

# SEC NEWS DIGEST

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## ENFORCEMENT PROCEEDINGS

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### ADMINISTRATIVE PROCEEDINGS INSTITUTED AGAINST PACE AMERICAN GROUP, INC. AND GARCIS U.S.A., INC.

On March 5, the Commission instituted administrative proceedings pursuant to Section 12(j) of the Securities Exchange Act of 1934 to revoke the common stock registration of Pace American Group, Inc. (Pace American) due to the company's failure to file required periodic reports and financial statements with the Commission and Garcis U.S.A., Inc. (Garcis) due to the company's dissemination of false and misleading information and its failure to file required periodic reports with the Commission. The Commission simultaneously accepted Pace American's offer of settlement, in which it consented, without admitting or denying the findings contained therein, to an order that revoked the registration of its common stock with the Commission under Exchange Act Section 12(g).

Pace American is a Delaware holding company with its place of business in Boca Raton, Florida. Its principal subsidiaries were American Bonding Company, Inc., which sold surety bonds primarily to contractors, and American Sentinel Insurance Company, which sold commercial property and casualty insurance. The Commission found that on September 22, 1992, Pace American registered over 1.8 million shares of common stock by filing with the Commission a registration statement on Form S-1. The company's common stock was then listed on the NASDAQ National Market System, which delisted the shares on August 18, 1994, due to the company's failure to file timely its Form 10-K for the fiscal year ended December 31, 1993, and to the resignation of its independent auditors. The Commission found that Pace American failed to file any quarterly or annual reports with the Commission after filing, on January 10, 1994, its Amendment No. 1 on Form 10-Q/A for the quarter ended September 30, 1993. As a result, the Commission found that Pace American does not have on file with the Commission (1) any audited financial statements for the fiscal years ended December 31, 1991 and December 31, 1992, or (2) any quarterly or annual reports covering the period from September 30, 1993, through November 22, 1995, in violation of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

Garcis, a Colorado corporation, maintained its principal offices in Scottsdale, Arizona. Throughout 1995, Garcis U.S.A. was the exclusive distributor in the United States for Garcis, S.A., a Mexican manufacturer of athletic equipment and supplies. The Commission alleged that during the same period officers of the company and other controlling shareholders caused the dissemination of false and misleading promotional material that was released in order to create interest in the company's products and its securities. The Commission further alleged that Garcis U.S.A. failed to file on a timely basis its quarterly and annual reports, and with respect to those reports that Garcis did file, those reports contained material omissions and misrepresentations. For further information, see related releases: Pace American: SEC Litigation Rel. No. 15129, Securities and Exchange Commission v. Don Haywood Pace (Civ. No. 96-2416, J. Robertson) (USDC/DC, Oct. 21, 1996). Securities Exchange Act Rel. No. 37843, Order Instituting Public Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Sanctions as to Greg Steven Kaplan (Oct. 21, 1996).

Garcis U.S.A., Inc.: Securities Exchange Act of 1934 Release No. 34-36366, Order of Suspension of Trading (October 13, 1995); SEC Litigation Rel. No. 15091, Securities and Exchange Commission v. Poirier et al., (Civ. No. 96-2243-PHX-ROS, J. Silver) (USDC/Ariz., Sept. 30, 1996). (Rel. 34-38367 - In the Matter of Garcis, USA, Inc.); (Rel. 34-38368 - In the Matter of Pace American Group, Inc.)

COMPLAINT FILED AGAINST MARSHALL MELTON AND ASSET MANAGEMENT AND RESEARCH, INC.

On February 24, a complaint was filed in the United States District Court for the Middle District of North Carolina, Greensboro Division, against Marshall E. Melton (Melton); Asset Management and Research, Inc. (AMR), a registered investment advisor owned by Melton; and three limited liability companies controlled by Melton. The three limited liability companies are Westview Capital, L.C. (Westview Capital); Trading Partners, L.C. (TP); and Trading Partners II, L.C. (TP2).

The complaint seeks preliminary and permanent injunctions to enjoin defendants Melton, AMR, Westview Capital, TP and TP2 from violating Sections 17(a) (1) through 17(a) (3) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Further, the complaint seeks to restrain defendants Melton and AMR from violating Section 206 of the Investment Advisers Act and to enjoin Westview Capital from violations of Section 15(a) of the Securities Exchange Act of 1934. The Commission also seeks disgorgement of all ill-gotten gains, prejudgment interest thereon, civil penalties, and a freeze of all assets held by the Melton and the defendant companies.

The complaint alleges that violations of the antifraud provisions of the securities laws by Melton and the defendant companies occurred

primarily from mid-1994 through late 1996. Through misrepresentations and the omission of material facts, Melton solicited and raised funds from unwitting investors. The investors were advised that their funds were being invested in specific investments, when, in fact, Melton was commingling monies among the limited liability companies and using the investors' funds to operate other entities owned by Melton. [SEC v. Marshall E. Melton; Asset Management and Research, Inc.; Westview Capital, L.C.; Trading Partners, L.C.; and Trading Partners II, L.C., Civil Action No. 2: 97-CV-00151, M.D.N.C.] (LR-15267)

#### COMPLAINT FILED AGAINST NEIL LIECHTY

On February 27, the Commission filed a complaint in the U.S. District Court for the Southern District of Alabama against Neil A. Liechty (Liechty) and Neil Liechty, Inc. (NLI), alleging violations of Sections 17(a)(1) through 17(a)(3) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

The complaint alleges that Liechty and NLI misrepresented material facts in the offer and sale of limited partnership interests formed to develop apartment complexes in Alabama and Florida. Among other misrepresentations, Liechty and NLI claimed that the issuers would be debt-free, that certain facilities would be built with the proceeds of the offerings and that only a specified dollar amount of the securities would be sold. They omitted to disclose that funds from the various entities were being commingled.

Simultaneously with the filing of the complaint, without admitting or denying the allegations made against them, Liechty and NLI consented to the entry of a judgment of permanent injunction and other relief. The judgment provides that Liechty and NLI will provide an accounting of all monies received in connection with the offerings, and that disgorgement and civil penalties will be determined at a later date. [SEC v. Neil A. Liechty and Neil Liechty, Inc., Civil Action No. 97-149-RV, U.S.D.C. for S.D. Al.] (LR-15269)

#### COMPLAINT FILED AGAINST SIMON ROSENFELD, TERRY KOCHANOWSKI, AND JOHN YAKIMCZYK

The Commission filed a civil complaint in the United States District Court for the Southern District of New York against Simon M. Rosenfeld and Terry D. Kochanowski, the former president and vice-president, respectively, of Synpro Environmental Services, Inc. (f/k/a Sherwood Corporation), and John F. Yakimczyk, a stockbroker.

The Commission's complaint alleges that, from 1991 through 1994, Rosenfeld and Kochanowski engaged in a fraudulent scheme to falsely inflate the value of Synpro common stock and to evade the registration requirements of the federal securities laws. The complaint alleges that, as part of this scheme, Rosenfeld and Kochanowski overstated the value of Synpro's assets and shareholder's equity, failed to disclose related party transactions,

and made various other material misrepresentations and omissions in Synpro's periodic reports filed with the Commission. The complaint also alleges that this fraudulent scheme involved an unregistered distribution of Synpro common stock. Moreover, the complaint alleges that Rosenfeld and Kochanowski engaged in activities intended to condition the market for Synpro common stock, including the making of undisclosed stock payments to Yakimczyk as compensation for his efforts to solicit his public customers to purchase Synpro common stock in the open market. The complaint further alleges that Yakimczyk failed to disclose these stock payments to his customers.

The complaint seeks permanent injunctive relief against Rosenfeld, Kochanowski, and Yakimczyk, disgorgement and civil penalties against all of the defendants, and officer and director bars against Rosenfeld and Kochanowski. [SEC v. Simon M. Rosenfeld, Terry D. Kochanowski, and John F. Yakimczyk, 97 Civ. 1467, RPP, USDC, SDNY] (LR-15274; AAE Rel. 893)

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#### INVESTMENT COMPANY ACT RELEASES

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##### STRONG INSURED MUNICIPAL BOND FUND, INC.

A notice has been issued giving interested persons until March 31 to request a hearing on an application filed by Strong Insured Municipal Bond Fund, Inc. for an order under Section 8(f) of the Investment Company Act declaring that the applicant has ceased to be an investment company. (Rel. IC-22538 - March 4)

##### NEW WORLD INVESTMENT FUND

A notice has been issued giving interested persons until March 31 to request a hearing on an application filed by New World Investment Fund for an order under Section 8(f) of the Investment Company Act declaring that applicant has ceased to be an investment company. (Rel. IC-22539 - March 4)

##### PAINWEBBER AMERICA FUND, ET AL.

A notice has been issued giving interested persons until March 31 to request a hearing on an application filed by PaineWebber America Fund, et al. for an order under Section 17(d) of the Investment Company Act and Rule 17d-1 thereunder to permit the Affiliated Funds to pay, and PaineWebber as lending agent to accept, fees based on a share of the revenue generated from securities lending transactions, as described in the application. (Rel. IC-22541 - March 4)

##### LIBERTY ALL-STAR GROWTH FUND, INC., ET AL

An order has been issued on an application All-Star Growth Fund, Inc. (Fund) an Management Company (Manager) under S Investment Company Act amend that granted a limited exemption from Act. The

existing order let the Fund or add sub-advisers, Or continue the sub-adviser following an assignment agreement, and delay shareholder application annual shareholder meeting. Among existing order was subject to a request subadvisory agreement would affect n approximately one-third of the Fund' order eliminates this condition. (Rel. IC-22542 - March 4)

#### LIBERTY ALL-STAR EQUITY FUND, ET AL.

An order has been issued on an application filed by Liberty All-Star Equity Fund (Fund) and Liberty Asset Management Company under Section 6(c) of the Investment Company Act amending an existing order, which amended a prior order, that granted a limited exemption from Section 15(a) Of the Act. Together, the orders let the Fund's investment adviser hire and fire sub-advisers and enter new sub-advisory agreements resulting from an "assignment," as defined in the Act, and delay shareholder approval until the next annual shareholder meeting. Among other things, the existing order was subject to a requirement that the new subadvisory agreement would affect no more than 25% of the Fund's assets. The amended order eliminates this condition. (Rel. IC-22543 - March 4)

#### AMERICAN SKANDIA TRUST, ET AL.

An order has been issued pursuant to Section 6(c) of the Investment Company Act exempting American Skandia Trust (Fund), American Skandia Investment Services, Inc. (Adviser), and INVESCO Trust Company (INVESCO) from Section 15(a) of the Act. The order permits INVESCO to serve as the investment subadviser to the INVESCO Equity Income Portfolio of the Fund, without formal approval by the contract owners of that portfolio, pursuant to a new investment management agreement (New Agreement). The order covers an interim period not greater than 120 days and permits INVESCO to receive from the Adviser fees earned under the New Agreement during that period. (Rel. IC-22544 - March 5)

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### SELF-REGULATORY ORGANIZATIONS

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#### ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

The Commission granted accelerated approval to a proposed rule change submitted by the National Association of Securities Dealers (SR-NASD-97-13) relating to the elimination of the NASD's Excess Spread Rule Applicable to Market Maker Quotations in Nasdaq SmallCap Securities. (Rel. 34-38354)

The National Association of Securities Dealers filed, and the Commission has granted accelerated approval to, a proposed rule change and one amendment (SR-NASD-96-04) relating to changes to certain rules to effect compliance with the SEC's Regulation M. Publication in the Federal Register during the week of March 10. (Rel. 34-38360)

## IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

A proposed rule change filed by the Pacific Stock Exchange (SR-PSE-97-06) relating to changing the corporate name from Pacific Stock Exchange Incorporated to Pacific Exchange has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of March 10. (Rel. 34-38364)

A proposed rule change filed by the Municipal Securities Rulemaking Board (SR-MSRB-97-2) relating to interpretation of Rule G-37 on political contributions and prohibitions on municipal securities business has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of March 10. (Rel. 34-38365)

A proposed rule change filed by the Municipal Securities Rulemaking Board (SR-MSRB-97-1) relating to delivery of official statements to the Board has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of March 10. (Rel. 34-38366)

## DELISTING GRANTED

An order has been issued granting the application of the American Stock Exchange to strike from listing and registration Three D Departments, Inc., Class A Common Stock, Par Value 25; and Class B Common Stock, Par Value 25¢. (Rel. 34-38362)