sec news digest

Issue 96-82 May 2, 1996

RULES AND RELATED MATTERS

NEW SECTION 3(b) EXEMPTION ADOPTED FOR CERTAIN LIMITED CALIFORNIA ISSUES

Pursuant to Section 3(b) of the Securities Act, the Commission has adopted new Rule 1001, which provides an exemption from the registration requirements of Section 5 of that Act for offers and sales of securities, in amounts of up to $5 million, that satisfy the conditions of §25102(n) of the California Corporations Code. FOR FURTHER INFORMATION, CONTACT: Richard K. Wulff, Office of Small Business Policy, at (202) 942-2950 or James R. Budge, Office of Disclosure Policy, at (202) 942-2910. (Rel. 33-7285)

ASSETS THRESHOLDS IN EXCHANGE ACT REGISTRATION AND REPORTING REQUIREMENTS INCREASED

The Commission has adopted amendments to Rules 12g-1, 12g-4 and 12h-3 under the Securities Exchange Act of 1934 that increase from $5 million to $10 million the total assets thresholds which trigger registration and reporting obligations under Section 12(g) of that Act. FOR FURTHER INFORMATION, CONTACT: Richard K. Wulff, Office of Small Business Policy, at (202) 942-2950 or James R. Budge, Office of Disclosure Policy, at (202) 942-2910. (Rel. 34-37157)

COMMISSION ANNOUNCEMENTS

CHAIRMAN LEVITT DISCUSSES INITIATIVES FOR SMALL BUSINESS

In a speech before the California Capital Access Forum, SEC Chairman Arthur Levitt today announced four initiatives intended to help small business as part of the Commission's continuing effort to simplify regulation and reduce duplication. (Press Rel. 96-67)

ENFORCEMENT PROCEEDINGS

JAY HOUSTON MEADOWS SANCTIONED

The Commission has barred Jay Houston Meadows of Fort Worth, Texas from association with any broker or dealer with the proviso that, after two years, he may reapply to become so associated. Meadows also was ordered to cease and desist from violating the securities laws and to pay a civil penalty of $100,000. During the period at issue, Meadows was a salesman with the Fort Worth office of Rauscher Pierce Refsnes, Inc., a registered broker-dealer.

The Commission found that Meadows violated the antifraud provisions of the securities laws in connection with the offer and sale of securities of two related companies, Mundiger International, Inc., and Mira Golf International, Inc.

The Commission characterized Meadows' conduct as "reckless" in recommending these securities and considered the sanctions warranted by "the serious nature of Meadows' misconduct." (Rel. 34-37156)

CRIMINAL CONTEMPT PROCEEDINGS AGAINST ROBERT TAYLOR

On May 1, the United States Attorney for the District of Columbia commenced criminal contempt proceedings in the United States District Court for the District of Columbia against Robert N. Taylor. The Government alleges that Taylor willfully and flagrantly violated an asset freeze order and other orders entered in a separate civil enforcement action brought by the Commission against Taylor and the Better Life Club of America, Inc., a corporation founded and controlled by Taylor. Upon conviction of the contempt charge, Taylor would face up to six months' imprisonment or a fine of up to $5,000.

In the contempt proceedings, the Government alleges: Beginning moments after the freeze order was entered in the Commission's action on September 1, 1995, and continuing for a period of seven months, Taylor used concealed bank accounts to engage in at least 232 prohibited banking transactions, including $246,000 in withdrawals and $344,000 in deposits. In addition, Taylor failed to disclose at least 15 bank accounts and went on to open 6 new accounts, in further violation of the Court's orders.

In the underlying enforcement action, the Commission alleges that Taylor and the Better Life Club operated a $47 million Ponzi scheme in violation of the antifraud and registration requirements of the federal securities laws. [IN RE ROBERT N. TAYLOR, USDC, D.D.C., Misc. No. 96-149, TFH] (LR-14897)

ADMINISTRATIVE PROCEEDINGS AGAINST SULCUS COMPUTER CORPORATION, JEFFREY RATNER AND JOHN PICARDI, CPA

The Commission today announced the entry by consent of a Cease-and-Desist Order against Sulcus Computer Corporation, Jeffrey S. Ratner, Sulcus' Chairman and formerly its CEO, and John Picardi, formerly the CFO of Sulcus Hospitality Group. The Order finds that during both 1991 and 1992, Sulcus filed with the Commission quarterly and annual reports and a registration statement for an offering of securities, all of which contained false financial statements and failed to disclose that certain increases in revenue and decreases in expenses were non-recurring and not representative of Sulcus' ongoing operations. The Order also finds that during the same period, Sulcus issued four press releases announcing contracts or new business that were materially false.

Simultaneously with the institution of the proceedings, the Commission accepted Sulcus', Ratner's and Picardi's offers of settlement in which they consented, without admitting or denying the Commission's findings, to the issuance of the Commission's Order finding various violations of the antifraud, corporate recordkeeping and periodic filing requirements of the securities laws. The Order requires each Respondent to cease and desist from future violations of the provisions they were found to have violated, and denies Picardi the privilege of appearing or practicing before the Commission as an accountant for a period of thirty months. (Rel. Nos. 33-7286; 34-37160; AAE Rel. 778)

INVESTMENT COMPANY ACT RELEASES

THE MANUFACTURERS LIFE INSURANCE COMPANY OF AMERICA, ET AL.

A notice has been issued giving interested persons until May 21 to request a hearing on an application by The Manufacturers Life Insurance Company of America, Separate Account Three of The Manufacturers Life Insurance Company of America and ManEquity, Inc. for an order pursuant to Section 6(c) of the Investment Company Act granting exemptions from the provisions of Section 27(a)(3) of the Act and Rule 6e-3(T)(b)(13)(ii) thereunder. The exemptions will permit the front-end sales load imposed under certain flexible premium variable life insurance policies to be eliminated for payments in excess of one Target Premium in any policy year. (Rel. IC-21931 - April 30)

NORWEST ADVANTAGE FUNDS, ET AL.

An order has been issued under Section 17(b) of the Investment Company Act for an exemption from Section 17(a) of the Act to permit the Stable Income Fund, Intermediate U.S. Government Fund, and Income Equity Fund to acquire all of the assets of the Adjustable U.S. Government Reserve Fund, Government Income Fund, and Income Stock Fund, respectively. Each Fund is a series of Norwest Advantage Funds. (Rel. IC-21932 - April 30)

QUALIVEST FUNDS, ET AL.

An order has been issued on an application filed by Qualivest Funds, et al. under Section 6(c) of the Investment Company Act requesting relief from Section 12(d)(1) of the Act, and under Sections 6(c) and 17(b) of the Act requesting relief from Section 17(a) of the Act. The order permits series of the Qualivest Funds to operate as "funds of funds" by investing substantially all of their assets in other series of Qualivest Funds. (Rel. IC-21933 - May 1)

SELF-REGULATORY ORGANIZATIONS

DELISTING GRANTED

An order has been issued granting the application of the American Stock Exchange to strike from listing and registration Resort Income Investors, Inc., Common Stock, $.01 Par Value. (Rel. 34-37155)

PROPOSED RULE CHANGE

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-96-14) to require members to provide information to other regulators for regulatory purposes. Publication of the proposal is expected in the Federal Register during the week of May 6. (Rel. 34-37150)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

The Commission granted accelerated permanent approval of a proposed rule change (SR-PTC-96-02) filed by the Participants Trust Company establishing a margin and pricing methodology for Collateralized Mortgage Obligations. Publication of the proposal is expected in the Federal Register during the week of May 6. (Rel. 34-37152)

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-96-18) to extend the operation of its procedures for large and complex arbitration cases until August 1, 1996. The NASD has requested, and the Commission has found, good cause pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 to approve the proposed rule change prior to the 30th day after publication in the Federal Register. Publication of the proposal is expected in the Federal Register during the week of May 6. (Rel. 34-37154)

SECURITIES ACT REGISTRATIONS

The following registration statements have been filed with the SEC under the Securities Act of 1933. The reported information appears as follows: Form, Name, Address and Phone Number (if available) of the issuer of the security; Title and the number and/or face amount of the securities being offered; Name of the managing underwriter or depositor (if applicable); File number and date filed; Assigned Branch; and a designation if the statement is a New Issue.

S-8 OASIS RESIDENTIAL INC, 4041 EAST SUNSET RD, HENDERSON, NV 89014 (702) 435-9800 - 1,135,000 ($24,970,000) COMMON STOCK. (FILE 333-3914 - APR. 19) (BR. 6)

S-8 CHANNEL I INC, 1720 PLACITA DE SANTOS, TUCSON, AZ 85704 (602) 970-8257 - 1,000,000 ($312,500) COMMON STOCK. (FILE 333-3938 - APR. 23) (BR. 12)

U.S. Securities and Exchange Commission

Washington, D.C. 20549 (202) 942-0020

News Release

FOR IMMEDIATE RELEASE **96-67**

CHAIRMAN LEVITT DISCUSSES INITIATIVES FOR SMALL BUSINESS

Washington, D.C., May 2, 1996 -- In a speech before the California Capital Access Forum, SEC Chairman Arthur Levitt today announced four initiatives intended to help small business as part of the Commission's continuing effort to simplify regulation and reduce duplication.

Chairman Levitt said, "The SEC has adopted a federal exemption for securities offerings up to $5 million dollars which will correspond with an existing California state exemption. This will ease the burden on small businesses in California. I'm advised that no other state has a comparable exemption, but should they adopt one, I am prepared to consider a companion federal exemption. This is an example of how we can coordinate federal and state regulatory schemes for the benefit not only of small business, but of investors as well.

"The Commission has also raised the threshold, from $5 million to $10 million in assets, before a company is required to report to the Securities and Exchange Commission under the federal securities laws.

"We've put together a special package of SEC information for small businesses which went on-line at our World Wide Web site just yesterday. By centralizing this information we hope to make it easier for small business owners to get the answers they need. Finally, the Commission has established a special electronic mailbox for small business owners to send in questions and ideas about electronic prospectuses and other ways to take advantage of advances in communications technology."

The SEC has an Office of Small Business Policy located in the Division of Corporation Finance. Inquiries are welcome by phone at (202) 942-2950, or by e-mail to "e-prospectus @ sec.gov". Press inquiries should be directed to John Heine at (202) 942-0020.

A copy of the Chairman's speech is attached.

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U.S. Securities and Exchange Commission
Washington, D.C. 20549 (202) 942-0020

News Release

FOR IMMEDIATE RELEASE **96-68**

IN THE MATTER OF SULCUS COMPUTER CORPORATION, JEFFREY S. RATNER AND JOHN PICARDI

Washington, D.C., May 2, 1996 -- The Securities and Exchange Commission ("Commission") today announced the entry by consent of a Cease-and-Desist Order against Sulcus Computer Corporation ("Sulcus"), Jeffrey S. Ratner ("Ratner"), Sulcus' Chairman and formerly its CEO, and John Picardi ("Picardi"), formerly the CFO of Sulcus Hospitality Group. The Order finds that during both 1991 and 1992, Sulcus filed with the Commission quarterly and annual reports and a registration statement for an offering of securities, all of which contained false financial statements and failed to disclose that certain increases in revenue and decreases in expenses were non-recurring and not representative of Sulcus' ongoing operations. The Order also finds that during the same period, Sulcus issued four press releases announcing contracts or new business all of which included statements that were materially false, and three of which included revenue projections that were without a reasonable basis or dependant on undisclosed material conditions.

According to the Order, Sulcus employed improper accounting in connection with four acquisitions of unprofitable domestic and foreign corporations completed during 1991 and 1992. The Order finds that Sulcus recorded excess liabilities and/or reserves on the books of each of the acquired entities as of the date of the transaction. Sulcus then used those entries to improve post-acquisition results by improperly charging current period operating expenses against them, or by reversing them and reporting a corresponding amount as revenue. In two instances Sulcus improperly recorded revenue with respect to the entity acquired. The Order finds that Picardi was responsible for the purchase accounting for the acquisitions, and was negligent in his accounting for them. The Order finds that Ratner was negligent in encouraging Picardi to take advantage of the acquisition accounting to improve Sulcus' financial results.

Simultaneously with the institution of the proceedings, the Commission accepted Sulcus', Ratner's and Picardi's offers of settlement in which they consented, without admitting or denying the Commission's findings, to the issuance of the Commission's Order. The Order finds that Sulcus' false acquisition accounting

violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. The Order finds that Ratner violated, and that Picardi willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act; and that Ratner was a cause of, and Picardi willfully aided and abetted and was a cause of violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder with regard to the false acquisition accounting. The Order also finds that Sulcus' false press releases violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The Order requires each Respondent to cease and desist from committing or causing any violation or future violation of the provisions they were found to have violated. Pursuant to Rule 102(e) of the Commission's Rules of Practice, the Order also denies Picardi the privilege of appearing or practicing before the Commission as an accountant, provided that thirty months after the date of the Order, Picardi may apply to the Commission and request that he be permitted to resume appearing or practicing before the Commission.

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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 7286 / May 2, 1996

SECURITIES EXCHANGE ACT OF 1934
Release No. 37160 / May 2, 1996

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 778 / May 2, 1996

ADMINISTRATIVE PROCEEDING
File No. 3-8996

In the Matter of SULCUS COMPUTER CORPORATION, JEFFREY S. RATNER, and JOHN PICARDI, CPA Respondents.	: ORDER INSTITUTING PROCEEDINGS : PURSUANT TO SECTION 8A OF THE : SECURITIES ACT OF 1933, : SECTION 21C OF THE SECURITIES : EXCHANGE ACT OF 1934, AND : RULE 102(e) OF THE : COMMISSION'S RULES OF : PRACTICE, MAKING FINDINGS AND : CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and they hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), and Rule 102(e)(1)(iii) of the Commission's Rules of Practice[1] against:

A. Sulcus Computer Corporation ("Sulcus" or the "Company") to determine whether Sulcus violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

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[1] Rule 102(e)(1)(iii) of the Commission's Rules of Practice, 17 C.F.R. § 201.102(e), provides in pertinent part: The Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it in any way to any person who is found by the Commission after notice and opportunity for hearing in the matter ... (iii) to have willfully violated, or willfully aided and abetted the violation of any provision of the federal securities laws, or the rules and regulations thereunder.

and Rules 10b-5, 12b-20, 13a-1 and 13a-13 promulgated thereunder;

B. Jeffrey S. Ratner ("Ratner") to determine whether Ratner violated Sections 17(a)(2) and (a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act and caused violations of Section 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1 and 13a-13 thereunder; and

C. John Picardi, CPA ("Picardi") to determine whether Picardi willfully violated Sections 17(a)(2) and (a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act and willfully aided and abetted and caused violations of Section 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1 and 13a-13 thereunder.[2]

II.

In anticipation of the institution of these administrative proceedings, each respondent has submitted an Offer of Settlement for the purpose of disposing of the issues raised in these proceedings. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or to which the Commission is a party, and prior to a hearing pursuant to the Commission's Rules of Practice, 17 C.F.R. Section 201.1, et seq. the respondents, without admitting or denying the findings set forth herein, except that they admit to the jurisdiction of the Commission over them and over the subject matter of these proceedings, consent to the entry of the findings and to the issuance of this Order Instituting Proceedings ("Order").

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[2] "Willfully" as used in this Order with respect to Picardi means intentionally committing the act which constitutes the violation. There is no requirement that the actor also be aware that he is violating one of the Rules or Acts. See Tager v. SEC, 344 F.2d 5 (2d Cir. 1965).

III.

On the basis of this Order and the Respondents' Offers of Settlement, the Commission finds[3] the following:

A. RESPONDENTS

Sulcus is a Pennsylvania corporation with its principal executive offices in Greensburg, Pennsylvania. Sulcus develops, manufactures, markets and installs microcomputer systems to automate the creation, handling, storage and retrieval of information and documents for the hospitality and real estate industries and for the legal profession. At all relevant times, the Company's common stock was registered pursuant to Section 12(b) of the Exchange Act and traded on the American Stock Exchange. As of November 8, 1995, there were 14,227,629 shares of Sulcus common stock issued and outstanding. For its year ended December 31, 1994, Sulcus reported a net loss of $11,668,013, on revenues of $43,143,164.

Ratner, 52, is the Chairman of the Board of Directors of Sulcus. During the relevant period, Ratner served as Chief Executive Officer and Chairman of the Board of Directors of Sulcus. Ratner was the co-founder of Sulcus in 1979.

Picardi, 40, a certified public accountant licensed by the State of New Jersey, was at all relevant times the Chief Financial Officer of the Sulcus Hospitality Group ("SHG"), the largest component of Sulcus' operations, and was responsible for all accounting performed at the SHG level, including the purchase accounting performed in connection with numerous acquisitions. Picardi was also primarily responsible for the accounting functions at the Company's foreign hospitality operations and subsidiaries, and participated in the drafting of Sulcus' MD&A.

B. FACTS

1. Summary

During both 1991 and 1992, Sulcus filed with the Commission periodic reports which: (1) contained financial statements that were materially false and misleading and not presented in conformity with generally accepted accounting principles ("GAAP"), and (2) failed to disclose that certain increases in revenue and decreases in expenses were non-recurring and not representative of Sulcus' ongoing operations. The misstatements

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[3] The findings herein are made pursuant to Sulcus', Ratner's and Picardi's offers of settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

resulted from improper accounting employed in connection with a series of acquisitions Sulcus completed during 1991 and 1992. They resulted in Sulcus filing false financial statements included in the Forms 10-K for 1991 and 1992 and in Forms 10-Q for the second and third quarters of 1991 and for all 1992 quarters. Certain of those false financial statements were incorporated in a registration statement on Form S-1 for an offering of shares of stock originally filed with the Commission on June 17, 1992.

On May 17, 1994, Sulcus restated its financial statements for 1991 and 1992, which resulted in restated net income of $1,692,338 and $3,221,786, respectively. This resulted in a decrease of 13 percent and 38 percent respectively from the originally reported net income of $1,937,090 and $5,180,292.

In addition, during the same period, Sulcus issued a series of press releases announcing contracts or new business that materially misrepresented the facts and events described in the releases.

2. Overview of Acquisition Accounting Issues

During 1991 and 1992, Sulcus acquired a number of unprofitable domestic and foreign corporations. In connection with each of its major acquisitions, Sulcus recorded excess liabilities and/or reserves on the books of the acquired entity as of the date of the transaction. After completing the acquisitions, Sulcus used the excess reserves/liabilities to improve post-acquisition earnings. On most occasions this was done by improperly understating current period operating expenses (e.g. salaries) by charging them against the reserves on the purported theory that they were "acquisition related" expenses. In other instances, it was done by reversing the reserves/liabilities and improperly reporting a corresponding amount as revenue. Finally, in two transactions Sulcus improperly recorded revenue with respect to the entity acquired.

3. Specific Acquisition Accounting Issues During 1991

a. Lodgistix Acquisition

Sulcus acquired Lodgistix, Inc. ("Lodgistix") in February 1991. During the three full fiscal years prior to acquisition, Lodgistix reported annual losses ranging from $1.4 million to $4.3 million. However, for the eleven months of "post-acquisition" activity ended December 31, 1991, Lodgistix contributed $1.8 million to Sulcus' originally reported pretax income of $1.95 million. At least $246,000 of that income, or 13 percent of Sulcus' income for the year, was the result of improperly accounting for this acquisition.

During 1991, Picardi capitalized approximately $243,300 of Lodgistix' payroll costs as "acquisition costs" on the grounds that they related to transitional employees -- that is, Lodgistix employees who were to be terminated after the acquisition. At least $191,000 of that amount was improperly capitalized since it was in excess of Sulcus' severance costs for those employees.[4] Picardi's awareness that his aggressive capitalization of costs directly increased earnings is evident from a memorandum he wrote in January 1992 concerning his compensation. In describing his value to the company, Picardi stated that he had "[d]eveloped [the] concept of 'Acquisition Cost' which allowed the company to record an additional $300K in net income." (Emphasis added)[5]

In addition to the improper capitalization of costs, Sulcus reversed approximately $55,000 of other Lodgistix reserves directly into income during 1991. This series of reversals originated in a memorandum Picardi wrote to Ratner on May 14, 1991, listing other reserves carried on Lodgistix' books, and quantifying the effect on earnings if they were reversed. At Ratner's direction, four of those reserve accounts totalling $55,000 were reversed into earnings through journal entries made at the end of May and July, 1991. On the journal entry for July the reversal was described as "JSR Reserve Adjustments," Ratner's initials.[6]

b. Belvoir Purchase

Prior to Sulcus' acquisition of Lodgistix, Belvoir Group Pty. Ltd. ("Belvoir") had a licensing agreement to distribute

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[4] GAAP provides that direct costs of acquisition may be capitalized, but requires that indirect and general expenses related to acquisitions be deducted from net income. Further, under GAAP, recurring internal costs are not considered direct costs of acquisitions. Accounting Principles Board Opinion No. 16 ("APB 16"), paragraph 76 states: "the cost of a company acquired in a business combination accounted for by the purchase method includes the direct costs of acquisition. ... However, indirect and general expenses related to acquisitions are deducted as incurred in determining net income." (Emphasis added) Furthermore, Accounting Interpretation No. 33 of APB 16 states that "all internal costs associated with a business combination are deducted as incurred in determining net income."

[5] Picardi capitalized a total of $300,000 of Lodgistix' costs. The balance of the capitalized costs is not challenged here.

[6] In the restatement of its 1991 financial statements Sulcus adjusted for the $55,000.

Lodgistix products in Australia. The agreement called for Belvoir to make minimum monthly royalty payments of $6,000 to Lodgistix and gave Lodgistix the right to terminate the agreement if such payments were not made. However, because of operational problems it encountered with Lodgistix software, Belvoir had never made any regular monthly payments. After Lodgistix was acquired by Sulcus, Belvoir's relationship deteriorated further because the service and support provided by Sulcus declined.

Because Belvoir made no regular royalty payments, Lodgistix had followed a practice of recording revenue only when it actually received cash. That practice generally continued after Sulcus acquired Lodgistix. The only Belvoir royalty revenue recognized by Sulcus in 1991 was $30,000, which amount was later fully reserved by Sulcus as uncollectible.

In late 1991, SHG offered to end the licensing relationship by purchasing Belvoir's assets. As part of the negotiations, it was agreed that Sulcus would record royalty revenue from Belvoir of $195,000, but that the amount would be forgiven. The $195,000 figure was inserted in the transaction purely to provide Sulcus with an accounting benefit. In an October 1991 fax to the President of SHG, who negotiated the transaction for Sulcus, Belvoir's representative stated:

> [w]e need to fix the value of the account re-write (sic) off. It would suit us and [Sulcus] I believe to make it as high as possible. I suggest [AUS]$250,000 [approximately U.S.$195,000]. <u>This will make no difference to the deal just increases your current earning and the capitalization of [Belvoir] purchase</u>. (Emphasis added.)

Ratner had suggested to Picardi the idea of invoicing Belvoir at the time of the acquisition for unpaid royalties as a means of generating current revenue for Sulcus. Picardi did not see the October 1991 fax quoted above. After he learned that Belvoir had agreed to be invoiced for $195,000, Picardi discussed the amount with a Belvoir representative. In a ten minute telephone conversation, the Belvoir representative generally recalled transactions in which Belvoir had sold Sulcus systems which, Picardi calculated, would have generated royalties of approximately $195,000. Picardi created a schedule based on that conversation to document the transactions on which the royalties had been earned.

In its restatement Sulcus reversed the revenue recognized from the Belvoir royalties.

4. Specific Acquisition Accounting Issues During 1992

a. Capitalization of Belvoir Operating Expenses

During 1992, Sulcus improperly capitalized approximately $176,900 of operating expenses incurred in the Australian operations acquired from Belvoir (e.g. salaries and employee housing). Despite raising concerns about Sulcus' capitalization approach, Belvoir's auditors allowed the accounting treatment to stand. In its restated financial statements for 1991 and 1992, Sulcus decreased these capitalized costs and increased operating expenses by $156,700.

b. Squirrel Acquisition

In March 1992, Sulcus acquired Squirrel Companies, Inc. ("Squirrel").[7] For the year ended March 31, 1991, its only full fiscal year prior to being acquired, Squirrel had a net loss of approximately $700,000, and for the nine months ended December 31, 1991 had a net loss of approximately $590,000. However, like Lodgistix, for the ten months of "post-acquisition" operations ended December 31, 1992, Squirrel managed to generate pre-tax income of $1.0 million, representing 20% of Sulcus' reported pre-tax income for 1992. As with the Lodgistix acquisition, a substantial portion of that income was recorded improperly.

In May 1992, a few months after acquiring Squirrel, Picardi directed Michael Jacobson, Squirrel's CFO, to record, as of the acquisition date, an additional $1.7 million in liabilities and reserves, including $625,000 for acquisition-related expenses. Although the adjustments aggregated to more than one third of Squirrel's total assets before the acquisition and wholly eliminated Squirrel's net worth, Picardi's memorandum to Jacobson also included a specific assurance that the "adjustments and the effect on the balance sheet and equity of Squirrel" would not in any way change the purchase price of Squirrel. Ratner was also involved in the creation of reserves at the time of the acquisition. Among the hand-written notes prepared by Ratner at or about the time of the acquisition are: "Asset Accounting - (set up Pre Aq Reserves of - $1-2 million" and "John P. - where can we set up Profit Reserves Prior to Aq Date."

After the acquisition, Sulcus used the excess reserves and liabilities improperly to increase its post-acquisition earnings. Picardi accomplished this by preparing journal entries, usually in large round dollar amounts, which decreased current period

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[7] Squirrel develops and markets software systems and hardware for the hospitality industry. Upon acquisition Squirrel became part of SHG, and immediately constituted one of the largest segments of Sulcus' operations.

expenses by charging them against the pre-acquisition reserves and liabilities. There was no contemporaneous documentation to justify the entries, or even to explain which expenses were being capitalized. On the contrary, Picardi simply estimated an amount of expenses that he thought were acquisition-related. As he explained, Sulcus in many cases would "make an entry and then ... go back and after the fact prepare a schedule to show that what we did was correct." He further stated that "whether or not what [Sulcus was] doing wasn't correct, it was more the fact that [the Sulcus accounting staff] didn't have time to sit down and do it right when [they] had to do it, so [they] would do it and then ... would go back and if ... wrong, ... fix it when [they] did the justification." Picardi testified that the Squirrel deferral accounts were used "as kind of a catch basin for anything that would have hit the P&L that was acquisition related." Included in that catch basin were at least $264,500 of costs that should have been expensed.

c. JBA Acquisition

In September 1992, Sulcus completed the acquisition of JBA Singapore Ltd. ("JBA"). Like the other Sulcus acquisitions, the acquisition date was a watershed for profitability at JBA. During the six months immediately preceding the acquisition JBA had a loss of $291,600, but in the four months of "post-acquisition" operations ended December 31, 1992, it had recorded income of $483,000. Nearly all of that income resulted from the improper recognition of revenue on two JBA contracts.

On April 30, 1992, in the discussions that led to the sale of JBA, Geoffrey Kung ("Kung"), Managing Director of JBA, wrote Sulcus management that JBA had an existing $2.4 million "Deferred Income" account on its books. Kung described this account as "like holding profits in reserve so that [JBA] can apply it whenever [they] need to." According to Kung, JBA was "allowed to defer recognition of this income which also defers [JBA's] tax payment." Further, Kung wrote that on a "conservative" basis, Sulcus could, upon acquisition of JBA, convert 70% of the deferred income, or $1.7 million, "into net profit in any quarter or quarters as [Sulcus] so chooses."

Part of the deferred income related to installations at two large hotels, Westin and Raffles, which collectively generated revenue of approximately $1.65 million and income of approximately $446,300. Sulcus recorded all of that revenue and income during 1992 after concluding the purchase of JBA. The revenue on both installations had been earned before the acquisition since both were essentially complete and in operation prior to Sulcus' involvement.

In its restated financial statements for 1992, Sulcus reversed JBA revenues of $1.65 million and corresponding income

of approximately $446,300 associated with the Westin and Raffles installations.

d. The Unisys Adjustments

1. Unrecorded Accounts Payable

Prior to its acquisition by Sulcus, Lodgistix had made a commitment to purchase $2.5 and $2.3 million of computer equipment from the Unisys Corporation ("Unisys") in 1991 and 1992, respectively. Lodgistix failed to meet the purchase requirement in 1991, and by early 1992 had stopped ordering Unisys equipment altogether. Sulcus also refused to pay for equipment and services it had already received from Unisys, claiming that they were unsatisfactory.

By late 1991, Sulcus and Unisys had begun settlement discussions to resolve these matters. In anticipation of a future global resolution of these issues, Picardi simply stopped recording invoices for Unisys' equipment and services as payables on Sulcus' books and records despite the fact that Sulcus used them to generate revenue. Because he did not record the payables, however, by early 1992 Sulcus' books and records failed to reflect at least $242,000 of payables due to Unisys. Moreover, Sulcus failed to disclose the dispute or the unrecorded payables in its public filings, either in the form of a footnote to the financial statements or as a part of the Company's MD&A.

2. The Purchase Accounting Adjustment

In April 1992, Picardi approved a retroactive purchase accounting adjustment for Lodgistix to create a reserve for a settlement of the outstanding claims with Unisys in the amount of $575,000. Picardi's justification for this reserve was to account for liabilities associated with Lodgistix' preexisting and unsatisfied purchase commitment. [8] Together with the accounts payable already on Sulcus' books, this entry raised the total recorded liability to Unisys to approximately $870,000.

In July 1992, Sulcus settled all Unisys claims by agreeing to make two payments; $300,000 in cash and a note for $150,000, and an additional $170,000 in cash to be paid the following year if Sulcus did not purchase $1 million of Unisys equipment, for a total cost to the Company of $620,000. Because of the

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[8] There was no basis for making the adjustment. Sulcus had not obtained any information in early 1992 that clarified any "exposure" related to the purchase commitment, which is what is required to make such an adjustment under FASB Statement No. 38. There had been no discussion between Sulcus and Unisys concerning the amount of any liability from the commitment.

retroactive adjustment made just three months earlier, Sulcus now had an excess liability of $247,000 for amounts due Unisys. However, instead of writing off the excess liability against goodwill, Picardi simply reversed it against cost of sales in Sulcus' third quarter. The amount constituted 13 percent of third quarter pre-tax income.[9] No disclosure was made with respect to the Unisys settlement or the income benefit in any of the public filings made by the Company during 1992.

In its restated financial statements for 1992, the Company reversed the entire $575,000.

5. Sulcus' Filing of a False and Misleading Registration Statement

On June 17, 1992, Sulcus filed a registration statement on Form S-1 for an offering of shares of stock. The registration statement that was filed was signed by certain of Sulcus' officers and directors, including Ratner. The last amended registration statement that was filed incorporated Sulcus' materially false and misleading financial statements for the year ended December 31, 1991 and for the nine months ended September 30, 1992.

6. Sulcus' Pattern of Issuing False and Misleading Press Releases

From September 1991 through January 1993, Sulcus issued a number of press releases concerning favorable developments in the company's business, including sales, joint venture and product development agreements. Four of those releases included statements that were materially false or projections that were dependant on undislosed material conditions that were highly unlikely to be met. Sulcus nominally had in place an internal review procedure pursuant to which press releases were to be subject to several levels of review for accuracy. Sulcus did not adhere to that policy in issuing these releases.

a. Radisson Hotels International Press Release

On September 19, 1991, Sulcus issued a press release announcing that Radisson Hotels International and Sulcus' Lodgistix subsidiary had developed a software package that was "the most advanced automated solution in the hospitality industry." According to the release, the software system, called

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[9] In addition to the improper $247,000 reduction in cost of sales in the third quarter of 1991, the $575,000 adjustment also allowed Sulcus to avoid recognizing $328,000 in expenses and payables.

"Expert Pierre," integrated property management, yield management, credit card processing and central reservations in one comprehensive package. The press release announced an agreement to install, "in the first stage," the Expert Pierre system in up to 200 Radisson properties, and claimed that Radisson's "payback analysis" showed a return of "approximately $3 for every $1 invested in the system." Further, the press release valued the contract with Radisson at $15 million over a four year period, with recurring revenue in excess of $150,000 per month.

That release was false in nearly every particular. Radisson had not reached any agreement with Sulcus in the time since it had signed two preliminary development and marketing agreements concerning Expert Pierre, seventeen and eleven months prior to the announcement, respectively. Those agreements, which predated Sulcus' acquisition of Lodgistix, provided in essence that if Lodgistix could successfully develop the software to certain specifications, Radisson would recommend Lodgistix to its franchisees as a preferred vendor for that product. Since those agreements were signed, however, the project had stalled because the yield management portion of the package did not work. In the summer of 1991, Lodgistix terminated Revenue Dynamics Corp., the vendor it had retained to write the yield management software, and began to attempt to repair the project in house. When the press release was issued the following September the software problems had still not been resolved.

Not only was there no product, there was no installation agreement with Radisson. Radisson could not agree to "install" the system (assuming it could be made operational), but could only recommend its purchase to its franchisees. Moreover, the revenue projections included in the press release were misleading, as they depended on the baseless assumption that the Expert Pierre system could be made to work and then successfully installed in 150 hotels. Finally, the "payback analysis" figures included in the release were taken from projections in an internal Radisson brochure, where they were accompanied by an explicit disclaimer that Radisson would not "represent that any of the projections will actually be achieved." No such reservation was included in Sulcus' announcement to the public.

That release had a material positive effect on the market for Sulcus stock. On September 18, the day before the announcement, Sulcus' closed at $2 19/32. The next day it closed at 3 1/16, up approximately 17%. The volume also increased dramatically, from 72,400 shares on September 18 to 373,800 shares on September 19. On September 20, volume remained high at 346,600 shares.

b. **Two Indotel Releases**

On April 8, 1992, Sulcus announced that it had successfully "entered the Indonesian hospitality market through the signing of a joint venture agreement with Indotel, the commercial arm of the Indonesia Hotel and Restaurant Association." The release explained that Indotel "represents approximately 2200 hotels in Indonesia" and supplies products to its members. The following week, on April 15, 1992, in a separate press release, Sulcus detailed the value of the "joint venture" to Sulcus, explaining that it expected it to "turn into a $50 million or more automation program on behalf of up to some 2200 Indonesian hotels, with the first stage effort to be at least $10 million over a three year period beginning in the fourth quarter of 1992."

There was no joint venture. When these press releases were issued, Sulcus had only signed a "Heads of Agreement" granting Indotel the right (but no obligation) to distribute Sulcus products in Indonesia. There was no basis for the $50 million dollar projection, or detailed information concerning the timing of recognition of revenue from the agreement.

c. **Chi Chi's Release**

In October 1992, Sulcus announced that it would install its point-of-sale system in 130 Chi Chi's Restaurants in three years, with a specific number of installations in each of the three years. In the press release, Sulcus valued the Chi Chi's Restaurants contract at $4 million.

When the press release was issued, Sulcus had entered into only a standard industry Volume Purchase Agreement with Chi Chi's Restaurants that provided for a discount if Chi Chi's purchased certain system quantities within a particular time. It did not commit Chi Chi's to install any systems. There was no basis for the $4 million revenue projection.

C. **LEGAL ANALYSIS**

1. **Applicable Law**

Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit the use of manipulative and deceptive practices in connection with the purchase or sale of a security. Section 17(a) of the Securities Act prohibits similar conduct in the offer or sale of securities. Violations of Section 10(b) of the Exchange Act require proof of scienter. Section 17(a)(2) of the Securities Act prohibits the obtaining of money or property by means of untrue statements or omissions to state material facts. Section 17(a)(3) prohibits transactions, practices, or courses of business which operate as a fraud or deceit upon the purchaser.

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act can be established without a showing of scienter. See Aaron v. SEC, 446 U.S. 680, 702 (1980).

Section 13(a) of the Exchange Act requires all issuers with securities registered under Section 12 of the Exchange Act to file such periodic reports as the Commission shall prescribe by its rules and regulations. Rules 13a-1 and 13a-13 require issuers to file annual reports and quarterly reports, respectively. Rule 12b-20 requires that periodic reports contain such further information as is necessary to make the required statements, in light of the circumstances under which they are made, not misleading. In addition, Item 303 of Regulation S-K requires MD&A as part of periodic reports filed pursuant to Section 13(a). Item 303 specifies that MD&A identify known trends, demands, commitments, events or uncertainties which are reasonably likely to result in the registrant's liquidity decreasing or which the registrant expects to have a material unfavorable impact on its revenue or income from continuing operations.

Section 13(b)(2)(A) of the Exchange Act requires an issuer to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. Rule 13b2-1 provides that no person shall, directly or indirectly, falsify or cause to be falsified, any book, record or account subject to Section 13(b)(2)(A).

Section 13(b)(2)(B) of the Exchange Act requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

2. **Violations by Sulcus**

Sulcus violated Sections 17(a)(2) and 17(a)(3) of the Securities Act by filing a registration statement on Form S-1 for an offering of securities that included the materially false and misleading financial statements for 1991 and the first three quarters of 1992, and failed to disclose in the MD&A section that the financial effect of the purchase accounting adjustments was non-recurring and not representative of Sulcus' ongoing operations. The negligence of Sulcus' senior officers with respect to the false financial statements discussed below is imputed to the company, and satisfies the state of mind requirement for violations of Sections 17(a)(2) and 17(a)(3).

With respect to the press releases, Sulcus violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by issuing a

series of press releases that materially misstated the business relationships between Sulcus and various customers, and made projections of financial results that were without any basis. Sulcus was reckless in issuing those press releases without an effective system to ensure that the statements included in them were accurate.

Sulcus' false financial statements and inadequate MD&A disclosure was also included in its periodic reports filed during 1991 and 1992. As a result, Sulcus violated Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20 thereunder. Sulcus violated Section 13(b)(2)(A) because its books, records and accounts did not fairly reflect the transactions and dispositions of its assets in connection with the Lodgistix, Squirrel, JBA and Belvoir acquisitions. Further, the Unisys settlement was not reflected properly on Sulcus' books, records and accounts.

Sulcus violated Section 13(b)(2)(B) because its system of internal accounting controls did not provide reasonable assurances as outlined above. Sulcus on many occasions did not maintain supporting contemporaneous documentation and was unable to support or explain many of its accounting treatments.

3. **Violations by Ratner**

As CEO of Sulcus, Ratner had ultimate authority as to the accuracy of its financial statements. Ratner signed all relevant periodic reports filed with the Commission, including the registration statement filed with the Commission on June 17, 1992. Ratner's controlling position constitutes "a substantial ground for the inference that he was involved in every important activity" concerning the operation of Sulcus. See Steadman v. S.E.C., 603 F.2d 1126, 1135 (5th Cir., 1979).

In those circumstances Ratner was negligent in supplying direction to his subordinates concerning the acquisition accounting. As set forth above, Ratner encouraged Picardi and others to take advantage of the accounting for Sulcus' acquisitions to improve Sulcus' post-acquisition financial results. For example, his notes concerning the Squirrel transaction reveal directions to adjust the purchase accounting by establishing reserves that he referred to as "profit reserves." In anticipation of the Belvoir acquisition, he discussed using the occasion to recognize revenue on an otherwise uncollectible claim for royalties. In the course of his negotiations to acquire JBA, he learned of material revenue that had already been earned by JBA, but did nothing to insure the acquisition accounting properly reflected that fact.

Ratner set the tone for management to follow in all financial reporting decisions. The tone set by top management--the corporate environment or culture within which financial reporting occurs--is the most important factor contributing to the integrity of the financial reporting process. E.g., Report of the National Commission on Fraudulent Financial Reporting at 32 (1987). Here the tone set by Ratner substantially contributed to the material overstatements of Sulcus' financial results. As a result, he violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. See Aaron v. SEC, 446 U.S. at 702 (proof of negligence is sufficient under Sections 17(a)(2) and 17(a)(3) of the Securities Act).

Ratner created a corporate environment that failed to emphasize the importance of internal accounting controls and accurate recordkeeping relating to Sulcus' acquisitions. Ratner exercised authority over the company's business activities and policies and was aware of the impact acquisition accounting had on the financial statements of Sulcus. Ratner failed to exercise sufficient oversight, particularly at Sulcus' time of rapid expansion, over the company's recordkeeping, internal accounting controls, and financial reporting functions to assure that Sulcus complied with Sections 13(a) and 13(b)(2)(A) and (B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. As a result, Ratner was a cause of the company's violations of these provisions, and violated Rule 13b2-1. E.g., SEC v. Savoy Industries, Inc., 587 F.2d 1149, 1165 (D.C. Cir. 1978); SEC v. Kalvex, Inc., 425 F. Supp. 310, 316 (S.D.N.Y. 1975) ("The reporting provisions of the Exchange Act are clear and unequivocal, and they are satisfied only by the filing of complete, accurate, and timely reports.").

4. Violations by Picardi

Picardi was responsible for the preparation of SHG's financial statements during 1991 and 1992, and was responsible for the purchase accounting involved in all the acquisitions discussed above as well as the Unisys settlement. He was negligent in his accounting for several of the acquisitions. In particular, in accounting for the Lodgistix acquisition he was negligent in failing to determine the extent to which the payroll of terminated Lodgistix employees was not a cost of the acquisition. Similarly, when Picardi recorded the revenue associated with the Belvoir transaction, he did not adequately inquire as to the legitimacy of the revenue, which amounted to 10 percent of Sulcus' 1991 pretax income. Reasonable investigation would have revealed that past experience with Belvoir indicated that collectibility of any royalty amounts was doubtful and that the recognition of that revenue was improper. With the Squirrel acquisition, Picardi did not adequately monitor the costs that were being capitalized, and failed to maintain adequate contemporaneous documentation to justify the amounts capitalized.

Further, after JBA's Singapore auditors informed him that two hotel installations as to which revenue was recognized after the acquisition had actually been completed before the acquisition, Picardi did not inquire as to the validity of the auditors' concerns. Lastly, as to the Unisys transaction, Picardi was negligent in not recording the accounts payable associated with the purchase commitment and in not considering the erroneous effect of the purchase accounting adjustment on Sulcus' 1992 third quarter Form 10-Q. As a result, Picardi willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. See Aaron, 446 U.S. at 702 (proof of negligence is sufficient under Sections 17(a)(2) and 17(a)(3) of the Securities Act).

As Chief Financial Officer, Picardi had the authority to direct the financial management and policies of SHG, the largest component of Sulcus' operations. Picardi was aware of the impact his accounting decisions had on the financial statements of Sulcus, in particular the earnings reported. Picardi failed to maintain true and accurate books and records and adequate internal controls to assure that Sulcus complied with Sections 13(a) and 13(b)(2)(A) and (B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. As a result, Picardi willfully aided and abetted and was a cause of the company's violations of these provisions, and willfully violated Rule 13b2-1.

IV.

FINDINGS

On the basis of this Order and the Offers of Settlement submitted by the respondents, the Commission finds that:

A. Sulcus violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder;

B. Ratner violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act and was a cause of violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder; and

C. Picardi willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act and willfully aided and abetted and was a cause of violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.[10]

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[10] See footnote 2 above.

V.

In view of the foregoing, the Commission has determined it is in the public interest to accept the Respondent's Offers of Settlement. Accordingly, IT IS HEREBY ORDERED THAT:

A. Sulcus, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, cease and desist from committing or causing any violation and any future violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder;

B. Ratner, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, cease and desist from committing or causing any violation or any future violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act, and from causing violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder; and

C. Picardi, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice, cease and desist from committing or causing any violation or any future violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 of the Exchange Act, and from causing violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder, and is denied the privilege of appearing or practicing before the Commission as an accountant, provided that thirty months after the date of this Order, Picardi may apply to the Commission and request that he be permitted to resume appearing or practicing before the Commission as:

1. A preparer or reviewer of financial statements required to be filed with the Commission or a person responsible for the preparation or review of financial statements required to be filed with the Commission provided that, in Picardi's practice before the Commission, his work will be reviewed by the independent audit committee of the company or in some other manner acceptable to the staff of the Commission;

2. An independent accountant upon submission of an application to the Office of the Chief Accountant of the Commission containing a showing satisfactory to the Commission that:

a. Picardi, or any firm with which he is or becomes associated in any capacity, is and will remain a member of the SEC Practice Section of the American Institute of Certified Public Accountants Division for CPA Firms (SEC Practice Section);

b. Picardi, or any firm with which he is or becomes associated, has received an unqualified report relating to his or its most recent peer review conducted in accordance with the guidelines adopted by the SEC Practice Section; and

c. Picardi will comply with all applicable SEC Practice Section requirements, including all requirements for periodic peer reviews, concurring partner reviews, and continuing professional education, as long as he appears or practices before the Commission as an independent accountant.

3. The Commission's review of any request or application by Picardi to resume appearing or practicing before the Commission may include consideration of, in addition to the matters referred to above, any other matters relating to Picardi's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Jonathan G. Katz
Secretary