

sec news digest

Issue 95-118

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COMMISSION ANNOUNCEMENTS

CHANGE IN THE MEETING: ADDITIONAL ITEM

The following additional item was considered at a closed meeting held on Wednesday, June 14, 1995, following the open meeting:

Litigation matter.

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.

ENFORCEMENT PROCEEDINGS

MARVIN BASSON SANCTIONED PURSUANT TO RULE 2(e)

The Commission instituted public administrative proceedings pursuant to Rule 2(e) of the Commission's Rules of Practice against Marvin E. Basson (Basson), a CPA practicing in Upper Brookville, New York. Simultaneously, the Commission accepted Basson's offer of settlement wherein, without admitting or denying the Commission's findings, he consented to the issuance of the Commission's Order and was permanently denied the privilege of appearing or practicing before the Commission as an accountant.

The Commission found that Basson engaged in improper professional conduct in connection with his audits of the financial statements of Towers Financial Corporation (Towers) for its fiscal years ended on June 30, 1988, through June 30, 1992. In addition, the Commission found that Basson willfully violated the antifraud provisions of the federal securities laws in connection with those audits, and that a permanent injunction against future violations of the antifraud provisions of the federal securities laws was entered against Basson on December 2, 1994.

Specifically, the Commission found that with respect to each of the years for which Basson issued unqualified opinions on Towers' financial statements Basson was at least reckless in not knowing that Towers was recording materially false amounts of income and accounts receivable. In addition, the Commission found that Basson failed to obtain sufficient competent evidential matter with respect to Towers' recording of income and accounts receivable, relying instead on representations from Towers management. The Commission also found that Basson gave false testimony in the Commission's Towers investigation and a deposition in SEC v. Towers Financial Corp. et al., 93 Civ. 0744, WK, SDNY. (Rel. 34-35840)

PAUL KEILEY AND ANTHONY VASSALLO ENJOINED AND BARRED

The Commission announced that Paul C. Keiley and Anthony C. Vassallo, defendants in a civil action filed by the Commission in the United States District Court for the Southern District of New York on September 1, 1994, have each been permanently enjoined from violations of the registration, antifraud and penny stock provisions of the federal securities laws. Keiley and Vassallo offered and sold unregistered securities issued by Olsen Laboratories, Inc., and made misrepresentations and omissions of material fact in connection the offers and sales of Olsen Labs securities. Keiley and Vassallo each consented to the entry of the injunctions. The Court also ordered disgorgement, but waived payment of the disgorgement and did not impose civil penalties based upon Keiley's and Vassallo's demonstrated inability to pay.

In a related administrative proceeding, Keiley consented to an order barring him from association with a broker, dealer, investment adviser, municipal securities dealer or investment company with a right to reapply after five years, and barring him from participating in a penny stock offering, and Vassallo consented to an order barring him from association with a broker, dealer, investment adviser, municipal securities dealer or investment company with a right to reapply after four years, and barring him from participating in a penny stock offering. [SEC v. Olsen Laboratories, Inc., et al., Civil Action No. 94. Civ. 6280, DC] (LR-14528); (Rel. 34-35841)

COMMISSION IMPOSES PENNY STOCK BARS UPON RAY STODDARD AND JOSEPH CILLO

The Commission has issued an Order Making Findings and Imposing Remedial Sanctions with respect to Ray S. Stoddard and Joseph P. Cillo whereby Stoddard and Cillo are barred from participating in an offering of penny stock. The findings and sanctions are in accordance with Offers of Settlement submitted by Stoddard and Cillo whereby they consented to the entry of the Order.

Pursuant to the Order and Offers, the Commission found that Stoddard has been permanently enjoined from violations of the securities registration and antifraud provisions of the Securities Act and the Exchange Act and that Cillo has been permanently enjoined from violations of the antifraud provisions of those statutes. The Commission's complaint in the injunctive action alleged that Stoddard, a Salt Lake City attorney, had, among other things, issued a letter opining that the stock of Unifirst Corporation was freely tradable without performing the necessary due diligence prior to issuing the opinion letter. The Commission's complaint alleged that Cillo, a Florida attorney, assisted in the preparation of Unifirst's Rule 15c2-11 information materials which failed to disclose that Unifirst's president controlled 70% of the company's stock and that Cillo assisted the president of Unifirst in the sale of stock through nominees. (Rel. 34-35842)

ERNEST SZEKER, JR., RONALD SEAGRAVES AND JAY FORD CONSENT TO ISSUANCE OF A CEASE AND DESIST ORDER

The Commission announced that on June 13 it issued an Order Instituting Public Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, And Findings And Order Of The Commission (Order) against Ernest T. Szeker, Jr. (Szeker), Ronald A. Seagraves (Seagraves) and Jay M. Ford (Ford).

According to the Order, Szeker, then the Chief Financial Officer of Security Investments Group Inc. (SIG), and Seagraves, then SIG's Chief Executive Officer, caused SIG, the holding company for Security Savings Bank, SLA, to understate materially its loan loss provision and its net loss reported in its Form 10-Q for the quarter ended September 30, 1990. Further, Szeker caused SIG to fail to maintain an adequate system of internal accounting controls and accurate books and records concerning SIG's loan loss provision.

Also according to the Order, Szeker and Ford, then SIG's treasurer, caused SIG to fail to estimate properly the value of its excess servicing rights, resulting in the material overstatement of net income in SIG's Form 10-Q for the quarter ended September 30, 1991. Additionally, the Order alleges that Szeker and Ford caused SIG to fail to maintain accurate books and records concerning the value of SIG's excess servicing rights.

The Commission finds that, as a result of the foregoing, Szeker caused SIG to violate Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 13a-13 and 12b-20; Seagraves caused SIG to violate Section 13(a) of the Exchange Act and Rules 13a-13 and 12b-20; and Ford caused SIG to violate Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 13a-13 and 12b-20.

Szeker, Seagraves and Ford consented, without admitting or denying the Commission's findings, to the issuance of the Order requiring them to cease and desist causing any violation or any future violation of the respective provisions of the federal securities laws set forth above. (Rel. 34-35843; AAE Rel. 679)

DECISION BARRING JAMES ROBERT VOIGTSBERGER AND REVOKING THE INVESTMENT-ADVISOR REGISTRATION OF PETER CHASE ADVISORS, INC. BECOMES FINAL

The decision of an administrative law judge with respect to James Robert Voigtsberger and Peter Chase Advisors, Inc. has become final. The law judge issued an order barring James Robert Voigtsberger from any broker, dealer, investment adviser, or any member of a national securities exchange or registered securities association, and from participating in an offering of penny stock. The law judge's order also revoked the investment-advisor registration of Peter Chase Advisors, Inc.

The law judge found that because Voigtsberger was found guilty on fifteen counts of mail fraud (18 U.S.C. § 1341) that he was subject to sanction by the Commission pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act. Peter Chase Advisors, Inc.'s registration was revoked pursuant to Section 203(e) of the Advisers Act, which authorizes the Commission to revoke the registration of an investment adviser if any person associated with the adviser has been convicted of any felony or misdemeanor involving 18 U.S.C. § 1341 within ten years of when the Commission instituted the proceeding. Voigtsberger was the owner, officer, and control person of Peter Chase, Inc. (Rel. 34-35844)

MOTIONS FOR RECONSIDERATION OF DECISION AGAINST GEORGE SALLOUM

The Commission has denied motions to reconsider its April 5, 1995 decision against George Salloum of Pittsford, New York, the former head trader and syndicate manager for Thomas James Associates, Inc., a Rochester-based brokerage firm. In that decision, Salloum was barred with a right to reapply in a limited capacity after one year.

The Commission found that Salloum charged retail customers fraudulent markups in well over 2,000 transactions, involving seven different securities. Salloum sought reconsideration of this finding, and the Commission's Division of Enforcement sought reconsideration of the Commission's failure to find fraud in the sale of an eighth security. The Commission rejected both motions because it had already considered the various arguments raised by the parties in reaching its earlier decision. (Rel. 34-35845)

CEASE AND DESIST ORDER ENTERED AGAINST JANICE JONES

The Commission announced the issuance of an Order pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) against Janice A. Jones (Jones), requiring Jones to cease and desist from committing or causing any violation of, or any future violation of, Sections 13(d), 13(g) and 16(a) of the Exchange Act, and Rules 13d-1, 13d-2, 16a-2 and 16a-3 promulgated thereunder. Jones, without admitting or denying the allegations in the Commission's Order, consented to its entry. Jones is a director of Sports Media, Inc. and until November 1993 owned more than ten percent of Sports Media's stock. Jones also beneficially owned more than ten percent of the stock of Cyanotech Corporation. The Order finds that Jones failed for more than three years and two months

to file a Schedule 13G reporting her beneficial ownership of more than five percent of Sports Media stock, and failed for periods ranging from more than two months to more than two years and two months to file three amendments to her Schedule 13G. The Order finds Jones was late in filing her Form 3 for Sports Media, and for periods ranging from one week to more than one year and eight months was late in filing twelve Forms 4 for Sports Media involving stock transactions with an aggregate value of approximately \$939,566. The Order finds Jones failed to file a Form 5 for Sports Media for its 1992 year. The Order finds that from July 1986 through March 1988, Jones failed to file timely a Form 3 and twelve Forms 4 for Cyanotech, failed to timely file a Schedule 13D for her acquisition of more than five percent of Cyanotech stock, and failed to file five amendments to her Schedule 13D for Cyanotech. (Rel. 34-35856)

PRESTON BYNUM BARRED

The Commission today announced the issuance of an Order permanently barring Preston C. Bynum, by consent, from association with any broker, dealer, municipal securities dealer, investment adviser or investment company. The Commission's order was based upon the entry of an order, on June 6, 1995, by Judge Roger Vinson of the U. S. District Court for the Northern District of Florida, enjoining Bynum from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 15B(c)(1) of the Exchange Act and Rules G-17 and G-20 of the Municipal Securities Rulemaking Board, in the action styled Securities and Exchange Commission v. Terry D. Busbee and Preston C. Bynum, Civil Action No. 95-30024 RV (N.D. Fla. 1995); Lit. Rel. Nos. 14508 (May 24, 1995) and 14387 (January 23, 1995).

The Commission's complaint, filed in January 1995, alleged that Bynum, formerly an employee of the public finance department of Stephens Inc., defrauded the Escambia County Utilities Authority (ECUA) and investors in three offerings of municipal securities issued by the ECUA. (Rel. 34-35870)

TWO SWEDISH CITIZENS CHARGED WITH INSIDER TRADING

The Commission announced that on June 19 two Swedish citizens, Stefan Hislop and Erik Hylander, were charged in the United States District Court for the Southern District of New York with insider trading in the securities of Sea Containers, Ltd. (Sea Containers). According to the Commission's complaint, Hislop, who was employed in the financial division of Stena Finans AB (Stena), communicated material, nonpublic information about Stena's proposed tender offer for Sea Containers to Hylander, an employee of Stena's bank, Handelsbanken, just prior to the public announcement of the tender offer on May 26, 1989. Hislop and Hylander, while in possession of this information, agreed to purchase Sea Containers call options prior to the public announcement. To conceal Hislop's involvement in the transactions, Hislop and Hylander agreed that Hylander would make the purchases of Sea Containers securities. Hislop and Hylander then shared the over \$920,000, in profits from these options transactions.

The Commission seeks an injunction permanently enjoining Hislop and Hylander from future violations of Sections 10(b) and 14(e) and Rules 10b-5 and 14e-3 of the Securities Exchange Act of 1934, and seeks an order requiring them to disgorge their illegal trading profits plus prejudgment interest thereon. The litigation is pending.

The Commission notes with gratitude the substantial cooperation provided by the Swedish Financial Supervisory Authority, Finansinspektionen, and other Swedish authorities, in bringing its action against Hislop and Hylander. As a result of that cooperation, Hislop and Hylander were convicted of tax evasion in Sweden for failure to report their Sea Containers trading profits to Swedish tax authorities.

The Commission also expresses its gratitude to the New York Stock Exchange and the Chicago Board Options Exchange for their assistance in the investigation of this matter. [SEC v. Stefan Hislop and Erik Hylander, 95 Civ. 4578, SDNY, JES] (LR-14533)

HOLDING COMPANY ACT RELEASES

CONSOLIDATED NATURAL GAS COMPANY, ET AL.

A notice has been issued giving interested persons until July 10 to request a hearing on a proposal by Consolidated Natural Gas Company (Consolidated), a registered holding company, and its nonutility subsidiary company CNG Energy Service Corporation (Energy Services) to invest in joint venture projects solely for the purpose of engaging in gas related activities. Energy Services proposes to invest an aggregate amount not to exceed the lesser of \$150 million or its previously authorized, but unused financing authority. Consolidated and Energy Services propose to guarantee their obligations incurred pursuant to the equity investments made in the joint entities up to such amount. Energy Services also proposes to enter into service agreements with the entities in which it is investing. (Rel. 35-26310; 70-8621)

CONSOLIDATED NATURAL GAS, INC., ET AL.

A notice has been issued giving interested persons until July 10 to request a hearing on a proposal by Consolidated Natural Gas Company (CNG), a registered holding company, and its wholly owned subsidiary companies, CNG Research Company, Consolidated Natural Gas Service Company, Inc., CNG Coal Company, CNG Producing Company (Producing), CNG Pipeline Company, CNG Transmission Corporation, CNG Storage Service Company, CNG Energy Services Corporation (Energy Services), The Peoples Natural Gas Company, The East Ohio Gas Company, Virginia Natural Gas, Inc., Hope Gas, Inc., and West Ohio Gas Company (collectively, Subsidiaries). CNG Producing proposes through June 30, 1996 to purchase up to 10,000 shares of its common stock from CNG. Additionally, CNG Energy Services proposes to issue and sell shares of its common stock to CNG at amounts greater than par up to a maximum of \$10,000 per share. (Rel. 35-26310; 70-8619)

ATLANTIC ENERGY, INC.

A notice has been issued giving interested persons until July 10 to request a hearing on a proposal by Atlantic Energy, Inc. (Atlantic), an exempt public utility holding company, to remove a condition restricting Atlantic's ability to make certain investments that was contained in a 1987 Commission order granting Atlantic's exemption. (Rel. 35-26310)

MAINE YANKEE ATOMIC POWER COMPANY

A notice has been issued giving interested persons until July 10 to request a hearing on a proposal by Maine Yankee Atomic Power Company, an indirect subsidiary of Northeast Utilities and New England Electric System, both registered holding companies, to extend, through August 31, 1998, the time in which it may issue promissory notes to banks up to an outstanding aggregate principal amount of \$50 million under an existing revolving credit agreement. (Rel. 35-26310)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change submitted by the Chicago Stock Exchange (SR-CHK-95-06) to approve a proposed rule change to add Interpretation and Policies .01, .02 and .03 under Rule 3 of Article V of the Exchange's rules and to add a new clerk's fee. (Rel. 34-35852)

The Commission approved a proposed rule change submitted by the New York Stock Exchange (SR-NYSE-95-09) to provide for a pilot program, that will expire on July 31, 1996, for the entry of limit-at-the-close (LOC) orders to offset a market-at-the-close (MOC) order imbalance of 50,000 shares or more in all stocks for which MOC order imbalances are published. (Rel. 34-35854)

The Commission approved a proposed rule change filed by the National Association of Securities Dealers to amend the Rules of Fair Practice, Article III, Subsection 44(c)(6)(B)(xi) of the Corporate Financing Rule to raise the permissible level of non-cash sales incentives to \$100 per person per issuer annually. (Rel. 34-35862)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change filed by the National Securities Clearing Corporation (SR-NSCC-95-05) to expand NSCC's parameters for trade input and trade comparison for transactions in debt securities. (Rel. 34-35853)

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change (SR-CBOE 95-30) filed by the Chicago Board Options Exchange to amend the Exchange Regulatory Circular which sets forth membership fees imposed by the Exchange, 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 June 19. (Rel. 34-35855)

PROPOSED RULE CHANGE

The American Stock Exchange filed a proposed rule change (SR-Amex-95-23) to discontinue the listing of new companies on the Emerging Company Marketplace (ECM). Publication of the proposal is expected in the Federal Register during the week of June 26. (Rel. 34-35863)

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.

- SB-2 ANSAN INC, 1505 O'BRIEN DR, MENLO PARK, CA 94025 (415) 617-2099 - 2,500,000 (\$14,475,000) COMMON STOCK. 100,000 (\$100) WARRANTS, OPTIONS OR RIGHTS. 3,925,000 (\$32,740,625) COMMON STOCK. UNDERWRITER: BLAIR DH INVESTMENT BANKING CORP. (FILE 33-92886 - JUN. 08) (BR. 4 - NEW ISSUE)
- S-1 PURE SOFTWARE INC, 1309 SOUTH MARY AVE, SUNNYVALE, CA 94087 (408) 720-1600 - 3,160,000 (\$37,920,000) COMMON STOCK. UNDERWRITER: MORGAN STANLEY & CO INC, WESSELS ARNOLD & HENDERSON. (FILE 33-93254 - JUN. 08) (BR. 10 - NEW ISSUE)
- F-1 ARIELY ADVERTISING LTD, 140 ROTHSCHILD BLVD, TEL AVIV, L6 (212) 702-5700 - 1,150,000 (\$6,325,000) FOREIGN COMMON STOCK. 100,000 (\$100) WARRANTS, OPTIONS OR RIGHTS. 100,000 (\$633,000) FOREIGN COMMON STOCK. (FILE 33-93258 - JUN. 08) (BR. 5 - NEW ISSUE)
- S-4 UNITED COMMUNITY BANKS INC, P O BOX 398, 59 HIGHWAY 515, BLAIRSVILLE, GA 30512 (581) 807-3041 - 434,104 (\$2,925,343.76) COMMON STOCK. (FILE 33-93286 - JUN. 08) (BR. 1)
- S-1 SHERIDAN HEALTHCARE INC, 4651 SHERIDAN ST, STE 400, HOLLYWOOD, FL 33021 (305) 987-5822 (FILE 33-93290 - JUN. 08) (BR. 6 - NEW ISSUE)
- S-8 XECHEM INTERNATIONAL INC, 100 JERSEY AVE E, BLDG B STE 310, NEW BRUNSWICK, NJ 08901 (908) 247-3300 - 200,000 (\$2,250,000) COMMON STOCK. (FILE 33-93300 - JUN. 09) (BR. 8)