



U.S. SECURITIES AND EXCHANGE COMMISSION

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SECURITIES AND EXCHANGE COMMISSION v. CALIFORNIA AUTOCARE CORPORATION, AUTOCARE AMERICORP, JOSEPH SANFELLIPO, JAMES E. GASPER, KIMBALL R. VANCE, JR. AND ELIHU M. SIGAL, [Case No. EDCV 02-1999 VAP (SGLx)(C.D. Cal.)]

On January 28, 2004, the Honorable Virginia A. Phillips, United States District Judge for the Central District of California, granted the Securities and Exchange Commission summary judgment as to disgorgement and civil penalties against Joseph Sanfello, James E. Gasper, and Kimball R. Vance, Jr., who were previously charged by the Commission for their role in a fraudulent telemarketing scheme known as Autocare America. The Court ordered Sanfello to pay \$352,007 in disgorgement and prejudgment interest and \$120,000 in penalties; Gasper to pay \$67,445 in disgorgement and prejudgment interest and \$66,276 in penalties; and Vance to pay \$4,071 in disgorgement and prejudgment interest and \$13,000 in penalties.

Previously, on November 14, 2002, the Commission filed an emergency action to halt the telemarketing scheme allegedly run by the defendants. The Commission's complaint alleged that California AutoCare Corporation, an auto repair company, sought to raise \$9 million through the sale of unregistered stock and that the defendants had raised more than \$500,000 in a two-month period before the Commission sought to halt the scheme. The Commission further alleged that Sanfello, of Laguna Beach, California, defrauded investors by representing that (1) California AutoCare had significant business relationships with Shell Oil Company, NAPA Auto Parts, Monroe, and Interstate Batteries, when in fact it did not; (2) there were 20 AutoCare America retail locations throughout California, when in fact there were only 5; and (3) California AutoCare and AutoCare Americorp were negotiating sponsorship deals with Starbucks and Krispy Kreme Doughnuts, when in fact they were not. The Commission also alleged that Gasper, of Solana Beach, California, and Vance, of Layton, Utah, offered and sold California AutoCare's stock without being registered as brokers.

The Commission charged California AutoCare, AutoCare Americorp and Sanfello with violations of the securities registration and antifraud provisions of the federal securities laws, namely Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The Commission charged Gasper, Vance and Elihu M. Sigal with violations of the securities and broker-dealer registration provisions of the securities laws, namely Sections 5(a) and 5(c) of the Securities Act and Section 15(a) of the Exchange Act. All of the defendants consented to permanent injunctions without admitting or denying the Commission's allegations. Also, Sigal agreed to pay \$22,584.48 in disgorgement and prejudgment interest and \$6,500 in civil penalties and California AutoCare and AutoCare Americorp, which are under the control of a court-appointed Receiver, agreed to pay \$2,127,516 in disgorgement. If the Receiver's recovery and liquidation of the companies' assets fail to satisfy the full disgorgement and interest amounts, the unsatisfied amounts shall be waived. If the Receiver collects more than the ordered disgorgement and interest however, California AutoCare and AutoCare Americorp shall be assessed civil penalties in amounts not to exceed \$1,792,516 and \$335,000, respectively.

For further information see LR 17844 (November 15, 2002) and LR 17872 (December 3, 2002).

<http://www.sec.gov/litigation/litreleases/lr18588.htm>