

Litigation Release No. 14350 / December 8, 1994
SEC v. Vintage Group, Inc., James A. Merriam and Dori R. Merriam,
Civil Action No. C-94-0772 WHO (N.D. Cal.)

The Securities and Exchange Commission announced that, on December 5, 1994, the United States District Court for the Northern District of California entered an Order of Disgorgement and Civil Penalties against James A. Merriam ("Merriam") and Dori R. Merriam ("D. Merriam") of Tiburon, California. The Order decreed that the defendants Merriam and D. Merriam are jointly and severally liable to disgorge the sum of \$1,141,030.40, plus prejudgment interest. The Court also noted that civil penalties are appropriate against Merriam under the Securities Act of 1933, Securities Exchange Act of 1934, Investment Company Act of 1940 and the Securities Enforcement Remedies and Penny Stock Reform Act of 1990. The Court waived the disgorgement and did not assess the civil penalties due to the defendants' financial inability to pay disgorgement or civil penalties.

On October 20, 1994, the Court signed a Final Judgment against Merriam and Vintage Group, Inc. which enjoined Vintage from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act"), Sections 10(b) and 13(a) of the Exchange Act, Rules 10b-5, 12b-20, 13a-1 and 13a-13 promulgated thereunder, and Section 31(a) of the Investment Company Act and Rule 31a-1 promulgated thereunder. The Final Judgment also enjoined Merriam from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act, Sections 10(b) and 13(a) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 promulgated thereunder, and Section 36(a) of the Investment Company Act.

The complaint, filed on March 7, 1994, alleged that Vintage and James A. Merriam sold unregistered securities and committed fraud in the offering, sale and purchase of securities. It further alleged that Vintage violated the periodic reporting requirements of the Securities Exchange Act of 1934 ("Exchange Act") and the accounts and records provisions of the Investment Company Act of 1940 ("Investment Company Act"). The complaint further charged James Merriam with a violation of the breach of fiduciary duty and aiding and abetting the violation of the periodic reporting provisions.

The complaint alleged that Vintage and James A. Merriam fraudulently offered and sold Vintage securities to the public. In connection with the scheme, Vintage, whose general purpose was to invest in new and developing companies offering long-term growth potential, issued financial statements that substantially overstated the fair value of Vintage's securities portfolio. These false and misleading financial statements were included in the reports on Forms 10-Q and Forms 10-K that Vintage filed with the Commission.