymond P. O'Connor and Associates, Inc., Satellite Microcable Corporation, Keys Microcable, Florida Microcable, Inc., Lancaster Broadcasting Entertainment, Hubbell Communications, Inc., Michael Eberle, Gerald Seifer, Raymond P. O'Connor, Donald Gilliland, Robert Geiss, A. Dan Horn and J. Kelly Bloomer.

The Commission's Complaint, also filed on August 16, 1994, had alleged that the defendants falsely informed investors that Key West Wireless and later Lancaster Broadcasting, had the rights to sufficient Federal Communications Commission licenses necessary to construct their respective wireless cable television systems. However, based on evidence that recently became available to the staff, the Commission determined not to pursue these charges. As a result, the Commission moved that the temporary restraining order be vacated and withdrew its motion for a preliminary injunction. The defendants and the Commission stipulated that the Commission be permitted to dismiss its allegations of fraud and file an amended complaint based on violations of the registration provisions. [SEC v. Key West Wireless Partners, et. al., Civil Action No. C2-94-767, S.D. Ohio] (LR-14291)

FINAL JUDGMENTS OF PERMANENT INJUNCTION ORDERED AGAINST TELEMATICS INTERNATIONAL, INC., JOHN PITT AND EDWARD SAVAGE

The Commission today announced that an Order of Final Judgment of Permanent Injunction has been entered in the United States District Court for the District of Columbia, against Telematics International, Inc. for violating Section 17(a) of the Securities Act of 1933 and Sections 10(b), 13(a), 13(b)(2)(A) and (B) of the Securities Exchange Act of 1934 thereunder and Rules 10b-5, 12b-20, 13a-1 and 13a-13; and against John Pitt and Edward Savage for violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and for violating as controlling persons Sections 13(a) and 13(b)(2)(A) and (B) and Rules 12b-20, 13a-1 and 13a-13 thereunder. Simultaneously with the filing of the Commission's Complaint, without admitting or denying the allegations of the Complaint, Telematics, Pitt and Savage had consented to the entry of final judgments of permanent injunction, covering all of the provisions which the Commission alleged were violated.

The Commission's Complaint alleged that Telematics and its top officers, Pitt and Savage, employed improper revenue recognition and other accounting practices that Pitt and Savage knew, or were reckless in not knowing, would result in materially misstated financial statements that were publicly disseminated and filed with the Commission for Telematics' fiscal years 1986, 1987, 1988 and the first three quarters of fiscal year 1989. [SEC v. Telematics International, Inc., et. al., Civil Action No. 94CV02111] (LR-14293; AAE Rel. 615)