

sec news digest

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COMMISSION ANNOUNCEMENTS

CARREL APPLICATIONS ARE NOW BEING ACCEPTED

Pursuant to the rules of the Public Reference Room (PRR), the July allocation of carrels/telephone privileges for recognized user organizations (information dissemination companies) are now being accepted. Application forms are available in the Public Reference Room. Information dissemination companies that are unable to pick up forms in Washington may submit applications by writing to:

U.S. Securities and Exchange Commission
Stephen L. McConnell, Chief
Public Reference Branch (Mail Stop 1-2)
450 5th Street, NW
Washington, DC 20549

Applications must include: a brief description of the business, business address and telephone number, the name of all persons who work everyday in the PRR, the name of a person who will serve as on-site contact in the PRR, number of employees assigned to research/sale of SEC filings, regardless of work location, and number of carrels requested. Applicants may also submit a supplemental statement in support of their request for carrels/telephone privileges. The applications must be certified and signed by a responsible company official, and submitted by close of business July 7, 1995. As in the past, assignment of carrels/telephones privileges is discretionary and applicants should not assume they will receive use of the full number carrels for which they apply. The Commission intends to continue to reserve carrels for the general public. Revised carrel allocations will be effective July 24, 1995.

Any questions concerning carrel applications should be addressed to Stephen L. McConnell, Chief, Public Reference Branch, at (202) 942-8078.

ENFORCEMENT PROCEEDINGS

COMPLAINT FILED AGAINST FIRST NATIONAL ENTERTAINMENT CORP., ET AL.

The Commission announced that it filed a complaint in U.S. District Court for the Western District of Texas against First National Entertainment Corp., f/k/a 1st National Film Corp. (First National), Milton J. Verret, Ricky D. Busby ("Busby"), Michael D. Swingler, Richard C. Maestre, Auburn R. Busby and Michael B. Byrd for violations of the anti-fraud, periodic reporting and ownership reporting provisions of the federal securities laws. The complaint alleges that, between the fall of 1992 and June 1993, First National and members of its management made a series of false and misleading statements to the public inflating the revenue the company anticipated from the release of its animated film "Happily Ever After" and overstating the financing the company had obtained to release the film. At the same time, the individual defendants sold more than 900,000 shares of First National common stock for proceeds in excess of \$6 million. The Commission is seeking disgorgement, prejudgment interest and civil penalties from the individual defendants and an order permanently barring Verret and Busby from serving as officers or directors of any public company.

The Commission announced that First National agreed to settle the action by consenting, without admitting or denying the allegations, to the entry of a permanent injunction against it and by agreeing to prohibit Verret and Busby from acting as officers or directors of the company during the pendency of the litigation. This settlement is contingent upon the entry of a stipulated order requiring Verret to vote his shares of First National stock in proportion to the votes cast by other shareholders and prohibiting him from attempting to influence corporate matters during the pendency of the litigation. [SEC v. First National Entertainment Corp., Milton J. Verret, Ricky D. Busby, Michael D. Swingler, Richard C. Maestre, Auburn R. Busby, and Michael B. Byrd, Civil Action No. 95-371, USDC WD Tex.] (LR-14546)

IN THE MATTER OF RICHARD GERSON

The Commission has issued an Order Instituting Public Administrative Proceedings, Making Findings and Imposing Remedial Sanctions against Richard Kevin Gerson. Simultaneously with the institution of the proceedings, the Commission accepted an Offer of Settlement from Gerson wherein he admitted to certain findings and consented to the issuance of the Order barring Gerson from participating in any offering of penny stock. Gerson consented to the issuance of an Order containing findings that he was permanently enjoined by judgment of a United States District Court from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, and Sections 10(b) and 15(a)(1) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. The Order also contains findings that Gerson participated in distributions of three penny stocks, as defined in Section 3(a)(51) of

the Exchange Act and Rule 3a51-1 thereunder. (Rel. 34-35871)

NASD ACTION AGAINST HENRY VAIL SUSTAINED

The Commission has found that Henry E. Vail of Houston, Texas, formerly a salesman with NASD member CIGNA Securities, Inc., violated just and equitable principles of trade by misappropriating roughly \$4,000 from an organization he served as treasurer. Vail was censured, barred from association with any NASD member in any capacity, and fined \$20,000.

Vail did not dispute the NASD's finding that he took the money, but claimed that he did not do so in bad faith. The Commission disagreed, and noted that Vail had earlier pleaded guilty to criminal charges stemming from the same misconduct. In upholding the sanctions imposed by the NASD, the Commission observed that "Vail demonstrated a serious misunderstanding of the fiduciary obligations he subjected himself to by becoming the Club's treasurer [and] make us doubt his commitment to the high fiduciary standards demanded by the securities industry." (Rel. 34-35872)

COMMISSION SUSTAINS DISCIPLINARY ACTION AGAINST PALM STATE EQUITIES, INC.

The Commission has sustained disciplinary proceedings against Palm State Equities, Inc., of Largo, Florida. The NASD had found that Palm State violated Article III, Section 1 by filing its annual financial report 35 days late and violated Article III, Sections 1 and 21 by failing to comply with Commission recordkeeping requirements. The NASD censured Palm State and fined it \$2,500 and \$5,000, respectively, for these violations.

Palm State admitted that it had filed its annual report late although it asserted that it had sought extensions from the Commission's staff. The Commission found that the requests failed to demonstrate that the delay was beyond the firm's control, and the Firm did not appeal the staff's denial of an extension to the Commission. The Firm also admitted that it had failed to reconcile its checking and clearing commission accounts. Although the firm argued that the resulting adjustments were immaterial, the Commission concluded that a broker-dealer cannot determine whether the adjustment is material until the reconciliation is performed.

The NASD had also found that Palm State and Tuberosa, its president, violated Article III, Section 1 of the NASD's Rules of Fair Practice, by failing to comply with Palm State's restrictive agreement to maintain net capital and censured Applicants and fined them \$20,000, jointly and severally. The Commission set aside the net capital violation. Although the alleged violation (participation in a firm underwriting) occurred on March 25, 1993, the NASD failed to introduce evidence of the firm's net capital position as of that date. (Rel. 34-35873)

HOLDING COMPANY ACT RELEASES

KINGSPORT POWER COMPANY, ET AL.

An order has been issued authorizing Kingsport Power Company (Kingsport) and Wheeling Power Company, Inc. (Wheeling), both electric utility subsidiary companies of American Electric Power Company, Inc., a registered holding company, to issue from time to time through December 31, 1996, \$19 million and \$28 million, respectively, in unsecured promissory notes to commercial banks, financial institutions or institutional investors. (Rel. 35-26317)

THE COLUMBIA GAS SYSTEM, INC.

A notice has been issued giving interested persons until July 17 to request a hearing on the plan of reorganization of The Columbia Gas System, Inc., a registered holding company, under Chapter 11 of the United States Bankruptcy Code, and certain related transactions. (Rel. 35-26318)

NORTHEAST UTILITIES SERVICE CO., ET AL.

A notice has been issued to provide all interested persons until July 17 to request a hearing on a proposal by Northeast Utilities Service Company, a non-utility subsidiary company of Northeast Utilities (NU), a registered holding company, and four electric utility subsidiary companies of NU, Western Massachusetts Electric Company, Holyoke Water Power Company, The Connecticut Light and Power Company, and Public Service Company of New Hampshire, to engage in electric power brokering and marketing transactions in the northeastern United States. (Rel. 35-26318)

NATIONAL FUEL RESOURCES, INC.

A notice has been issued giving interested persons until July 17 to request a hearing on a proposal by National Fuel Resources, Inc. (NFR), a nonutility subsidiary of National Fuel Gas Company, a registered public utility holding company. NFR proposes to engage in electric power marketing, brokering and trading in electricity futures. (Rel. 35-26318)

INDIANA MICHIGAN POWER COMPANY

A supplemental order has been issued authorizing Indiana Michigan Power Company, an electric utility subsidiary of American Electric Power Company, Inc., a registered holding company, to effect the refunding of up to \$50 million of pollution control revenue bonds issued in connection with the financing of pollution control facilities, prior to December 31, 1996. (Rel. 35-26319)