

sec news digest

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ENFORCEMENT PROCEEDINGS

COMMISSION SUSTAINS NASD ACTION AGAINST ANDREW CINMAN

The Commission has sustained disciplinary action taken by the NASD against Andrew P. Cinman of Atlanta. Cinman was a registered principal and representative of Jason MacKenzie Securities, Inc. (JMS), an NASD member firm. The NASD censured Cinman, fined him \$50,000, and barred him from acting in any registered capacity with the proviso that, after three months, he may apply through the statutory disqualification process for permission to associate with a member firm in a non-proprietary, non-supervisory capacity.

The Commission found that Cinman effected securities transactions in his personal account at JMS that were beyond his means and violated margin requirements. In sustaining the NASD's sanctions, it noted that Cinman deliberately flouted margin requirements, thereby putting his firm at risk. It stated that the bar will enable regulatory authorities to exercise continuing control over Cinman's future participation in the securities business, a desirable safeguard in light of his deliberate misconduct. (Rel. 34-36494.)

ROBERT F. HARMON SENTENCED

The United States Attorney for the Northern District of California and the Securities and Exchange Commission announced that on November 6, Robert F. Harmon (Harmon), after being convicted of seven counts of mail fraud in connection with the offer and sale of unregistered securities through Coast Credit Corporation (Coast Credit) and Pacific Coast Development Corporation (PCDC), was sentenced to 15 months imprisonment and ordered to pay \$60,000 in restitution to defrauded investors. Harmon was previously enjoined from violating the federal securities laws in an action brought by the Commission.

From approximately November 1991 through March 1994, Coast Credit and PCDC conducted 17 different unregistered offerings of securities in the form of pooled interests in promissory notes. The issuers sold approximately \$8.1 million worth of these securities to approximately 390 investors residing primarily in California. Harmon was paid approximately \$16,000 by Coast Credit to use his position as a loan agent with California Federal Bank to deceive investors in Coast Credit and PCDC into believing that the real estate projects were

sound investments. The trial of two of the other participants in the scheme, Michael Wyner and Steven Schecter is scheduled to begin on December 4, 1995. [SEC v. Robert F. Harmon, CR 94 0539, MHP] (Rel. LR-14725)

PRELIMINARY INJUNCTIONS ENTERED IN PRIME BANK CASE

On November 6, Judge W. Earl Britt of the United States District Court for the Eastern District of North Carolina entered preliminary injunctions against Fernando Cruz, a certified financial planner in New Jersey, and Donald E. Elder of South Carolina, in connection with offers of fictitious prime bank instruments in two different schemes. The court also enjoined Shaun K. R. Maxwell of Auburn, Washington, who consented to the injunction without admitting or denying the SEC's allegations. The preliminary injunctions prohibit violation of Section 17(a) of the Securities Act of 1933. In addition, Maxwell was ordered to provide an accounting. The court declined to enter preliminary injunctions against Jerome E. Pinckney and Richard L. Arnold, both of North Carolina, and Anthony Bukovich and Six Capital Corporation of Florida.

The complaint alleges that from April 1994 to September 1994, the defendants defrauded investors by making numerous misrepresentations and omissions of material fact in connection with the offer of two investment contracts based on the purchase and sale of "prime bank securities." In both schemes, investors were asked to execute a Limited Power of Attorney providing access to their funds. [SEC v. Jerome E. Pinckney, Richard L. Arnold, Donald E. Elder, Fernando Cruz, Shaun K.R. Maxwell, Anthony Bukovich, Jr., and Six Capital Corporation, Civil Action No. 7:95-CV-122-BR 1, E.D.N.C.] (LR-14724)

FINAL JUDGMENT ENTERED AGAINST EDWIN HUDSON, JR.

The Commission announced today that on November 21, the United States District Court for the District of Columbia entered a Final Judgment of Permanent Injunction and Other Relief As to Defendant Edwin J. Hudson, Jr. (Hudson). The complaint against Hudson and four other defendants, including Sequoia Systems, Inc. (Sequoia), was filed on February 16, 1995 and alleges, among other things, that Hudson violated Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 and Exchange Act Rules 10b-5 and 13b2-1 thereunder in connection with material financial misstatements made by Sequoia, Hudson's former employer. Also on February 16, 1995, the Commission instituted public administrative proceedings against three other individuals in connection with this matter, including two other former employees of Sequoia.

Without admitting or denying the allegations of the complaint, Hudson consented to the entry of a permanent injunction and agreed to disgorge certain commissions paid to him in connection with certain purported sales that were improperly booked as revenue. The complaint specifically alleges that Hudson falsified at least one purchase order, made false statements to Sequoia's independent auditors, and

caused at least one Sequoia customer to make false statements to Sequoia's auditors.

See SEC v. Sequoia Systems, Inc., Gabriel P. Fusco, Kent R. Allen, Keith D. Johnson and Edwin J. Hudson, Jr., Civil Action No. 95-CV-0321, D.D.C., February 16, 1995 (LR-14417; AAER-647). See also In the Matter of James Edward Palmer and John Louis Thonet, Administrative Proceeding File No. 3-8620; In the Matter of Thomas Milo Somers, Administrative Proceeding File No. 3-8621. [SEC v. Sequoia Systems, Inc., Gabriel P. Fusco, Kent R. Allen, Keith D. Johnson, and Edwin J. Hudson, Jr., Civil Action No. 95-0321, D.D.C., February 16, 1995] (LR-14726)

INVESTMENT COMPANY ACT RELEASES

FORTIS ADVANTAGE PORTFOLIOS, INC., ET AL.

The date for interested persons to request a hearing on an application filed by Fortis Advantage Portfolios, Inc., et al. (Rel. IC-21501) has been extended to December 18, 1995. (Rel. IC-21501A - November 21)

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, ET AL.

The date for interested persons to request a hearing on an application filed by Merrill Lynch, Pierce, Fenner & Smith Incorporated, et al. (Rel. IC-21502) has been extended to December 18, 1995. (Rels. IC-21502A; ISR-885 - November 21)

DREYFUS NEW YORK TAX EXEMPT BOND FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus New York Tax Exempt Bond Fund, Inc. has ceased to be an investment company. (Rel. IC-21507 - November 20)

DREYFUS NEW YORK TAX EXEMPT MONEY MARKET FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus New York Tax Exempt Money Market Fund, Inc. has ceased to be an investment company. (Rel. IC-21508 - November 20)

PARK AVENUE TAX EXEMPT MONEY MARKET FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that Park Avenue Tax Exempt Money Market Fund, Inc. has ceased to be an investment company. (Rel. IC-21509 - November 20)

DREYFUS CASH RESERVES, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus Cash Reserves, Inc. has ceased to be an investment company. (Rel. IC-21510 - November 20)

PARK AVENUE EQUITY FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Park Avenue Equity Fund, Inc. has ceased to be an investment company. (Rel. IC-21511 - November 20)

DREYFUS FINANCIAL INSTITUTION SECURITIES, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus Financial Institution Securities, Inc. has ceased to be an investment company. (Rel. IC-21512 - November 20)

DREYFUS LIQUID ASSETS II, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus Liquid Assets II, Inc. has ceased to be an investment company. (Rel. IC-21513 - November 20)

DREYFUS QUALIFIED DIVIDEND FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus Qualified Dividend Fund, Inc. has ceased to be an investment company. (Rel. IC-21514 - November 20)

DREYFUS TARGET MATURITIES FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus Target Maturities Fund, Inc. has ceased to be an investment company. (Rel. IC-21515 - November 20)

DREYFUS TAXABLE MUNICIPALS FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that Dreyfus Taxable Municipals Fund, Inc. has ceased to be an investment company. (Rel. IC-21516 - November 20)

THE FOREST FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that The Forest Fund, Inc. has ceased to be an investment company. (Rel. IC-21517 - November 20)

1784 GOVERNMENT MONEY MARKET FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that 1784 Government Money Market Fund, Inc. has ceased to be an investment company. (Rel. IC-21518 - November 20)

1784 MONEY MARKET FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that 1784 Money Market Fund, Inc. has ceased to be an investment company. (Rel. IC-21519 - November 20)

LEXINGTON SHORT TERM TAX EXEMPT FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Lexington Short Term Tax Exempt Fund, Inc. has ceased to be an investment company. (Rel. IC-21521 - November 20)

WARBURG, PINCUS TRUST, ET AL.

A notice has been issued giving interested persons until December 15, 1995, to request a hearing on an application filed by Warburg, Pincus Trust (Trust) and Warburg, Pincus Counsellors, Inc. (Counsellors) (collectively, Applicants) for an order under Section 6(c) of the Investment Company Act granting exemptions from the provisions of Sections 9(a), 13(a), 15(a) and 15(b) thereof and Rules 6e-2(b)(15) and 6e-3(T)(b)(15) thereunder. Applicants request that the order permit shares of the Trust and shares of any other investment company or series thereof that is designed to fund insurance products and for which Counsellors or its affiliates may serve as investment adviser, administrator, manager, principal underwriter or sponsor, to be sold to and held by: (1) variable annuity and variable life insurance separate accounts of both affiliated and unaffiliated life insurance companies; and (2) qualified pensions and retirement plans. (Rel. IC-21522.)

FLAGSHIP PENNSYLVANIA TRIPLE TAX EXEMPT FUND

A notice has been issued giving interested persons until December 15, 1995, to request a hearing on an application filed by Flagship Pennsylvania Triple Tax Exempt Fund for an order under Section 8(f) of the Investment Company Act declaring that applicant has ceased to be an investment company. (Rel. IC-21523)

STATES STREET RESEARCH TAX-EXEMPT FUND, ET AL.

A notice has been issued giving interested persons until December 15, 1995, to request a hearing on an application filed under the Investment Company Act by State Street Research Tax-Exempt Fund, et al. Applicants request an order pursuant to Section 17(b) of the Act granting relief from Section 17(a). Applicants further request an order pursuant to Rule 17d-1 under the Act to permit certain joint transactions otherwise prohibited by Section 17(d) and Rule 17d-1. The requested order would permit applicants to effectuate a reorganization between certain registered open-end management investment companies. (Rel. IC-21524)

PITCAIRN GROUP L.P.

A notice has been issued giving interested persons until December 19, 1995, to request a hearing on an application filed by Pitcairn Group L.P. for an order under Section 6(c) of the Investment Company Act that would exempt applicant from all provisions of the Act. Applicant is a privately-held investment company that is substantially owned and controlled by one family and certain persons and entities affiliated with, or otherwise related to, members of that family. (Rel. IC-21525.)

VANGUARD VARIABLE INSURANCE FUND, ET AL.

A notice has been issued giving interested persons until December 15, 1995, to request a hearing on an application filed by Vanguard Variable Insurance Fund (Fund) and The Vanguard Group, Inc. Applicants request an order, pursuant to Section 6(c) of the Investment Company Act, granting exemptions from the provisions of Sections 9(a), 13(a), 15(a), and 15(b) of the Act, and Rules 6e-2(b)(15) and 6e-3(T)(b)(15) thereunder, to the extent necessary to permit shares of the Fund to be sold to and held by variable annuity and variable life insurance separate accounts of both affiliated and unaffiliated life insurance companies. (Rel. IC-21526.)

HOLDING COMPANY ACT RELEASES

PSI ENERGY, INC.

An order has been issued authorizing PSI Energy, Inc., an electric utility subsidiary of Cinergy Corp., a registered holding company, to enter into a business venture with H. H. Gregg, a retail vendor of household electronics products. Under the terms of the proposed venture, PSI Energy would sell appliances and related extended service warranties, and obtain customer financing for appliance purchases through financial institutions. The current proposal involves a pilot program, extending from November 24, 1995 through December 31, 1996. (Rel. 35-26412)

SELF REGULATORY ORGANIZATIONS

EXTENSION OF RULE PROPOSAL COMMENT PERIOD

A notice has been issued extending the comment period concerning the application of Ocelot Energy Inc. to withdraw its Class B Subordinate Voting Shares, No Par Value, from listing and registration on the American Stock Exchange. Interested persons now have until December 12, 1995 to submit their comments to the Commission. (Rel. 34-36480A)