

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:)	
)	ORDER TO CEASE AND DESIST
Peter L. McKee)	
and)	File No. 07028
American Converting Corporation,)	
Respondents.)	
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WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. § 35-1-101 to 35-1-703 (Supp. 2005), on or about July 12, 2007, received information regarding alleged activities of Peter L. McKee ("McKee") and the American Converting Corporation ("ACC") which could constitute violations of the Act;

WHEREAS, the information led the Division to open and conduct an investigation of McKee and ACC (collectively, the "Respondents") pursuant to S.C. Code Ann. § 35-1-602, and this investigation is ongoing;

NOW THEREFORE, in connection with the investigation, the Division has determined that the Respondents have engaged, are engaging, and are about to engage in acts or practices constituting violations of the Act and hereby includes in this Order to Cease and Desist a statement of the reasons for the Order, a statement of the civil penalty sought as a result, and a notice that a hearing will be scheduled if either Respondent requests a hearing.

FACTUAL HISTORY

1. Respondent McKee is a South Carolina resident.
2. Upon information and belief, Respondent McKee's home and work addresses during the time period of the transactions alleged herein were located within Richland County.
3. Respondent McKee represents to investors he is the Director of Respondent ACC.
4. As of September 11, 2007, Respondent ACC is a domestic corporation registered with the South Carolina Secretary of State's office. ACC's registered agent is McKee, whose address is listed as 1030-C St. Andrews Rd., Columbia, SC 29201 (sic).
5. Upon information and belief, Respondent ACC's primary business address during the time period of the transactions alleged herein was 1030-C Saint Andrews Road, Columbia, South Carolina 29210.
6. During the period in or around early spring of 2006 to early summer of 2007:
 - a. Respondent McKee incorporated Respondent ACC in South Carolina.
 - b. Respondent McKee solicited multiple South Carolina residents to invest in stock of Respondent ACC.
 - c. Respondent McKee sold shares of stock in Respondent ACC to multiple South Carolina residents.
 - d. Respondent McKee solicited and engaged the services of at least one other person who was to be paid a finder's fee for helping identify potential investors in Respondent ACC.
7. The stock offered and sold by McKee and ACC was not registered for sale in or from the State of South Carolina, and McKee and at least one of the persons to whom McKee offered a finder's fee for helping identify potential investors also were not registered to offer or sell securities in or from the State of South Carolina.

8. In offering materials distributed in connection with offers and sales of ACC shares, Respondent McKee, acting on behalf of himself and Respondent ACC, made false or misleading statements of material fact, including but not limited to the following:

- a. "Peter [McKee] received his B.S. in Engineering and his MS from Ohio State University."
- b. "Mr. McKee co-founded the Data I/O Corp."
- c. The term "unmanufacturing" has been trademarked by ACC to "describe its unique disassembly technique".
- d. Catherine Wilt is a Director of Respondent ACC.
- e. John W. Foster of the law firm of Kilpatrick Stockton, L.L.P., Columbia, South Carolina, serves as general counsel for American Converting Corporation.
- f. Mr. Laurence Brandt Levine ("Levine"), a person identified as a Director of Respondent ACC, also is the Chairman of Blair Holdings Corporation.
- g. Previously, Director Levine was Executive Vice President and Managing Director for Rothschild, Inc.

9. In offering materials distributed in connection with offers and sales of ACC shares, Respondent McKee, acting on behalf of himself and Respondent ACC, omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading when he failed to disclose to offerees:

- a. McKee previously attempted and then abandoned a business of a similar nature in Chattanooga, Tennessee, leaving bills unpaid.
- b. McKee regularly used ACC funds to pay both his living and other personal expenses.

- c. McKee has not paid any distribution, of any kind, to any shareholders or investors in any of his past business ventures.
 - d. McKee has filed for bankruptcy multiple times.
- 10. In a letter to investor TB, a South Carolina resident, Respondent McKee, acting on behalf of himself and Respondent ACC, made several false or misleading claims including, but not limited to, the following:
 - a. "I have agreed to personally guarantee your \$20,000 investment in American Converting Corp. This guarantee will be backed up with the assets of my family trust. The name of the trust is MACH II ELECTRONICS LIMITED (A legal UK and Dutch Annuities Corp.)"
 - b. "The exact term of the Stock Certificate is called 'Common Stock' with preferred status. To make it very clear, you will own the same level Stock Certificate as I own."
- 11. On or about August 14, 2007, a Division representative invited Respondent McKee to come in and provide the Division information concerning any and all securities dealings he had in or from South Carolina during the period January 1, 2006 to date.
- 12. A date of August 16, 2007 at 2:00 PM was agreed upon for Respondent McKee to meet with a Division representative at the Division's offices in Columbia, South Carolina.
- 13. McKee appeared on August 16, 2007 and was placed under oath by a court reporter.
- 14. During this session, McKee made several statements to a Division representative, including the following statements that are known to be false:
 - a. He is a graduate of the Ohio State University.
 - b. He was a "founder" of the DATA I/O Corporation.

- c. "We just got an award from Shaw Air Force Base as vendor of the year for what we're doing. And the head shed from the Air Force he was down there on other business, nothing to do with us, but he's the one that just gave me the award three weeks ago. We do all the Air Force recycling."
- d. "Maybe it used to be a cell phone, but we take things like that display and that keyboard and that battery and five chips off the motherboard and we take them off and put them in a box and we send them down to ADT, the burglar alarm company, and they make burglar alarms out of that."

APPLICABLE LAW

- 15. Pursuant to S.C. Code Ann. § 35-1-703, the Act took effect on January 1, 2006.
- 16. Pursuant to S.C. Code Ann. § 35-1-102(29), stocks are considered "securities" in this State.
- 17. Additionally, investment opportunities that involve investments of money, in a common enterprise, with the expectation of profits, to be derived primarily from the efforts of others, also qualify as securities under S.C. Code Ann. § 35-1-102(29).
- 18. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to offer or sell a security in this State unless (1) the security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under Sections 35-1-201 through 35-1-203; or (3) the security is registered under the Act.
- 19. Pursuant to S.C. Code Ann. § 35-1-401(a), it is unlawful for a person to transact business in this State as a broker-dealer unless the person is registered as a broker-dealer under the Act or exempt from registration as a broker-dealer under the Act.

20. Pursuant to S.C. Code Ann. § 35-1-402(d), it is unlawful for a broker-dealer, or an issuer engaged in offering, selling, or purchasing securities in this State, to employ or associate with an agent who transacts business in this State on behalf of broker-dealers or issuers unless the agent is registered under Section 35-1-402(a) or exempt from registration under Section 35-1-402(b).
21. Pursuant to S.C. Code Ann. § 35-1-503(a), in a civil action or administrative proceeding under the Act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.
22. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
23. Pursuant to S.C. Code Ann. § 35-1-602(a)(1), the Securities Commissioner may conduct public or private investigations within or outside South Carolina which the Securities Commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate the Act or a rule adopted or order issued under the Act, or to aid in the enforcement of the Act or in the adoption of rules and forms under the Act.
24. Regarding administrative remedies under the Act:
 - a. Pursuant to S.C. Code Ann. § 35-1-604(a)(1), if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act,

practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act, the Securities Commissioner may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act.

- b. Pursuant to S.C. Code Ann. § 35-1-604(b), a cease and desist order issued under S.C. Code Ann. § 35-1-604(a)(1) must include a statement of any civil penalty or costs of investigation the Securities Commissioner will seek, a statement of the reasons for the order, and notice about a hearing.
- c. Pursuant to S.C. Code Ann. § 35-1-604(d), in a final order, the Securities Commissioner may impose a civil penalty in an amount not to exceed ten thousand dollars (\$10,000) for each violation.
- d. Pursuant to S.C. Code Ann. § 35-1-604(e), in a final order, the Securities Commissioner may charge the actual cost of an investigation or proceeding for a violation of the Act or a rule adopted or order issued under the Act.

DIVISION'S DETERMINATION

WHEREAS, based on the foregoing, the Division has determined that Respondent McKee and Respondent ACC have engaged, are engaging, and/or are about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act as follows:

- a. During the period in or around early spring of 2006 to early summer of 2007, while in the State of South Carolina, Respondents offered and sold securities to multiple South Carolina residents.

b. Respondents violated S.C. Code Ann. § 35-1-301 by offering securities in and from the State of South Carolina when the securities offered by Respondents are not now and during the time period of their offering in and from the State of South Carolina were not registered for sale in or from the State of South Carolina.

c. Respondents violated S.C. Code Ann. § 35-1-401 when Respondents, who are not now and during the time of the offering described above were not registered to offer or sell securities in or from the State of South Carolina, offered and sold securities in and from the State of South Carolina.

d. The Respondents have not asserted to the Division any claim of exemption from registration, either on their own behalf or on behalf of the security.

e. Respondents violated S.C. Code Ann. § 35-1-501 and engaged in securities fraud when they (1) made misrepresentations of one or more material facts, and (2) omitted to state one or more material facts concerning themselves, their prior business experience, the security, the use of funds gathered from the investors, and past distributions to investors, in connection with the offer of the security in and from the State of South Carolina.

f. Respondents violated S.C. Code Ann. § 35-1-402 when they employed and associated with an unregistered agent who identified and solicited potential investors for Respondents, in connection with the offer of the security in and from the State of South Carolina.

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), IT IS HEREBY **ORDERED** that each Respondent:

a. Cease and desist from offering and/or selling securities in South Carolina, in violation of S.C. Code Ann. §§ 35-1-301, 35-1-401, 35-1-402, and 35-1-501; and

b. Pay a civil penalty in the amount of fifty thousand dollars (\$50,000.00) if this Order becomes effective by operation of law, or, if either Respondent seeks a hearing and a hearing officer or any other legal authority resolves this matter, pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation of the Act by each Respondent, and the actual cost of the investigation or proceeding.

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

Respondents are hereby notified that they each have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days of notification of the issuance of this Order to Cease and Desist a written Answer specifically requesting a hearing therein.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

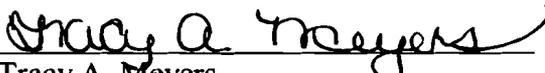
Failure by a Respondent to file a written request for a hearing in this matter within the thirty (30) day period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES.

WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PENALTIES UNDER S.C. CODE ANN. § 35-1-508. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508.

IT IS SO ORDERED.

This 12th day of Sept., 2007


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