

# SEC NEWS DIGEST

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## ENFORCEMENT PROCEEDINGS

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### ADMINISTRATIVE PROCEEDINGS INSTITUTED AGAINST BROKER ALLEGED TO HAVE RECEIVED KICKBACKS TO PROMOTE CERTAIN STOCKS TO HIS CUSTOMERS

On September 28, the Commission instituted administrative proceedings under Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 (Exchange Act) against Timothy B. Daley (Daley), a resident of Odessa, Florida. The Order Instituting Proceedings, Making Findings and Imposing Sanctions finds that Daley was enjoined on September 3, 1998, by the United States District Court for the Middle District of Florida, on consent, from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in connection with allegations that he received kickbacks from a stock promoter to retail certain securities to his clients.

Simultaneously with the institution of these proceedings, the Commission accepted an offer of settlement by Daley, under which he consented to the issuance of an order barring him from association with a broker-dealer, investment adviser, investment company or municipal securities dealer. (Rel. 34-40486; File No. 3-9733)

### NANCY SWOFFER SANCTIONED

On September 28, the Commission entered an Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (Order) against Nancy A. Swoffer (Swoffer). Swoffer consented to the entry of the Order without admitting or denying the Commission's findings.

The Order finds that during the period from 1990 through 1994, Swoffer violated the antifraud provisions of the federal securities laws. Specifically, Swoffer, among others, participated in a scheme whereby approximately 120 investors were defrauded in connection with the offer, purchase and sale of over \$3 million in fictitious certificates of deposit issued by a purported international bank, Century Security Bank & Trust, Ltd. (CSBT), and membership interests in Profit Masters Group (Profit Masters). In connection therewith, Swoffer, directly and indirectly, made misrepresentations and omitted to state material facts concerning the legitimacy of the CSBT and Profit Masters investments, the returns to be expected, the use of investor proceeds and the risks involved. The Order further

finds that by regularly offering and selling such securities for the account of others while also receiving commissions from such sales, Swoffer was acting as a securities broker and should have been registered as a broker-dealer with the Commission.

The Order also contains findings that Swoffer consented, without admitting or denying the allegations in the Commission's complaint, to the entry of a Final Judgment of Permanent Injunction by the United States District court for the Eastern District of Michigan which permanently enjoined Swoffer from future violations of the same federal securities laws. The Commission's Order bars Swoffer from association with any broker, dealer, municipal securities dealer, investment company or investment adviser. (Rel. 34-40488; File No. 3-9735)

#### **PATRICIA GALE SANCTIONED**

On September 28, the Commission entered an Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (Order) against Patricia S. Gale (Gale). Gale consented to the entry of the Order without admitting or denying the Commission's findings.

The Order finds that from 1990 through 1994, Gale violated the antifraud provisions of the federal securities laws. Specifically Gale, among others, participated in a scheme whereby approximately 120 investors were defrauded in connection with the offer, purchase and sale of over \$3 million in fictitious certificates of deposit issued by a purported international bank, Century Security Bank & Trust, Ltd., and interests in two investment clubs, Profit Masters Group and Meca International, Inc. In connection therewith, Gale, directly and indirectly, made misrepresentations and omissions of material fact concerning the legitimacy of the investments, the returns to be expected, the commissions generated and the risks involved. The Order further finds that by regularly offering and selling such securities for the account of others while also receiving commissions from such sales, Gale was acting as a securities broker and should have been registered as a broker-dealer with the Commission.

The Order also contains findings that Gale consented, without admitting or denying the allegations in the Commission's complaint, to the entry of a Final Judgment of Permanent Injunction by the United States District Court for the Eastern District of Michigan which permanently enjoined Gale from future violations of the same federal securities laws. The Commission's Order bars Gale from association with any broker, dealer, municipal securities dealer, investment company or investment adviser. (Rel. 34-40489; File No. 3-9736)

#### **ADMINISTRATIVE PROCEEDING INSTITUTED AGAINST NEWPORT-MESA UNIFIED SCHOOL DISTRICT**

On September 29, the Commission issued an Order Instituting a Public Administrative Cease and Desist Proceeding Pursuant to Section 8A of

the Securities Act of 1933, Making Findings, and Imposing Cease and Desist Order (Order) against a California municipal entity: Newport-Mesa Unified School District (Newport-Mesa USD or the District). To settle this proceeding, Newport-Mesa USD has consented to the issuance of the Order, which contains the findings described below and which orders the District to cease and desist from future violations of Sections 17(a)(2) and (3) of the Securities Act of 1933 (Securities Act).

The Commission's Order finds that the District issued over \$45 million in municipal securities in a taxable note offering in 1994. The Order further finds that the District failed to disclose to investors that the proceeds of the debt offerings would be invested in the Orange County Investment Pools (the Pools). The Order also finds that the municipal issuer failed to disclose information about the Pools' investment strategy, the risks of that strategy, and the Pools' declining performance in 1994. Lastly, the Order finds that Newport-Mesa USD violated Sections 17(a)(2) and (3) of the Securities Act in connection with the issuance of these securities. (Rel. 33-7589; File No. 3-9738)

#### **ADMINISTRATIVE PROCEEDING INSTITUTED AGAINST CITY OF ANAHEIM, CITY OF IRVINE, IRVINE UNIFIED SCHOOL DISTRICT, NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT, AND ORANGE COUNTY BOARD OF EDUCATION**

On September 29, the Commission issued an Order Instituting Public Administrative Cease and Desist Proceeding Pursuant to Section 8A of the Securities Act of 1933 (Order) against five California municipal entities: City of Anaheim, City of Irvine, Irvine Unified School District, North Orange County Community College District, and Orange County Board of Education. The Commission's Order alleges that these entities issued over \$400 million in municipal securities in eight taxable note offerings in 1993 and 1994. The Order further alleges that these entities failed to disclose to investors that the proceeds of the debt offerings would be invested in the Orange County Investment Pools (the Pools). The Order also alleges that the municipal issuers failed to disclose information about the Pools' investment strategy, the risks of that strategy, and the Pools' declining performance in 1994.

A hearing will be scheduled to take evidence on the staff's allegations and to afford the Respondents an opportunity to present any defenses thereto. The purpose of the hearing is to determine whether the allegations are true and whether any remedial action should be ordered by the Commission. (Rel. 33-7590; File No. 3-9739)

#### **COMMISSION BARS MIKE ZAMAN; FINAL RELIEF ORDERED IN CONECTISYS CIVIL LITIGATION**

The Commission today issued an Order permanently barring Mike Zaman from association with any broker, dealer, investment adviser, investment company or municipal securities dealer. The Commission's Order was based upon the entry of a June 29, 1998, order by Judge Mariana R. Pfaelzer of the United States District Court for the

Central District of California, enjoining Zaman from violating the antifraud provisions of the federal securities laws as a result of his role in the 1996 manipulation of the common stock of Conectisys Corporation. Securities and Exchange Commission v. Andrew S. Pitt, et al., Civ. Action No. 96-4164 (MRP) (C.D. Cal. filed June 17, 1996); Lit. Rel. Nos. 15909 (September 29, 1998), 15446 (August 18, 1997), 15272 (March 4, 1997), and 14947 (June 17, 1996). Zaman consented to the issuance of the Commission's Order without admitting or denying the findings contained in it other than the fact that the U.S. District Court's injunction had been entered against him.

The Commission's Order found that Zaman had owned, controlled and directed the activities of Smith, Benton & Hughes, Inc. (Smith Benton), then a registered broker-dealer. According to the Order, as the court found, from February 14 through May 28, 1996, Zaman and Smith Benton artificially increased the price of Conectisys Corporation common stock purchased by retail customers. Among other things, the Order further found that, according to the court's findings, Zaman had manipulated the price of Conectisys stock by engaging in so-called "daisy chain" trading with market participants to fill retail customer orders, inducing broker-dealers to enter arbitrary quotes, and frequently "marking the close," that is, orchestrating end-of-day trades that were executed at the highest price of the day. The common stock of Conectisys was publicly traded on the over-the-counter market through the NASD Bulletin Board.

Also, on September 22, the Commission obtained the final relief it sought in its civil injunctive action stemming from the Conectisys manipulation. The court permanently enjoined Conectisys Corporation from future violations of the registration and antifraud provisions of the Securities Act of 1933 and ordered Conectisys to disgorge \$175,000 in unlawful proceeds. The court previously had entered judgments against defendants Zaman, B&M Capital Corp. (B&M), and Smith Benton, enjoining each of them from violating the antifraud provisions of the Securities Act and the Securities Exchange Act of 1934 and ordering Zaman, B&M, and Smith Benton, jointly and severally, to disgorge \$611,193 in unlawful proceeds. The Court also enjoined Andrew S. Pitt and Devon Investment Advisors, Inc. (Devon), from violating the Securities Act's registration provisions, and enjoined Pitt from violating the Securities Act's antifraud provisions. Pitt and Devon were ordered, jointly and severally, to disgorge \$399,980, and Pitt, jointly and severally with Conectisys, was ordered to disgorge an additional \$50,000. (Administrative Proceeding in the Matter of Mike Zaman - Rel. 34-40494, File No. 3-9737; [SEC v. Andrew S. Pitt, et al., Civ. Action No. 96-4164, USDC, C.D. Cal., MRP, ANx] (LR-15909)

#### **COMPLAINT FILED AGAINST FORMER GATEWAYS TO SPACE PRESIDENT**

On September 28, the Commission filed a complaint with the United States District Court for the Northern District of California concerning the fraudulent offer and sale of restricted stock of

Gateways to Space, Inc. (Gateways). The Commission named as defendants Louis G. Karabochos, former chairman, president, and chief executive officer of Gateways; his wife, Kathy D. Karabochos, former vice-president and chief operations officer of Gateways; Kenneth E. Ratto, a former independent sales agent for Gateways; and Stephen L. Boyd, also a former independent sales agent for Gateways. Gateways attempted to develop and market a series of videotapes related to the United States space program until the company ceased operations in 1996.

The complaint alleges that between approximately 1993 and March 1996, the defendants fraudulently offered and sold Karabochos' unregistered, restricted Gateways stock to more than 780 investors nationwide, resulting in investor losses of approximately \$5 million. The defendants also allegedly violated the registration provisions of the federal securities laws. The Commission seeks permanent injunctive relief disgorgement of ill-gotten gains, civil penalties, and other appropriate relief against Defendants. [SEC v. Louis G. Karabochos, Kathy D. Karabochos, Kenneth E. Ratto and Stephen L. Boyd, USDC, NDCA, Civil Action No. 98-3718, MMC] (LR-15908)

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#### INVESTMENT COMPANY ACT RELEASES

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#### THE SESSIONS GROUP, ET AL.

A notice has been issued giving interested persons until October 19, 1998, to request a hearing on an application filed by The Sessions Group, et al. for an order under Section 17(b) of the Investment Company Act granting an exemption from Section 17(a) of the Act to permit certain series of the Coventry Group to acquire all of the assets and assume all of the liabilities of certain series of The Sessions Group. Because of certain affiliations, applicants may not rely on Rule 17a-8 under the Act. (Rel. IC-23472 - September 28)

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#### SELF-REGULATORY ORGANIZATIONS

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#### ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

A proposed rule change (SR-PCX-98-47) filed by the Pacific Exchange relating to a supplemental specialist post fee was approved under Section 19(b)(2) of the Securities Exchange Act of 1934. Publication of the order is expected in the Federal Register during the week of September 28. (Rel. 34-40482)

The Commission noticed and granted accelerated approval to an amendment to a proposed rule change (SR-NASD-98-26) submitted by the National Association of Securities Dealers extending both the current suspension of Primary Market Maker standards and the NASD's Short Sale Rule (and the definition of "legal short sale") to March

31, 1999. Publication is expected in the Federal Register during the week of September 28. (Rel. 34-40485)

## DELISTINGS GRANTED

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration Coty Inc., 10 1/4% Senior Subordinated Notes, due May 1, 2005. (Rel. 34-40491)

An order has been issued granting the application of the Pacific Exchange to strike from listing and registration Sepragen Corporation, Class A Common Stock, No Par Value; Redeemable Class A Warrants expiring March 23, 2000; Redeemable Class B Warrants expiring March 23, 2000 and Units (each consisting of one unit of Class A Common Stock, one Redeemable Class A Warrant and one Redeemable Class B Warrant). (Rel. 34-40492)

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## SECURITIES ACT REGISTRATIONS

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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.

- F-6 COMPANHIA SIDERURGICA BELGO-MINEIRA, 111 WALL ST, C/O CITIBANK NA, NEW YORK, NY 10043 (212) 657-7691 - 10,000,000 (\$500,000) DEPOSITARY RECEIPTS FOR PREFERRED STOCK. (FILE 333-9412 - SEP. 17) (BR. 99)
- S-8 DOCDATA NV, HELVOIRTSEWEG 9, 5261 CA VUGHT, THE NETHERLANDS, P7 - 200,000 (\$3,572,000) COMMON STOCK. (FILE 333-9414 - SEP. 18) (BR. 2)
- S-3 METRIS RECEIVABLES INC, 4400 BAKER RD, STE F470, MINNETONKA, MN 55343 (612) 936-5077 - 1,000,000 (\$1,000,000) FLOATING RATE NOTES. (FILE 333-63931 - SEP. 22) (BR. 8)
- S-8 PEERLESS SYSTEMS CORP, 2381 ROSECRANS AVE, EL SEGUNDO, CA 90245 (310) 536-0908 - 1,200,000 (\$4,537,500) COMMON STOCK. (FILE 333-63967 - SEP. 22) (BR. 3)
- S-4 CONSUMERS ENERGY CO, 212 W MICHIGAN AVE, JACKSON, MI 49201 (517) 788-0550 - 250,000,000 (\$250,000,000) STRAIGHT BONDS. (FILE 333-63969 - SEP. 22) (BR. 2)
- S-4 LONG ISLAND FINANCIAL CORP, ONE SUFFOLK SQUARE, ISLANDIA, NY 11722 (516) 348-0888 - 1,781,708 (\$23,050,847) COMMON STOCK. (FILE 333-63971 - SEP. 22) (BR. 7 - NEW ISSUE)
- S-8 CORONADO INDUSTRIES INC, 16929 EAST ENTERPRISE DRIVE, SUITE 202, FOUNTAIN HILLS, AZ 85268 ((60) 2) -837- - 650,000 (\$694,000) COMMON STOCK. (FILE 333-63975 - SEP. 22) (BR. 1)
- S-8 CORONADO INDUSTRIES INC, 16929 EAST ENTERPRISE DRIVE, SUITE 202, FOUNTAIN HILLS, AZ 85268 ((60) 2) -837- - 40,000 (\$20,000) COMMON STOCK. (FILE 333-63977 - SEP. 22) (BR. 1)

S-8 FOREMOST CORP OF AMERICA, 5600 BEECH TREE LN, CALEDONIA, MI 49316  
(616) 942-3000 - 750,000 (\$14,602,500) COMMON STOCK. (FILE 333-63979 -  
SEP. 22) (BR. 1)

S-8 FOREMOST CORP OF AMERICA, 5600 BEECH TREE LN, CALEDONIA, MI 49316  
(616) 942-3000 - 99,000 (\$1,927,530) COMMON STOCK. (FILE 333-63981 -  
SEP. 22) (BR. 1)

S-8 M&T BANK CORP, C/O CORPORATE REPORTING, ONE M&T PLAZA 5TH FLOOR,  
BUFFALO, NY 14240 (716) 842-5445 - 500,000 (\$234,050,000) COMMON STOCK.  
(FILE 333-63985 - SEP. 22) (BR. 7)

SB-2 VILLAGE FINANCIAL CORP, P O BOX 6554, P O BOX 7345, LAWRENCEVILLE, NJ  
08648 (609) 730-0183 - 610,000 (\$6,100,000) COMMON STOCK. (FILE 333-63987  
- SEP. 22) (BR. 2)

S-1 PEOPLES BANK, 850 MAIN ST, BRIDGEPORT, CT 06604 (203) 338-7171 -  
1,000,000 (\$1,000,000) EQUIPMENT TRUST CERTIFICATES. (FILE 333-63989 -  
SEP. 22) (BR. 8)

S-3 ORYX TECHNOLOGY CORP, 47341 BAYSIDE PARKWAY, FREMONT, CA 94538  
(510) 249-1144 - 437,046 (\$259,496) COMMON STOCK. (FILE 333-63991 -  
SEP. 22) (BR. 9)

SB-2 JAVELIN SYSTEMS INC, 1881 LANGLEY AVE, IRVINE, CA 92614 (714) 223-5130  
- 1,437,500 (\$13,027,343.75) COMMON STOCK. (FILE 333-63993 - SEP. 22)  
(BR. 9)

S-8 SCC COMMUNICATIONS CORP, 6285 LOOKOUT RD, BOULDER, CO 80302 - 2,101,055  
(\$14,576,069) COMMON STOCK. (FILE 333-63995 - SEP. 22) (BR. 3)

S-8 MACDERMID INC, 245 FREIGHT ST, WATERBURY, CT 06702 (203) 575-5700 -  
1,500,000 (\$36,615,000) COMMON STOCK. (FILE 333-64007 - SEP. 22) (BR. 2)

S-3 EFG FUNDING CORP, 297 NORTH ST, HYANNIS, MA 02601 (508) 862-2524 -  
1,000,000 (\$1,000,000) EQUIPMENT TRUST CERTIFICATES. (FILE 333-64009 -  
SEP. 22) (NEW ISSUE)

S-3 EXCELSIOR HENDERSON MOTORCYCLE MANUFACTURING CO, 805 HANLON DR,  
BELLE PLAINE, MN 56011 (612) 873-5700 - 4,169,917 (\$28,668,180)  
COMMON STOCK. (FILE 333-64011 - SEP. 22) (BR. 5)

S-8 NEW ERA OF NETWORKS INC, 7400 E ORHARD RD, STE 230, ENGLEWOOD, CO 80111  
(303) 694-3933 - 600,000 (\$18,454,821.28) COMMON STOCK. (FILE 333-64013 -  
SEP. 22) (BR. 3)

S-3 VORNADO REALTY TRUST, PARK 80 WEST, PLAZA II, SADDLE BROOK, NJ 07663  
(201) 587-1000 - 3,500,000 (\$108,718,750)  
COMMON SHARES OF BENEFICIAL INTEREST. (FILE 333-64015 - SEP. 22) (BR. 8)

S-3 MRV COMMUNICATIONS INC, 8943 FULLBRIGHT AVE, CHATSWORTH, CA 91311  
(818) 767-9044 - 100,000,000 (\$100,000,000) COMMON STOCK (FILE 333-64017  
- SEP. 22) (BR. 5)

S-8 OSTEOTECH INC, 51 JAMES WAY, EATONTOWN, NJ 07724 (732) 542-2800 -  
818,624 (\$20,670,256) COMMON STOCK. (FILE 333-64019 - SEP. 22) (BR. 1)

S-4 PROTECTION ONE INC, 6011 BRISTOL PKWY, CULVER CITY, CA 90230  
(310) 338-6930 - 250,000,000 (\$250,000,000) STRAIGHT BONDS. (FILE  
333-64021 - SEP. 22) (BR. 8)

S-3 ENTERGY MISSISSIPPI INC, 308 EAST PEARL STREET, JACKSON, MS 39201  
(601) 368-5000 - 265,000,000 (\$265,000,000) MORTGAGE BONDS. (FILE  
333-64023 - SEP. 22) (BR. 2)

S-4 SUPERIOR SERVICES INC, 10150 W NATIONAL AVE, STE 350, WEST ALLIS, WI  
53227 (414) 328-2800 - 2,362,244 (\$59,351,380.50) COMMON STOCK. (FILE  
333-64025 - SEP. 22) (BR. 6)

S-8 OMNIS TECHNOLOGY CORP, 851 TRAEGER AVE #100, SAN BRUNO, CA 94066  
(650) 717-4174 - 922,500 (\$432,376) COMMON STOCK. (FILE 333-64027 -  
SEP. 22) (BR. 3)

S-11 APPLE RESIDENTIAL INCOME TRUST INC, 306 EAST MAIN STREET, RICHMOND, VA  
23219 (804) 643-1761 - 5,000,000 (\$50,000,000)  
COMMON SHARES OF BENEFICIAL INTEREST. (FILE 333-64029 - SEP. 23) (BR. 8)

S-4 TRICO MARINE SERVICES INC, 250 NORTH AMERICAN COURT, HOUMA, LA 70364  
(504) 851-3833 - 280,000,000 (\$280,000,000) STRAIGHT BONDS. (FILE  
333-64031 - SEP. 23) (BR. 5)