

# SEC NEWS DIGEST

Issue 97-241

December 16, 1997

---

## ENFORCEMENT PROCEEDINGS

---

SECURITIES & EXCHANGE COMMISSION v. JOHN GARDNER BLACK, DEVON CAPITAL MANAGEMENT, INC., AND FINANCIAL MANAGEMENT SCIENCES, INC.

The Commission announced that on December 12 the Honorable Donetta Ambrose of the U.S. District Court for the Western District of Pennsylvania signed an order of permanent injunction against defendants John Gardner Black (Black), Devon Capital Management, Inc. (Devon), and Financial Management Sciences, Inc. (FMS). The order enjoins the defendants from future violations of the anti-fraud provisions of the federal securities laws while reserving the issues of the dollar amounts of disgorgement and civil penalties to be paid by them. The order provides for a forty-five day period of discovery relating to the issues of disgorgement and civil penalties. At the conclusion of the discovery period, if the parties are unable to agree on the amounts of disgorgement and penalties to be paid, the parties will request that Judge Ambrose hold an evidentiary hearing and make rulings on these remaining issues. Defendants Black, Devon and FMS consented to the order without admitting or denying the allegations in the Commission's complaint.

The Commission filed this action as an emergency matter on September 26, 1997. On the same date, the Court granted the Commission's requested relief, including a temporary restraining order, freeze of assets and an order appointing the Honorable Richard Thornburgh, formerly Attorney General of the United States, United States Attorney for Western Pennsylvania and Governor of Pennsylvania, as Trustee.

The order of permanent injunction maintains the freeze of the defendants' assets until such time as the issues of payment of disgorgement and civil penalties are resolved. Previously, on October 30, 1997, the Court denied defendant Black's request to release \$625,000 of the frozen assets to pay legal fees, in part because he had failed to demonstrate that he did not have access to other funds. At the same time the Court denied in substantial part defendant Black's request to release approximately \$127,000 of the frozen funds to pay living expenses, allowing him only \$25,000 for

this purpose.

The Commission's complaint alleged that Black, acting through Devon, a Pennsylvania-based registered investment adviser, and FMS, an affiliate of Devon's, engaged in a fraudulent scheme in connection with the solicitation and management of Devon's investment advisory clients' funds. The complaint alleged that the scheme resulted in the loss of millions of dollars of municipal bond proceeds invested by school districts and other local government units throughout Western and Central Pennsylvania.

At the time the complaint was filed, Devon managed approximately \$345 million in assets for approximately 100 investment advisory clients, the vast majority of which were local school districts seeking to invest the proceeds of municipal bond offerings. The complaint alleged that Devon had invested approximately \$233 million of these funds, on behalf of 75 local school districts, in a form of investment called a Collateralized Investment Agreement (CIA). In promotional materials, Devon represented to these school districts that the CIA was an investment which paid a specified rate of return over a fixed period and which was fully protected by a pool of securities equalling the amount of the school districts' total principal investment. The complaint alleged that, in fact, the school districts that had invested in the CIA program have suffered a combined loss of their principal investment of approximately \$71 million. Finally, the complaint alleged that Black, Devon and FMS benefitted financially from this fraudulent scheme.

The complaint alleged that Devon, FMS and Black violated the antifraud provisions of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint further alleged that Devon, aided and abetted by Black, violated the antifraud and custody provisions in Section 206(1), (2) and (4) of the Investment Advisers Act and Rule 206(4)-2(a) thereunder. [SEC v. John Gardner Black, Devon Capital Management, Inc., and Financial Management Sciences, Inc., United States District Court for the Western District of Pennsylvania, Civil Action No. 97-2257] (LR-15591)

---

## SELF-REGULATORY ORGANIZATIONS

---

### ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

The Commission granted partial approval on an accelerated basis of a proposed rule change submitted by the National Association of Securities Dealers (SR-NASD-97-78) under Rule 19b-4 of the Securities Exchange Act of 1934. The order enables the NASD to respond to the electronic inquiries of persons or entities requesting the disciplinary history of NASD members and their associated persons as if they were either written or telephonic inquiries. (Rel. 34-39442)

The Commission granted accelerated approval of a proposed rule change (SR-Phlx-97-59) filed by the Philadelphia Stock Exchange under Section 19(b)(2) of the Securities Exchange Act. The proposed rule change relates to PHLX's decision to withdraw from the clearance and settlement and securities depository businesses. Publication of the proposal is expected in the Federal Register during the week of December 15. (Rel. 34-39445)

#### PROPOSED RULE CHANGE

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-97-83) under Rule 19b-4 of the Exchange Act to amend listing fees for Nasdaq National Market Issuers. Publication of the proposal is expected in the Federal Register during the week of December 15. (Rel. 34-39441)

#### APPROVAL OF PROPOSED RULE CHANGES

The Commission has approved proposed rule changes filed by The Depository Trust Company (SR-DTC-97-16), Philadelphia Depository Trust Company (SR-Philadep-97-04), National Securities Clearing Corporation (SR-NSCC-97-08), and Stock Clearing Corporation of Philadelphia (SR-SCCP-97-04) under Section 19(b) of the Securities Exchange Act. These rule changes relate to a decision by the Philadelphia Stock Exchange, Incorporated, to withdraw from the securities depository business and to limit its clearance and settlement operations. Publication of the proposal is expected in the Federal Register during the week of December 15. (Rel. 34-39444)

#### DELISTINGS

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration Alliance Entertainment Corp., Common Stock, \$0.0001 Par Value. (Rel. 34-39437)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration Integon Corporation, \$3.875 Convertible Preferred Stock. (Rel. 34-39438)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration Kerr Group, Inc., Common Stock, \$.50 Par Value; and \$1.70 Class B Cumulative Convertible Preferred Stock. (Rel. 34-39439)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration L. Luria & Son, Inc., Common Stock, \$0.01 Par Value. (Rel. 34-39440)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration The Louisiana Land and Exploration Company, 8 1/8% Notes due June 15, 2002. (Rel. 34-39446)

---

## SECURITIES ACT REGISTRATIONS

---

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.

- S-8 AMERICAN MATERIALS & TECHNOLOGIES CORP, 5915 RODEO RD, LOS ANGELES, CA  
90016 (310) 841-5200 - 700,000 (\$3,310,168.87) COMMON STOCK. (FILE  
333-41745 - DEC 09) (BR 2)
- S-4 NEXTEL COMMUNICATIONS INC, 1505 FARM CREDIT DR, STE 100, MCLEAN, VA  
22102 (201) 438-1400 - 1,129,100,000 (\$376,366,667) STRAIGHT BONDS (FILE  
333-41747 - DEC 09) (BR 3)
- S-8 GROUP MAINTENANCE AMERICA CORP, 8 GREENWAY PLZ, SUITE 1500, HOUSTON, TX  
77046 (713) 626-4778 - 598,000 (\$8,372,000) COMMON STOCK. (FILE 333-41749  
- DEC 09) (BR 6)
- S-8 GROUP MAINTENANCE AMERICA CORP, 8 GREENWAY PLZ, SUITE 1500, HOUSTON, TX  
77046 (713) 626-4778 - 1,700,000 (\$23,800,000) COMMON STOCK (FILE  
333-41751 - DEC 09) (BR 6)
- S-3 CELLSTAR CORP, 1730 BRIERCROFT DR, CARROLLTON, TX 75006 (214) 466-5000  
- 150,000,000 (\$150,000,000) CONVERTIBLE DEBENTURES AND NOTES. 171,874  
(\$4,511,692 50) COMMON STOCK (FILE 333-41753 - DEC 09) (BR. 6)
- S-3 CANYON RESOURCES CORP, 14142 DENVER W PKWY STE 250, GOLDEN, CO 80401  
(303) 278-8464 - 50,000 (\$53,000) COMMON STOCK (FILE 333-41755 - DEC 09)  
(BR 4)
- S-8 TOSCO CORP, 72 CUMMINGS POINT RD, STAMFORD, CT 06902 (203) 977-1000 -  
150,000 (\$5,165,625) COMMON STOCK (FILE 333-41771 - DEC 09) (BR 4)
- S-8 AMF BOWLING INC, 8100 AMF DRIVE, RICHMOND, VA 23111 (804) 730-4000 -  
1,767,151 (\$37,662,405 69) COMMON STOCK (FILE 333-41773 - DEC 09)  
(BR 5)
- S-8 TOTAL SYSTEM SERVICES INC, 1200 SIXTH AVENUE, P O BOX 1755, COLUMBUS, GA  
31901 (706) 649-2267 - 533,500 (\$14,852,640) COMMON STOCK (FILE  
333-41775 - DEC 09) (BR 3)
- S-8 BAY NETWORKS INC, 4401 GREAT AMERICA PKWY, SANTA CLARA, CA 95054  
(408) 988-2400 - 17,000,000 (\$488,048,450) COMMON STOCK (FILE 333-41777 -  
DEC 09) (BR 3)
- S-8 AMERICAN EXPRESS CO, AMERICAN EXPRESS TWR, WORLD FINANCIAL CN,  
200 VESEY ST 49TH FLOOR, NEW YORK, NY 10285 (212) 640-2000 - 10,000  
(\$843,760) COMMON STOCK (FILE 333-41779 - DEC 09) (BR 8)
- S-1 FRANKLIN TELECOMMUNICATIONS CORP, 733 LAKEFIELD RD, WESTLAKE VILLAGE, CA  
91361 (805) 373-8688 - 2,000,000 (\$8,880,000) COMMON STOCK (FILE  
333-41781 - DEC 09) (BR. 3)
- S-8 ERGO SCIENCE CORP, CHARLESTOWN NAVY YARD, FOURTH FL 100 FIRST AVE,  
CHARLESTOWN, MA 02129 (617) 241-6800 - 435,225 (\$7,534,832) COMMON STOCK.  
(FILE 333-41791 - DEC 09) (BR 1)
- S-3 ALBERTSONS INC /DE/, 250 PARKCENTER BLVD, P O BOX 20, BOISE, ID 83726  
(208) 385-6200 - 400,000,000 (\$400,000,000) STRAIGHT BONDS (FILE  
333-41793 - DEC 09) (BR 2)

S-3 JP FOODSERVICE INC, 9830 PATUXENT WOODS WY, COLUMBIA, MD 21046  
(410) 312-7100 - 279,268 (\$8,325,537.61) COMMON STOCK. (FILE 333-41795 -  
DEC. 09) (BR 2)

S-3 ACTV INC /DE/, 1270 AVE OF THE AMERICAS, NEW YORK, NY 10020  
(212) 262-2571 (FILE 333-41797 - DEC. 09) (BR 3)

S-8 US INDUSTRIES INC, 101 WOOD AVE SOUTH, ISELIN, NJ 08830 (908) 767-0700  
- 8,621 (\$250,000) COMMON STOCK (FILE 333-41799 - DEC. 09) (BR. 6)

S-8 SALIX HOLDINGS LTD, 3600 W BAYSHORE RD, STE 205, PALO ALTO, CA 94303  
(415) 856-1550 - 1,016,862 (\$6,609,603) COMMON STOCK (FILE 333-41801 -  
DEC. 09) (BR. 1)

S-1 RIVIERA TOOL CO, 5460 EXECUTIVE PARKWAY, GRAND RAPIDS, MI 49512  
(616) 698-2100 - 1,461,529 (\$16,486,048) COMMON STOCK. (FILE 333-41805 -  
DEC 09) (BR 4)

S-3 FORWARD INDUSTRIES INC, 275 HEMPSTEAD TURNPIKE, WEST HEMPSTEAD, NY 11552  
(516) 564-1100 - 12,363,000 (\$13,947,440) COMMON STOCK. (FILE 333-41809 -  
DEC 09) (BR. 6)

S-8 INTERNATIONAL BUSINESS MACHINES CORP, NEW ORCHARD RD, ARMONK, NY 10504  
(914) 499-1900 - 162,694 (\$11,242,155.40) COMMON STOCK. (FILE 333-41813 -  
DEC 09) (BR 3)

S-8 RAYOVAC CORP, 601 RAYOVAC DR, MADISON, WI 53711 (608) 275-3340 -  
OTHER SECURITIES INCLUDING VOTING TRUST (FILE 333-41815 - DEC 09)  
(BR 6)

S-8 INTERNATIONAL FIBERCOM INC, 3615 S 28TH ST, SUITE 180, PHOENIX, AZ 85040  
(602) 941-1900 - 3,641,707 (\$22,760,668 75) COMMON STOCK (FILE 333-41817  
- DEC 09) (BR 9)

S-8 SHERWOOD GROUP INC, 10 EXCHANGE PLACE CENTRE, 15TH FLOOR, JERSEY CITY,  
NJ 07302 (201) 946-2200 - 420,000 (\$5,302,500) COMMON STOCK (FILE  
333-41819 - DEC 10) (BR 8)

S-4 ZIONS BANCORPORATION /UT/, ONE SOUTH MAIN STREET, SUITE 1380,  
SALT LAKE CITY, UT 84111 (801) 524-4787 - 572,836 (\$8,082,000)  
COMMON STOCK. (FILE 333-41821 - DEC 10) (BR 7)

S-8 VERITAS DGC INC, 3701 KIRBY DR, STE 112, HOUSTON, TX 77098  
(713) 512-8300 - 1,441,667 (\$55,323,971 12) COMMON STOCK (FILE 333-41829  
- DEC 10) (BR 4)

S-8 CENTIGRAM COMMUNICATIONS CORP, 91 EAST TASMAN DR, SAN JOSE, CA 95134  
(408) 944-0250 - 350,000 (\$5,950,000) COMMON STOCK (FILE 333-41831 -  
DEC 09) (BR 3)