UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-18733

In the Matter of

American Locker Group, Inc., *et al.*,

Respondents.

DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND BRIEF IN SUPPORT

James M. Carlson
Neil J. Welch, Jr.
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-6010
(202) 551-4731

COUNSEL FOR
DIVISION OF ENFORCEMENT

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MOTION FOR SUMMARY DISPOSITION

The Division of Enforcement ("Division"), by undersigned counsel, pursuant to Commission Rules of Practice 154 and 250(b), respectfully moves for an order of summary disposition against respondent INTREorg Systems, Inc. ("INTREorg" or the "Company") on the grounds that there is no genuine issue with regard to any material fact. Pursuant to Section 12(j) of the Securities Exchange Act of 1934 ("Exchange Act"), the Division is entitled, as a matter of law, to an order revoking each class of securities of INTREorg registered with the Commission pursuant to Exchange Act Section 12.

BRIEF IN SUPPORT

I. Statement of Facts

INTREorg is a Texas corporation located in Southlake, Texas with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g). (OIP, ¶ II.A.2; INTREorg's Answer and Supplemental Answer).[1] As of September 7, 2018, when this proceeding was instituted, INTREorg has failed to any of its periodic reports since it filed a Form 10-Q for the period ended September 30, 2015, a period of almost three years. (List of all EDGAR filings for INTREorg as of November 13, 2018, Exhibit ("Ex.") 1 to the Declaration of Neil J. Welch, Jr. in Support of the Division's Motion for Summary Disposition ("Welch Decl.").[2] As of August 28, 2018, the Company's stock (symbol "IORG") was quoted on OTC Link operated by OTC Markets Group, Inc., had

[1] Rule of Practice 220(c) provides: "Any allegation not denied shall be deemed admitted."

[2] The Division asks that pursuant to Rule of Practice 323, the Court take official notice of this and all other information and filings on EDGAR referred to in this brief and/or filed as exhibits with the Welch Decl.

seven market makers, and was eligible for the "piggyback" exception of Exchange Act Rule 15c2-11(f)(3). (OIP, ¶ II.A.2).

On February 27, 2017, the Commission's Division of Corporation Finance ("Corporation Finance") sent a delinquency letter by registered mail to INTREorg that stated that INTREorg appeared to be delinquent in its periodic filings and warned that it could be subject to revocation, and to a trading suspension pursuant to Exchange Act Section 12(k), without further notice if it did not file its required reports within fifteen days of the date of the letter. (Corporation Finance Delinquency Letter to INTREorg dated February 27, 2017, Welch Decl., Ex. 2.) Delivery of the letter to INTREorg was made on March 2, 2017 (October 22, 2018 printout from USPS tracking website, Welch Decl. Ex. 3), but INTREorg did not start to file its delinquent periodic reports until after this proceeding was instituted on September 7, 2018.

On September 7, 2018, the same day that the OIP was instituted, the Commission issued a ten-day trading suspension for INTREorg's stock (symbol "IORG") pursuant to Exchange Act Section 12(k) because INTREorg had not filed any of its periodic reports since the period ended September 30, 2015. (Order of Suspension of Trading dated September 7, 2018, Welch Decl., Ex. 4.)

As of November 13, 2018, INTREorg is current in its periodic reports, (Welch Decl., Ex. 1), but has its Form 10-Q for the period ended September 30, 2018 due on November 15, 2018, and its stock had a trade on the over-the-counter markets with a dollar volume of $0.55, and share volume of 1,000 shares. (Welch Decl., Ex. 5.)

II. Argument

This administrative proceeding was instituted under Section 12(j) of the Exchange Act. Section 12(j) empowers the Commission to either suspend (for a period not exceeding twelve months) or permanently revoke the registration of a class of securities if the respondent has failed to comply with any provision of the Exchange Act or the rules and regulations thereunder.

A. Standards Applicable to the Division's Summary Disposition Motion

Rule 250(b) of the Commission's Rules of Practice provides that a hearing officer may grant a motion for summary disposition if there is no genuine issue with regard to any material fact and the party making the motion is entitled to summary disposition as a matter of law. 17 C.F.R. § 201.250(b); *see Michael Puorro*, Initial Decision Rel. No. 253, 2004 SEC LEXIS 1348, at *3 (June 28, 2004) citing 17 C.F.R. § 201.250; *Garcis, U.S.A.*, Securities Exchange Act of 1934 Rel. No. 38495 (Apr. 10, 1997) (granting motion for summary disposition).

As one Administrative Law Judge explained,

> By analogy to Rule 56 of the Federal Rules of Civil Procedure, a factual dispute between the parties will not defeat a motion for summary disposition unless it is both genuine and material. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). Once the moving party has carried its burden, 'its opponent must do more than simply show that there is some metaphysical doubt as to the material facts.' *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). The opposing party must set forth specific facts showing a genuine issue for a hearing and may not rest upon the mere allegations or denials of its pleadings. At the summary disposition stage, the hearing officer's function is not to weigh the evidence and determine the truth of the matter, but rather to determine whether there is a genuine issue for resolution at a hearing. *See Anderson*, 477 U.S. at 249.

Edward Becker, Initial Decision Rel. No. 252, 2004 SEC LEXIS 1135, at *5 (June 3, 2004).

Section 12(j) of the Exchange Act empowers the Commission to either suspend (for a period not exceeding twelve months) or permanently revoke the registration of a class of securities "if the Commission finds, on the record after notice and opportunity for hearing, that the issuer of such security has failed to comply with any provision of this title or the rules and regulations thereunder." It is appropriate to grant summary disposition and revoke a registrant's registration in a Section 12(j) proceeding where, as here, there is no dispute that the registrant has failed to comply with Section 13(a) of the Exchange Act. *See California Service Stations, Inc.,* Initial Decision Rel. No. 368, 2009 SEC LEXIS 85 (Jan. 16, 2009); *Ocean Resources, Inc.*, Initial Decision Rel. No. 365, 2008 SEC LEXIS 2851 (Dec. 18, 2008); *Wall Street Deli, Inc.*, Initial Decision Rel. No. 361, 2008 SEC LEXIS 3153 (Nov. 14, 2008); *AIC Int'l, Inc.,* Initial Decision Rel. No. 324, 2006 SEC LEXIS 2996 (Dec. 27, 2006); *Bilogic, Inc.,* Initial Decision Rel. No. 322, 2006 SEC LEXIS 2596, at *12 (Nov. 9, 2006).

B. The Division is Entitled to Summary Disposition Against INTREorg for Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder

Section 13(a) of the Exchange Act and the rules promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Section 13(a) is the cornerstone of the Exchange Act, establishing a system of periodically reporting core information about issuers of securities. The Commission has stated:

> Failure to file periodic reports violates a central provision of the Exchange Act. The purpose of the periodic filing requirements is to supply investors with current and accurate financial information about an issuer so that they may make sound decisions. Those requirements are "the primary tool[s] which Congress has fashioned for the protection of investors from negligent, careless, and deliberate misrepresentations in the sale of stock and securities." Proceedings initiated under Exchange Act Section 12(j) are an important remedy to address the problem of publicly traded companies that are delinquent in the filing of their Exchange Act reports, and thereby deprive investors of accurate, complete, and timely information upon which to make informed investment decisions.

Gateway International Holdings, Inc., Securities Exchange Act Rel. No. 53907, 2006 SEC LEXIS 1288 at *26 (May 31, 2006) (quoting *SEC v. Beisinger Indus. Corp.*, 552 F.2d 15, 18 (1st Cir. 1977)).

As explained in the initial decision in the *St. George Metals, Inc.* administrative proceeding:

> Section 13(a) of the Exchange Act and the rules promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Rule 13a-1 requires issuers to submit annual reports, and Exchange Act Rule 13a-13 requires issuers to submit quarterly reports. No showing of scienter is necessary to establish a violation of Section 13(a) or the rules thereunder.

St. George Metals, Inc., Initial Decision Rel. No. 298, 2005 SEC LEXIS 2465, at *26 (Sept. 29, 2005); *accord Gateway*, 2006 SEC LEXIS 1288 at *18, *22 n.28; *Stansbury Holdings Corp.*, Initial Decision Rel. No. 232, 2003 SEC LEXIS 1639, at *15 (July 14, 2003); and *WSF Corp.*, Initial Decision Rel. No. 204, 2002 SEC LEXIS 1242 at *14 (May 8, 2002).

There is no dispute that as of the date the OIP was instituted, INTREorg had failed to file its periodic reports for almost three years, *i.e.*, any of its periodic reports after its Form 10-Q for the period ended September 30, 2015. (OIP, ¶ II.A.2; Welch Decl, Ex. 1.) Therefore, there is no genuine issue with regard to any material fact as to INTREorg's violations of Exchange Act Section 13(a) and the rules thereunder, and the Division is entitled to an order of summary disposition as to INTREorg as a matter of law. *See Chemfix Technologies, Inc.*, Int. Dec. Rel. No. 278, 2009 SEC LEXIS 2056 at *21-*23 (May 15, 2009) (summary disposition granted in Section 12(j) action); *AIC Int'l, Inc.*, 2006 SEC LEXIS 2996 at *25 (same); *Bilogic, Inc.*, 2006 SEC LEXIS 2596 at *12 (same); *Investco, Inc.*, Initial Decision Rel. No. 240, 2003 SEC LEXIS 2792, at *7 (Nov. 24, 2003) (same); *Nano World Projects Corp.*, Initial Decision Rel. No. 228, 2003 SEC LEXIS 1968, at *3 (May 20, 2003) (Division's motion for summary disposition in Section 12(j) action granted where certifications on filings and respondent's admission established failure to file annual or quarterly reports); and *Hamilton Bancorp, Inc.*, Initial Decision Rel. No. 223, 2003 SEC LEXIS 431, at *4-*5 (Feb. 24, 2003) (summary disposition in Section 12(j) action).

C. Revocation is the Appropriate Sanction for INTREorg's Serial Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder

Exchange Act Section 12(j) provides that the Commission may revoke or suspend a registration of a class of an issuer's securities where it is "necessary or appropriate for the protection of investors." The Commission's determination of which sanction is appropriate "turns on the effect on the investing public, including both current and prospective investors, of the issuer's violations, on the one hand, and the Section 12(j)

sanctions on the other hand." *Gateway,* 2006 SEC LEXIS 1288, at *19-*20. In making this determination, the Commission has said it will consider, among other things: (1) the seriousness of the issuer's violations; (2) the isolated or recurrent nature of the violations; (3) the degree of culpability involved; (4) the extent of the issuer's efforts to remedy its past violations and ensure future compliance; and (5) the credibility of the issuer's assurances against future violations. *Id.*; *see also Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979) (setting forth the public interest factors that informed the Commission's *Gateway* decision). Although no one factor is controlling, *Stansbury*, 2003 SEC LEXIS 1639, at *14-*15; and *WSF Corp.,* 2002 SEC LEXIS 1242 at *5, *18, the Commission has stated that it views the "recurrent failure to file periodic reports as so serious that only a strongly compelling showing with respect to the other factors we consider would justify a lesser sanction than revocation." *Impax Laboratories, Inc.*, Exchange Act Rel. No. 57864, 2008 SEC LEXIS 1197 at *27 (May 23, 2008). An analysis of the factors above confirms that revocation of INTREorg's securities is appropriate.

1. <u>INTREorg's violations are serious and egregious</u>

As established by the pleadings in this proceeding, INTREorg's conduct is serious and egregious. INTREorg had not filed any periodic reports since it filed a Form 10-Q for the period ended September 30, 2015, and only started to file its overdue periodic reports after this proceeding was instituted. Given the central importance of the reporting requirements imposed by Section 13(a) and the rules thereunder, Administrative Law Judges have found violations of these provisions of the same and of less duration to be egregious, and INTREorg's violations support an order of revocation for each class of its securities. *See WSF Corp.*, 2002 SEC LEXIS 1242, at *14 (respondent failed to file

periodic reports over two-year period); and *Freedom Golf Corp.*, Initial Decision Release No. 227, 2003 SEC LEXIS 1178, at *5 (May 15, 2003) (respondent's failure to file periodic reports for less than one year was egregious violation).

2. INTREorg's violations of Section 13(a) have been recurrent and continuous

INTREorg's violations are not unique and singular but continuous. Until after this proceeding was instituted on September 7, 2018, INTREorg had failed to file any of its periodic reports since the period ended September 30, 2015. (Welch Decl., Ex. 1.) Thus, INTREorg had failed to file three Forms 10-K and nine Forms 10-Q. INTREorg also failed to file all but one Forms 12b-25 seeking extensions of time to make its periodic filings for any of its periodic reports from the period ended September 30, 2015 and thereafter. (Welch Decl., Ex. 1.) *See Investco, Inc.*, 2003 SEC LEXIS 2792, at *6 (delinquent issuer's actions were found to be egregious and recurrent where there was no evidence that any extension to make the filings was sought). The serial and continuous nature of INTREorg's violations of Exchange Act Section 13(a) further supports the sanction of revocation here.

3. INTREorg's degree of culpability, including its Officers and Directors' Section 16 violations, supports revocation

For many of the same reasons that INTREorg's violations were long-standing and serious, they suggest a high degree of culpability. In *Gateway*, the Commission stated that, in determining the appropriate sanction in connection with an Exchange Act Section 12(j) proceeding, one of the factors it will consider is "the degree of culpability involved." The Commission found that the delinquent issuer in *Gateway* "evidenced a high degree of culpability," because it "knew of its reporting obligations, yet failed to

file" its periodic reports. *Gateway*, at 10, 2006 SEC LEXIS 1288, at *21. Similar to the respondent in *Gateway*, according to EDGAR, INTREorg, at the time this proceeding was instituted on September 7, 2018, had failed to file twelve periodic reports. Because INTREorg knew of its reporting obligations and nevertheless failed to file its periodic reports, and failed to file all but one of the required Forms 12b-25 informing investors of the reasons for its delinquency and the plan to cure its violations, it has shown more than sufficient culpability to support the Division's motion for revocation. (Welch Decl., Ex. 1.)

Exchange Act Section 16(a) requires that an individual file a Form 3 within ten days of becoming an officer, director, or ten percent beneficial owner of a company. According to EDGAR, INTREorg filed a Form 8-K on October 27, 2016 stating that Thomas Lindholm was appointed a Director "and to serve as Executive Director (Officer)." (Welch Decl., Ex. 6.) However, EDGAR also shows that Mr. Lindholm has never filed a Form 3 disclosing his appointment as a Director or Executive Director (Officer) of INTREorg. (Welch Decl., Ex. 1.)

On March 14, 2018, INTREorg filed a Form 8-K stating that Robert J. Flynn was appointed as a Director and Chairman of the audit committee, and would also serve as Vice President and General Counsel. However, EDGAR shows that Mr. Flynn has never filed a Form 3 disclosing his appointments. (Welch Decl., Ex. 7.)

On July 2, 2018, INTREorg filed a Form 8-K stating that Richard M. Nummi, Jr. was appointed as a Director and Chairman of the executive compensation committee. However, EDGAR shows that Mr. Nummi has never filed a Form 3 disclosing his appointments. (Welch Decl., Ex. 8.)

The stock transfer agent records for INTREorg show that Director and Chairman of the executive compensation committee Richard M. Nummi, Jr. has also become the beneficial owner of a large block of the company's stock, but EDGAR shows that he has never filed a Form 4 or 5 to disclose those holdings to the public as required by law. Mr. Nummi received a 50,000 share block of INTREorg stock on July 13, 2018. (Excerpted Securities Transfer Corp. Shareholders with Certificate Detail List for INTREorg through October 18, 2018, covering Richard M. Nummi, and the Securities Transfer Corp. INTREorg Transaction Journal as of October 16, 2018, covering Richard M. Nummi's stock issuance, Welch Decl., Ex. 9.)

This conduct of INTREorg and its officers and directors, although not alleged in the OIP, provides further evidence of INTREorg's culpability that the Court can and should consider when assessing the appropriate sanction for its admitted violations. *See Gateway* at 5, n.30 (Commission may consider other violations "and other matters that fall outside of the OIP in assessing appropriate sanctions"); *Citizens Capital Corp.*, Exchange Act Rel. No. 67313, 2012 SEC LEXIS 2024 at *32 (June 29, 2012) (management's failure to comply with Exchange Act Sections 13(d) and 16(a) "further brings into question the likelihood of the Company's future compliance with Section 13(a)"); *Ocean Resources, Inc.*, 2008 SEC LEXIS 81 at *15, Securities Act Rel. No. 59268 (Jan. 21, 2009) (ALJ found on summary disposition that respondent's assurances of future compliance achieved little credibility where its sole officer had ongoing violations of Exchange Act Section 16(a) in both the respondent's and other companies'

securities).[3] *See Energy Edge Technologies Corp.*, 2017 WL 4804437, at *3 (Oct. 25, 2017).

4. INTREorg's efforts to remedy its past violations and ensure future compliance are too little and too late

The remaining *Gateway* factor concern INTREorg's remedial efforts, and while they admittedly provide support for INTREorg's position, they still fall short of overcoming the presumption in favor of revocation. As noted above, since the filing of the OIP, INTREorg has cured its delinquency. But the Division respectfully submits that that is too little, too late.

Simply put, INTREorg has proven itself to be incapable of meeting its obligations as a Section 12 registrant with any measure of responsibility. "This administrative proceeding is not an extension of time to file delinquent reports or correct deficiencies as sometimes occurs during the normal filing process. As specified in the OIP, this proceeding is to determine whether violations have occurred, and whether it is necessary and appropriate for the protection of investors to suspend or revoke the registrations of registered securities." *Citizens Capital Corp.*, Initial Decision Rel. No. 433 at 7, 2011

[3] The Commission has applied the same principle in other contexts. *Robert Bruce Lohman,* Exchange Act Rel. No. 48092, 2003 SEC LEXIS 1521 at *17 n.20 (June 26, 2003) (ALJ may properly consider lies told to staff during investigation in assessing sanctions, though they were not charged in the OIP); *Stephen Stout,* Exchange Act Rel. No. 43410, 2000 SEC LEXIS 2119 at *57 & n.64. (Oct. 4, 2000) (respondent's subsequent conduct in creation of arbitration scheme, which was not charged in OIP, found to be relevant in determining whether bar was appropriate); and *Joseph P. Barbato,* Exchange Act Rel. No. 41034, 1999 SEC LEXIS 276 at *49-*50 (Feb. 10, 1999) (respondent's conduct in contacting former customers identified as Division witnesses found to be indicative of respondent's potential for committing future violations). *See also SEC v. Falstaff Brewing Corp.*, 629 F.2d 62, 78 (D.C. Cir. 1980) (district court's injunction against future securities violations upheld; court found noncompliance with Exchange Act Section 16(a) "does evince a disregard of the securities laws that may manifest itself in noncompliance elsewhere.").

SEC LEXIS 3307 at *19-20 (June 23, 2011), *aff'd*, 2012 SEC LEXIS 2024 (June 9, 2012). INTREorg's hurried, catch-up filings only inform a portion of the required analysis.

III. Revocation is the Appropriate Remedy for INTREorg

As discussed above, a full analysis of the *Gateway* factors establishes that revocation is the appropriate remedy for INTREorg's long-standing violations of the periodic filings requirements, particularly since the company's stock has continued to trade on the over-the-counter markets after the trading suspension. (Bloomberg Report dated Novmeber 13, 2018, Welch Decl., Ex. 11.) INTREorg's recurrent failures to file its periodic reports have not been outweighed by "a strongly compelling showing with respect to the other factors" which "would justify a lesser sanction than revocation." *Impax Laboratories, Inc.*, 2008 SEC LEXIS 1197 at *27.

Moreover, revocation will not be overly harmful to whatever business operations, finances, or shareholders INTREorg may have. The remedy of revocation will not cause INTREorg to cease being whatever kind of company it was before its securities registration was revoked. The remedy instead will ensure that until INTREorg becomes current and compliant on its past and current filings, its shares cannot trade publicly on the open market (but may be traded privately). *See Eagletech Communications, Inc.*, Exchange Act Rel. No. 54095, 2006 SEC LEXIS 1534, at *9 (July 5, 2006) (revocation would lessen, but not eliminate, shareholders' ability to transfer their securities). Revocation will not only protect current and future investors in INTREorg, who presently lack the necessary information about INTREorg because of the issuer's failure to make

Exchange Act filings; it will also deter other similar companies from becoming lax in their reporting obligations.

A new registration process will place all investors on an even playing field. All current investors will still own the same amount of shares in INTREorg that they did before registration, though their shares will no longer be devalued because of the company's delinquent status. All investors, current and future alike, will also benefit from the legitimacy, reliability, and transparency of a company in compliance. The time-out will protect the status quo, and will give INTREorg the opportunity to come into full compliance, to calmly and thoroughly work through all of its remaining issues with its attorney, consultants, auditors, and management, and to complete its financial statements in compliance with Regulations S-K and S-X.

IV. Conclusion

For the reasons set forth above, the Division respectfully requests that the Commission revoke the registration of each class of INTREorg's securities registered under Exchange Act Section 12.

Dated: November 14, 2018

Respectfully submitted,

James M. Carlson (202) 551-3711
Neil J. Welch, Jr. (202) 551-4731
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-6010

COUNSEL FOR
DIVISION OF ENFORCEMENT

CERTIFICATE OF SERVICE

I hereby certify that true copies of the Division of Enforcement's Motion for Summary Disposition and Brief in Support, and Declaration of Neil J. Welch, Jr. were served on the following on this 14th day of November, 2018, in the manner indicated below:

By Email:

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-2557
APFilings@sec.gov

Robert J. Flynn, Jr., Esq.
1629 K St., NW, Suite 300
Washington, DC 20006
rojynn@comcast.net
(Counsel for INTREorg Systems, Inc.)

Neil J. Welch, Jr.