

sec news digest

Issue 96-62

April 4, 1996

COMMISSION ANNOUNCEMENTS

CHANGE IN THE MEETING: CANCELLATION

The closed meeting scheduled for Wednesday, April 3, 1996, at 10:00 a.m. was cancelled.

AT TIMES CHANGES IN COMMISSION PRIORITIES REQUIRE ALTERATIONS IN THE SCHEDULING OF MEETING ITEMS. FOR FURTHER INFORMATION AND TO ASCERTAIN WHAT, IF ANY, MATTERS HAVE BEEN ADDED, DELETED OR POSTPONED, PLEASE CONTACT: The Office of the Secretary (202) 942-7070.

TENTH EDGAR CONFERENCE SCHEDULED

An EDGAR Filer Conference has been scheduled for Monday, April 15, 1996. The conference will be held in the Jefferson Auditorium at the Department of Agriculture South Building at 14th Street and Independence Avenue S.W., in Washington D.C. At the conference, the SEC will present the status of EDGAR, a discussion of the EDGAR Rules, and a demonstration of the EDGARLink software. Although the Jefferson Auditorium can accommodate more people than the Commission Meeting Room used in previous conferences, space is limited to the number of seats in the facility (500). To reserve space, please register for the conference by calling (202) 942-8800 or leave a message on our request line (202) 942-8600. When you register, please give your name, your company, and your telephone number.

The conference will begin at 9:00 a.m. and is expected to end at about 5:00 p.m. Enter the facility by the Wing 4 entrance, which is in the middle of the Independence Avenue side of the building. The Wing 1 entrance is handicapped accessible. The guards will have the

list of registered attendees, which will streamline the process of admitting you to this Government facility. You will need to bring a picture ID that was issued by a federal or state agency, such as a driver's license, to be admitted. Work IDs will not be accepted. You will be able to enter the Jefferson Auditorium, located approximately 100 yards to the right of the Wing 4 entrance guard's desk, at 8:00 a.m. For those conference attendees who arrive earlier than that time, the Department of Agriculture Cafeteria, located in Wing 3 of the facility, will be open.

It is recommended that you do not bring computer equipment, tape recorders, or portable telephones with you to the conference. If you do, you MUST register this equipment when you enter the Department of Agriculture Building by giving the guards the serial number, make, and model of the equipment and your name, business, and social security number. This information will be used to authenticate ownership of the equipment when you leave the building. Please note that all briefcases and large bags will be searched upon leaving the facility.

Please also note that no solicitation of any kind is permitted in this Government building. For example, filing agents and training agents will not be permitted to leave brochures describing their services on the registration desk or on the chairs of those attending the conference, nor will they be permitted to give this information to conference attendees who are entering or leaving the Jefferson Auditorium. If you have any questions about the conference, please call (800) 942-8800.

Any member of the public who requires auxiliary aids such as a sign-language interpreter or material on tape to attend a public meeting should contact Nancy Wolynetz, Office of Administrative and Personnel Management, to make arrangements. Ms. Wolynetz can be reached at (202) 942-4091 or at a TTY number (202) 942-4075. Staff members at the Commission are encouraged to contact Ms. Wolynetz if they receive inquiries on availability of auxiliary aides. If you wish to have a sign-language interpreter, please contact Ms. Wolynetz by C.O.B. April 8.

CANCELLATION OF INVESTMENT ADVISER REGISTRATIONS

The Commission has issued a notice regarding the cancellation of certain investment adviser registrations for failing to comply with the filing requirements of Rule 204-1 under the Investment Advisers Act of 1940. (Rel. IA-1559)

COMMISSION AND NASAA ANNOUNCE 1996 CONFERENCE ON FEDERAL-STATE SECURITIES REGULATION AND REQUEST COMMENTS ON THE TENTATIVE AGENDA

The Commission and the North American Securities Administrators Association, Inc. (NASAA) announced that the annual conference on Federal-State Securities Regulation will be held on April 29, 1996. Because participation at the conference is generally limited to Commission and NASAA personnel, the release indicates that interested persons should participate by providing written comments by April 25, 1996.

Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 6-9, Washington, D.C. 20549, and refer to File No. S7-9-96. Comments also may be submitted electronically at the following E-mail address: rule-comments@sec.gov. (Rel. 33-7277)

FOR FURTHER INFORMATION CONTACT: William E. Toomey or Richard K. Wulff at (202) 942-2950.

INVESTMENT COMPANY ACT RELEASES

NORWEST ADVANTAGE FUNDS, ET AL.

A notice has been issued giving interested persons until April 29 to request a hearing on an application filed by Norwest Advantage Funds, et al. for an order under Section 17(b) of the Investment Company Act for an exemption from Section 17(a) of the Act to permit the Stable Income Fund, Intermediate U.S. Government Fund, and Income Equity Fund to acquire all of the assets of the Adjustable U.S. Government Reserve Fund, Government Income Fund, and Income Stock Fund, respectively. Each Fund is a series of Norwest Advantage Funds. (Rel. IC-21868 - April 2)

MAS FUNDS

A notice has been issued giving interested persons until April 29 to request a hearing on an application filed by the MAS Funds for an order under Section 6(c) of the Investment Company Act for an exemption from Sections 13(a)(2), 18(f)(1), 22(f), and 22(g) of the Act and Rule 2a-7 thereunder, under Sections 6(c) and 17(b) of the Act for an exemption from Section 17(a)(1) of the Act, and under Section 17(d) of the Act and Rule 17d-1 thereunder to permit certain joint arrangements. The requested order would permit the MAS Funds to enter into deferred compensation arrangements with its independent trustees. (Rel. IC-21872 - April 3)

SELF-REGULATORY ORGANIZATIONS

PROPOSED RULE CHANGES

The Chicago Board Options Exchange filed a proposed rule change (SR-CBOE-96-14) relating to the telephone policy for the S&P 100 (OEX) options post. Publication of the notice is expected in the Federal Register during the week of April 1. (Rel. 34-37049)

The Chicago Board Options Exchange filed a proposed rule change (SR-CBOE-96-15) relating to the placing of orders over the outside telephone lines at the equity trading posts. Publication of the notice is expected in the Federal Register during the week of April 1. (Rel. 34-37050)

The Commission received a proposed rule change filing (SR-CBOE-96-20) by the Chicago Board Options Exchange, Incorporated on March 18, 1996, to amend: (1) Interpretation and Policy .05 under Exchange Rule 5.5 to provide that new series of FLEX Equity options may be opened during the month in which they will expire, so long as options of that series expire no earlier than the day following the day the series is added; and (2) Rule 24A.5(e) in order to provide a minimum right of participation to Exchange members who initiate Requests for Quotes in respect of FLEX Equity Options and indicate an intention to cross or act as principal on the trade, similar to the right of participation that applies under existing Exchange rules in respect of FLEX Index Options. Publication of the notice is expected in the Federal Register during the week of April 1. (Rel. 34-37051)

The American Stock Exchange filed a proposed rule change (SR-Amex-95-57) relating to the listing of flexible exchange options (FLEX Options) on specified equity securities. Publication of the notice is expected in the Federal Register during the week of April 1. (Rel. 34-37053)

The Chicago Stock Exchange filed a proposed rule change (SR-CHX-96-10) modifying the CHX's membership fees and dues schedule to add clearing support fees and to delete certain fees. Publication of the proposal is expected in the Federal Register during the week of April 8. (Rel. 34-37054)

The New York Stock Exchange filed a proposed rule change (SR-NYSE-96-05) relating to listing standards. Publication of the proposal is expected in the Federal Register during the week of April 8. (Rel. 34-37055)

The New York Stock Exchange filed a proposed rule change (SR-NYSE-96-06) relating to continued listing standards for specialized securities. Publication of the proposal is expected in the Federal Register during the week of April 8. (Rel. 34-37056)

The New York Stock Exchange filed a proposed rule change (SR-NYSE-96-07) relating to continued listing criteria for capital or common stock. Publication of the proposal is expected in the Federal Register during the week of April 8. (Rel. 34-37057)

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-96-11) to amend Article III, Section 49 of the NASD Rules of Fair Practice, the Primary Market Maker (PMM) Standards rule, by deleting a provision of the rule that allows a market maker to become a PMM in an issue by registering in the stock and refraining from quoting the issue for five days. Publication of the proposal is expected in the Federal Register during the week of April 8. (Rel. 34-37062)

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

A proposed rule change (SR-CBOE-96-22) filed by the Chicago Board Options Exchange to delay until May 10, 1996, the effectiveness of that portion of CBOE' Interpretation .04 to Rule 30.20 that prohibits CBOE members from using blanket assurances that securities are available for borrowing to satisfy their affirmative determination requirements with respect to short selling, has become immediately effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the notice is expected in the Federal Register during the week of April 1. (Rel. 34-37052)

A proposed rule change (SR-CBOE-96-17) filed by the Chicago Board Options Exchange relating to options on the CBOE Oil Index has become effective pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the filing is expected in the Federal Register during the week of April 8. (Rel. 34-37058)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission has approved a proposal (SR-PHLX-96-10) filed by the Philadelphia Stock Exchange to allow the PHLX to conduct a three-hour trading session in foreign currency options from 8 a.m. Eastern Standard Time (E.S.T.) through 11 a.m. E.S.T. on Good Friday, April 5, 1996. Publication of the order is expected in the Federal Register during the week of April 8. (Rel. 34-37059; IS-963)

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 JUNIATA VALLEY FINANCIAL CORP, BRIDGE & MAIN ST, P O BOX 66, MIFFLINTOWN, PA 17059 (717) 436-8211 - 100,000 (\$3,500,000) COMMON STOCK. (FILE 333-2007 - MAR. 28) (BR. 1)
- S-8 AMDAHL CORP, 1250 E ARQUES AVE, SUNNYVALE, CA 94088 (408) 746-6000 - 34,000 (\$289,000) COMMON STOCK. (FILE 333-2009 - MAR. 28) (BR. 10)
- S-8 CHEVRON CORP, 575 MARKET STREET, SAN FRANCISCO, CA 94105 ((415) 5) -894- - 4,800,000 (\$249,000,000) COMMON STOCK. (FILE 333-2011 - MAR. 28) (BR. 4)
- S-3 GTE NORTH INC, 600 HIDDEN RIDGE, HQE04B12, IRVING, TX 75038 (214) 718-5600 - 600,000,000 (\$600,000,000) STRAIGHT BONDS. (FILE 333-2013 - MAR. 28) (BR. 7)
- S-3 CYTOGEN CORP, 600 COLLEGE RD EAST CN 5308, PRINCETON, NJ 08540 (609) 987-8200 - 5,000,000 (\$36,875,000) COMMON STOCK. (FILE 333-2015 - MAR. 28) (BR. 4)
- S-8 MICRO BIO MEDICS INC, 846 PELHAM PARKWAY, PELHAM MANOR, NY 10803 (914) 738-8400 - 1,000,000 (\$15,000,000) COMMON STOCK. (FILE 333-2019 - MAR. 28) (BR. 9)
- S-8 LILLY ELI & CO, LILLY CORPORATE CTR, DROP CODE 1112, INDIANAPOLIS, IN 46285 (317) 276-2000 - 5,400,000 (\$260,827,200) COMMON STOCK. (FILE 333-2021 - MAR. 28) (BR. 4)
- S-3 WESTERN RESOURCES INC /KS, 818 KANSAS AVE, TOPEKA, KS 66612 (913) 575-6300 - 10,000,000 (\$300,630,000) COMMON STOCK. (FILE 333-2023 - MAR. 28) (BR. 7)
- S-8 PETROLEUM HELICOPTERS INC, 113 BORMAN DRIVE, P O BOX 23502, LAFAYETTE, LA 70508 (504) 733-6790 - 500,000 (\$6,263,400) COMMON STOCK. (FILE 333-2025 - MAR. 28) (BR. 3)
- S-8 TRIMEDYNE INC, 2801 BARRANCA ROAD, P O BOX 57001, IRVINE, CA 92619 (714) 559-5300 - 588,560 (\$4,634,910) COMMON STOCK. (FILE 333-2027 - MAR. 28) (BR. 8)
- S-8 BURLINGTON RESOURCES INC, 5051 WESTHEIMER, SUITE 1400, HOUSTON, TX 77056 (713) 624-9500 - 2,000,000 (\$72,750,000) COMMON STOCK. (FILE 333-2029 - MAR. 29) (BR. 3)
- S-1 99 CENTS ONLY STORE, 4000 EAST UNION PACIFIC AVE, CITY OF COMMERCE, CA 90023 (213) 582-5999 - 4,887,500 (\$63,537,500) COMMON STOCK. (FILE 333-2764 - MAR. 26) (BR. 1 - NEW ISSUE)

REGISTRATIONS CONT.

- S-3 PHYSICIAN RELIANCE NETWORK INC, 8115 PRESTON ROAD, STE 300 LB-11, DALLAS, TX 75225 (214) 692-3800 - 2,990,000 (\$126,327,500) COMMON STOCK. (FILE 333-2772 - MAR. 26) (BR. 6)
- S-1 GENERAL SURGICAL INNOVATIONS INC, 312A PORTER DR, PALO ALTO, CA 94304 (415) 812-9730 - 2,875,000 (\$37,375,000) COMMON STOCK. (FILE 333-2774 - MAR. 27) (BR. 8 - NEW ISSUE)
- S-2 ARTESIAN RESOURCES CORP, 664 CHURCHMANS RD, NEWARK, DE 19702 (302) 453-6900 - \$11,643,750 COMMON STOCK. (FILE 333-2776 - MAR. 27) (BR. 7)
- S-8 RURAL METRO CORP /DE/, 8401 EAST INDIAN SCHOOL RD, SCOTTSDALE, AZ 85251 (602) 944-3886 - \$41,860,000 COMMON STOCK. (FILE 333-2778 - MAR. 27) (BR. 4)
- S-8 MARINER HEALTH GROUP INC, 125 EUGENE ONEAL DR, NEW LONDON, CT 06320 (203) 572-7744 - 1,035,915 (\$1,199,765.05) COMMON STOCK. (FILE 333-2780 - MAR. 27) (BR. 6)
- S-1 CHANCELLOR RADIO BROADCASTING CO, 12655 N CENTRAL EXPRESSWY, STE 321, DALLAS, TX 75243 (214) 348-8285 - \$100,000,000 PREFERRED STOCK. (FILE 333-2782 - MAR. 27) (BR. 7)
- S-1 GARDEN RIDGE CORP, 19411 ATRIUM PL, STE 170, HOUSTON, TX 77084 (713) 579-7901 - 1,610,000 (\$72,047,500) COMMON STOCK. (FILE 333-2784 - MAR. 27) (BR. 1)
- S-8 FIRST USA PAYMENTECH INC, 1601 ELM ST, STE 4700, DALLAS, TX 75201 (214) 849-3700 - 3,700,000 (\$91,102,290) COMMON STOCK. (FILE 333-2786 - MAR. 27) (BR. 6)
- S-3 HEALTH SYSTEMS INTERNATIONAL INC, 21600 OXNARD ST, WOODLAND HILLS, CA 91367 (719) 542-0500 - 11,500,000 (\$419,750,000) COMMON STOCK. (FILE 333-2788 - MAR. 27) (BR. 9)
- S-8 ORTHODONTIC CENTERS OF AMERICA INC /DE/, 13000 SAWGRASS VILLAGE CR, STE 41, PONTE VEDRA BEACH, FL 32082 (904) 273-0004 - 2,100,000 (\$48,262,488) COMMON STOCK. (FILE 333-2792 - MAR. 27) (BR. 5)
- S-8 SWVA BANCSHARES INC, 302 SECOND ST SW, ROANOKE, VA 24011 (540) 343-0135 - 57,059 (\$963,694.87) COMMON STOCK. (FILE 333-2794 - MAR. 27) (BR. 1)
- S-3 PACIFIC GULF PROPERTIES INC, 363 SAN MIGUEL DR, STE 100, NEWPORT BEACH, CA 92660 (714) 721-2700 (FILE 333-2798 - MAR. 28) (BR. 5)
- S-8 SWISHER INTERNATIONAL INC, 6849 FAIRVIEW RD, CHARLOTTE, NC 28210 (704) 364-7707 - 91,666 (\$366,664) COMMON STOCK. (FILE 333-2800 - MAR. 07) (BR. 5)
- S-8 C CUBE MICROSYSTEMS INC, 1778 MCCARTHY BLVD, MILPITAS, CA 95035 (404) -94-4-64 - 1,573,628 (\$67,272,597) COMMON STOCK. (FILE 333-2812 - MAR. 27) (BR. 9)
- S-3 AMERICAN HOMEPAIENT INC, 5200 MARYLAND WAY, MARYLAND FARMS OFFICE PARK, BRENTWOOD, TN 37027 (615) 221-8884 - 79,251 (\$2,783,691.38) COMMON STOCK. (FILE 333-2814 - MAR. 27) (BR. 6)
- S-8 PINNACLE SYSTEMS INC, 870 MAUDE AVE, SUNNYVALE, CA 94086 (408) 720-9669 - 360,000 (\$7,470,000) COMMON STOCK. (FILE 333-2816 - MAR. 27) (BR. 8)

REGISTRATIONS CONT.

- S-8 RURAL METRO CORP /DE/, 8401 EAST INDIAN SCHOOL RD, SCOTTSDALE, AZ 85251
(602) 944-3886 - 1,500,000 (\$42,375,000) COMMON STOCK. (FILE 333-2818 -
MAR. 27) (BR. 4)
- S-8 ENVOY CORP /TN/, 15 CENTURY BLVD STE 600, NASHVILLE, TN 37214
(615) 885-3700 - 2,000,000 (\$47,260,000) COMMON STOCK. (FILE 333-2824 -
MAR. 27) (BR. 10)

SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934
Release No: 37065 / April 4, 1996

Administrative File No: 3-8981

ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS INSTITUTED
AGAINST FLAGSHIP SECURITIES, INC., DENNIS G. MILEWITZ AND NOREEN
M. BARRINGTON

The Commission instituted public administrative proceedings, pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 ("Exchange Act"), and cease and desist proceedings, pursuant to Section 21C of the Exchange Act, against Flagship Securities, Inc. ("FSI"), which is a registered broker-dealer located in Syracuse, New York, Dennis G. Milewitz ("Milewitz") and Noreen M. Barrington ("Barrington"). Milewitz owns 50% of FSI, and Barrington is FSI's office manager. The Commission's order alleges that, from April 6, 1994 through July 31, 1994, FSI: (1) knowingly maintained fully paid for customers' securities as collateral for FSI's loan account; (2) commingled fully paid for customers' securities with FSI's securities; (3) failed to properly compute FSI's reserve formula, thereby causing a deficiency in FSI's special reserve bank account for the exclusive benefit of FSI's customers; and (4) failed to utilize a settlement date basis for its securities position record.

In addition, the Commission's order alleges that Milewitz and Barrington willfully aided and abetted and/or caused those violations. Further, Milewitz failed reasonably to supervise Barrington with a view to preventing certain of Barrington's aiding and abetting violations. A hearing will be scheduled to determine whether the allegations against FSI, Milewitz and Barrington are true and, if so, what sanctions, if any, are appropriate and in the public interest, whether a cease and desist order against FSI, Milewitz and Barrington is appropriate, whether disgorgement and reasonable interest against FSI is appropriate, and whether civil penalties should be imposed upon FSI, Milewitz and Barrington.

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

April 4, 1996

ADMINISTRATIVE PROCEEDING
File No. 3- 8981

In the Matter of :
: ORDER INSTITUTING PUBLIC
: ADMINISTRATIVE AND CEASE
FLAGSHIP SECURITIES, INC., : AND DESIST PROCEEDINGS AND
DENNIS G. MILEWITZ and : NOTICE OF HEARING PURSUANT
NOREEN M. BARRINGTON, : TO SECTIONS 15(b), 19(h)
: AND 21C OF THE SECURITIES
Respondents. : EXCHANGE ACT OF 1934
:

I.

The Commission's public official files disclose that Flagship Securities, Inc. ("FSI") has been registered with the Commission since December 1, 1975 as a broker-dealer.

II.

As a result of its investigation, the Division of Enforcement alleges that:

A. Dennis G. Milewitz ("Milewitz"), age 55, has been a 50% owner, vice-president, treasurer, financial operations officer and a registered representative of FSI throughout the period of time in which FSI has operated as a registered broker-dealer.

B. Noreen M. Barrington ("Barrington"), age 29, has been associated with FSI since July 1986. She is responsible for performing all of FSI's back office functions including those functions related to FSI's loan and customer accounts, special reserve bank account and FSI's recordkeeping requirements. She has no ownership interest in FSI, and is neither qualified to act as FSI's financial operations officer nor is she a registered representative of FSI.

C. On May 31, 1994, FSI willfully violated, and Milewitz and Barrington willfully aided and abetted and caused FSI's violation of, Section 8(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 8c-1 promulgated thereunder in that FSI lent or arranged for lending securities carried for the account

of any customers without the written consent of such customers or in contravention of such rules and regulations as the Commission shall prescribe for the protection of investors. For example, FSI, Milewitz and Barrington permitted securities carried for the accounts of customers to be hypothecated and subject to a lien or claim by a third party, for a sum which exceeded the aggregate indebtedness of all customers in respect of securities carried for their accounts.

D. On May 31, 1994, FSI willfully violated, and Milewitz and Barrington willfully aided and abetted and caused FSI's violation of, Section 15(c)(2) of the Exchange Act and Rule 15c2-1 promulgated thereunder in that FSI made use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security otherwise than on a national securities exchange of which it is a member, in connection with which FSI engaged in a fraudulent, deceptive, or manipulative act or practice, or made any fictitious quotation. For example, FSI, Milewitz and Barrington permitted securities carried for the accounts of customers to be hypothecated and subject to a lien or claim by a third party, for a sum which exceeded the aggregate indebtedness of all customers in respect of securities carried for their accounts.

E. During the period from April 6, 1994 through July 31, 1994, FSI willfully violated, and Milewitz and Barrington willfully aided and abetted and/or caused, as described in paragraphs II.E.1 through II.E.5. below, FSI's violations of Section 15(c)(3) and Rule 15c3-3 promulgated thereunder in that FSI made use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security in contravention of such rules and regulations as the Commission shall prescribe as necessary or appropriate in the public interest or for the protection of investors to provide safeguards with respect to the financial responsibility and related practices of brokers or dealers, including, but not limited to, the acceptance of custody and use of customers' deposits or credit balances, the maintenance of reserves with respect to customers' deposits or credit balances, and minimum financial responsibility requirements for all brokers and dealers. For example, FSI:

1. willfully violated, and Barrington, and, in one instance, Milewitz, willfully aided and abetted and caused FSI's violations of, Section 15(c)(3) of the Exchange Act and Rule 15c3-3(b)(1) promulgated thereunder by allowing and pledging fully paid for customers' securities as collateral for FSI's loan account;
2. willfully violated, and Milewitz willfully aided and abetted and caused FSI's violations of, Section 15(c)(3) of the Exchange Act and Rule 15c3-3(d) promulgated thereunder by failing to make an excess-deficit listing;

3. willfully violated, and Barrington, and, in one instance, Milewitz, willfully aided and abetted and caused FSI's violations of, Section 15(c)(3) of the Exchange Act and Rule 15c3-3(d)(1) promulgated thereunder by failing to release as collateral for FSI's loan account, and by failing to obtain possession or control over, fully paid for customers' securities within the required time;
4. willfully violated, and Milewitz willfully aided and abetted and caused FSI's violations of, Section 15(c)(3) of the Exchange Act and Rule 15c3-3(d)(4) promulgated thereunder by failing to prepare and maintain a current and detailed description of the procedures which FSI utilized to comply with the possession or control requirements; and
5. willfully violated, and Milewitz and Barrington caused FSI's violation of, Section 15(c)(3) of the Exchange Act and Rule 15c3-3(e) promulgated thereunder by failing to properly compute, and failing to detect errors in, FSI's reserve formula, thereby causing a deficiency in FSI's special reserve bank account for the exclusive benefit of FSI's customers in May 1994.

F. During the period from April 6, 1994 through July 31, 1994, FSI willfully violated, and Milewitz and Barrington willfully aided and abetted and caused FSI's violations of, Section 17(a) of the Exchange Act and Rule 17a-3(a)(5) promulgated thereunder in that FSI failed to make and keep for prescribed periods such records as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors. For example, FSI willfully violated, and Milewitz and Barrington willfully aided and abetted and caused FSI's violations of, Section 17(a) of the Exchange Act and Rule 17a-3(a)(5) promulgated thereunder by failing to maintain securities position records on a settlement date basis.

G. During the period from April 6, 1994 through July 31, 1994, Milewitz was Barrington's direct supervisor and responsible for ensuring that she and FSI complied with the customer protection rules, and, specifically, the possession or control rules. Further, Barrington informed him that fully paid for customers' securities had been pledged to, and not properly released from, the Margin Account. In addition, in August 1993, the National Association of Securities Dealers, Inc. told Milewitz that fully paid for customers' securities were in the Margin Account. However, Milewitz failed reasonably to supervise Barrington, who was subject to his supervision, with a view to preventing Barrington's aiding and abetting violations of Section 15(c)(3) of the Exchange Act, and Rules 15c3-3(b)(1) and 15c3-3(d)(1) promulgated thereunder, within the meaning of Section 15(b)(4)(E) of the Exchange Act by, for example:

1. failing to take action to monitor whether Barrington was ensuring that FSI was properly segregating fully paid for customers' securities;
2. failing to take action to monitor whether Barrington was ensuring that FSI correctly determined its possession or control requirements; and
3. failing to implement procedures reasonably designed to prevent and detect Barrington's aiding and abetting violations of Section 15(c)(3) of the Exchange Act, and Rules 15c3-3(b)(1) and 15c3-3(d)(1) promulgated thereunder.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate that public administrative proceedings and cease and desist proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II. of this Order Instituting Public Administrative and Cease and Desist Proceedings ("Order") are true and, in connection therewith, to afford Respondents FSI, Milewitz and Barrington an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is necessary or appropriate in the public interest or for the protection of investors, pursuant to Sections 15(b) and 19(h) of the Exchange Act, against Respondents FSI, Milewitz and Barrington;
- C. Whether, pursuant to Section 21C of the Exchange Act, Respondents FSI and Milewitz should be ordered to cease and desist from committing or causing any violations and any future violations of any or all of the Sections or Rules specified in Paragraphs C. through F. of Section II. above, and whether Respondent Barrington should be ordered to cease and desist from committing or causing any violations and any future violations of any or all of the Sections or Rules specified in Paragraphs C., D., E.1., E.3., E.5. and F. of Section II. above;
- D. Whether disgorgement and reasonable interest against Respondent FSI is appropriate, pursuant to Section 21C of the Exchange Act; and
- E. Whether civil penalties against Respondents FSI, Milewitz and Barrington are appropriate, pursuant to Section 21B of the Exchange Act.

IV.

IT IS HEREBY ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III. hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

IT IS HEREBY FURTHER ORDERED that the respondents file an answer to the allegations contained in this order instituting public administrative and cease-and-desist proceedings within twenty days after service of this order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If the respondents fail to file an answer or fail to appear at a hearing after being duly notified, they may be deemed in default and the proceedings may be determined against them upon consideration of this order instituting public administrative and cease-and-desist proceedings, the allegations of which may be deemed to be true as provided by Rules 220 and 310 of the Commission's Rules of Practice, 17 C.F.R. § 201.220 and 201.310.

This order instituting public administrative and cease-and desist proceedings shall be served upon the respondents personally or by certified mail forthwith.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice.

Since this proceeding does not constitute "rule making" within the meaning of Section 4(c) of the Administrative Procedure Act, it is not deemed subject to the provisions of that section delaying the effective date of any Commission action.

By the Commission.

Jonathan G. Katz
Secretary