

# sec news digest

Issue 94-243

December 22, 1994

---

## ENFORCEMENT PROCEEDINGS

---

### BT SECURITIES CENSURED AND FINED \$10 MILLION FOR ANTIFRAUD AND REPORTING VIOLATIONS RELATING TO THE SALES OF DERIVATIVES

The Commission today announced the institution and settlement of an administrative proceeding against BT Securities Corporation, a registered broker-dealer, and a wholly owned subsidiary of Bankers Trust New York Corporation. Without admitting or denying the findings, BT Securities consented to the entry of an order censuring it and requiring it to permanently cease and desist from committing or causing any violations or future violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities Exchange Act of 1934, and Rules 10b-5, 12b-20 and 13a-1. The order also finds that BT Securities failed to supervise as provided by Section 15(b)(4)(E). BT Securities also agreed to pay a civil penalty of \$10 million.

BT Securities's violations stem from derivatives it sold to Gibson Greetings, Inc., a registrant with the Commission. Certain of the derivatives that BT Securities sold to Gibson were securities under the federal securities laws. The Commission found that BT Securities willfully committed violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 with respect to these securities derivatives.

Furthermore, on two occasions Gibson asked BT Securities for the value of its derivatives. On both occasions BT Securities, knowing that these values would be used by Gibson to prepare its Form 10-K, provided Gibson with valuations which understated Gibson's losses by more than 50%. As a result, Gibson's financial statements materially understated Gibson's losses related to derivatives. (Rel. Nos. 33-7124, 34-35136, 3-8579) and (Rel. 34-35135)

## FINAL JUDGMENTS ENTERED AGAINST FRED MILLER AND ADOLPH WEISSMAN

The Commission announced today that Fred J. Miller and Adolph Weissman, defendants in a civil action filed by the Commission in the United States District Court for the Southern District of New York on July 21, 1993, have consented to the entry of permanent injunctions. Miller, formerly the secretary and a director of Black Warrior Wireline Corp., and Weissman, formerly the treasurer and a director of Black Warrior, were charged with engaging in a scheme to defraud by concealing the fact that they had used the proceeds of a securities offering by Black Warrior's predecessor, Teletek, Ltd., which Black Warrior had received upon merging with Teletek, to purchase the Teletek insiders' stock. In connection with this scheme, Miller and Weissman caused Black Warrior to file false and misleading annual and quarterly reports with the Commission, falsified Black Warrior's books and records, and lied to Black Warrior's auditor in the course of Black Warrior's 1989 audit.

The Court's Orders enjoin Miller and Weissman from further violations of the antifraud provisions and the prohibitions against falsifying an issuer's books and records and lying to an issuer's auditor in connection with an audit. [SEC v. Black Warrior Wireline Corp., et al., Civil Action No. 93 Civ. 4991, MGC, USDC, SDNY] (LR-14363)

## CIVIL ACTION AGAINST KENNETH WEINBERG, ET AL.

The Commission announced the entry on November 18 of a permanent injunction against Kenneth L. Weinberg, Kenneth G. Lampasona, Kenneco Capital Corporation and Kenneco Group, Inc. The injunction, which was entered on consent of the defendants, who neither admitted nor denied the allegations of the Commission's complaint, filed on September 30, 1994, permanently enjoins the defendants from future violations of the antifraud provisions of the Securities Act and the Exchange Act by all four defendants; violations of the broker-dealer registration provisions by all four defendants; and violations of the antifraud provisions of the Investment Advisers Act by Kenneco Capital, aided and abetted by the other three defendants. The complaint alleges that from January 1992 through May 1993, defendants, promoters of an investment limited partnership known as Montvine Associates, L.P. (Montvine), sold \$1,012,500 of limited partnership interests in Montvine to public investors by means of materially false and misleading offering materials and false monthly investment account reports reflecting wholly fictitious and inflated returns on investments. Defendants allegedly misappropriated and diverted approximately \$1,131,000 of Montvine's funds to undisclosed purposes, not permitted under Montvine's limited partnership agreement, and ultimately to their own use.

In addition to the injunctive relief the complaint seeks an order for a full accounting of funds; disgorgement of at least \$1,131,000, with interest, collectively from all four defendants; and civil penalties. These remaining issues have not been settled. [SEC v. Weinberg, et al., 94 Civ. 7127, LAK, SDNY] (LR-14364)

## PERMANENT INJUNCTIONS ENTERED AGAINST SAMER MAJZOUB AND SPECIAL DELIVERY SYSTEMS

The Commission announced that on November 28, 1994 and December 1, 1994, final judgments of permanent injunction and other equitable relief were entered in the Southern District of New York against Samer S. Majzoub and Special Delivery Systems, Inc., respectively. Majzoub and SDS consented, without admitting or denying the allegations in the Complaint, to the entry of the final judgments.

The Complaint alleges that Majzoub and SDS violated the antifraud provisions of the federal securities laws by making material misrepresentations and omissions to customers purchasing the common stock of SDS. Among other things, Majzoub and SDS used the offering proceeds to pay registered representatives commissions in excess of those disclosed in the offering prospectus to induce the registered representatives to sell SDS securities.

The court enjoined Majzoub and SDS from violations of the antifraud provisions and enjoined SDS from violations of the issuer reporting provisions of the federal securities laws. Majzoub also was permanently barred from serving as an officer or director of any public company. Finally, the court ordered disgorgement and noted the appropriateness of civil penalties but waived disgorgement and did not order civil penalties based upon Majzoub's and SDS's demonstrated inability to pay. For further information, see LR-13758. [SEC v. Special Delivery Systems, et al, USDC, SDNY, 93 Civ. 5766, PKL] (LR-14365)

## COMPLAINT AND SANCTIONS FILED AGAINST STEPHAN GONSALVES

The Commission announced today the filing of a civil complaint in the United States District Court for the District of Massachusetts against Stephan A. Gonsalves (Gonsalves), who was the Operations Manager of the Boston branch office of Lehman Brothers, Inc., (Lehman), alleging violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and seeking disgorgement, a civil penalty, and a permanent injunction.

In its complaint, the Commission alleges that on four separate occasions between May 9, 1994 and June 3, 1994, Gonsalves provided false information to Lehman's New York office to induce Lehman to sell shares of a customer's money market fund and to wire-transfer the proceeds totalling \$79,500 from the account at Lehman to a checking account controlled by Gonsalves.

Simultaneously with the filing of the complaint, Gonsalves pleaded guilty to a four-count federal Indictment charging him with wire fraud in connection with the misappropriation. [SEC v. Stephan A. Gonsalves, Civ. Action No. 94-12535, EFH, USDC, D. Mass] (LR-14367)

## COMPLAINT FILED AGAINST LAWRENCE MATHE

The Commission filed an action on December 21 in the United States District Court for the Southern District of New York against Lawrence M. Mathe for violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 and Rules 10b-5 and 14e-3 thereunder. The Commission alleges that, on March 2, 1994, Mathe improperly purchased Grumman Corporation call options while in possession of material nonpublic information concerning a contemplated tender offer by Martin Marietta Corporation for the outstanding shares of Grumman. Mathe sold the options on March 7, 1994, after the tender offer was announced, and bade profits of \$221,875. The Commission also alleges that Mathe caused a friend to purchase Grumman call options on March 3, 1994, and thus is responsible for additional profits of \$43,438 realized on March 8, 1994 from the sale of those options.

Simultaneously with the commencement of the action, Mathe consented, without admitting or denying the allegations of the complaint, to the entry of a final judgment permanently enjoining him from violating Sections 10(b) and 14(e) and Rules 10b-5 and 14e-3 thereunder. Mathe agreed to pay \$265,313, representing profits from the transactions complained of, \$14,172 in prejudgment interest, and \$30,000 as a civil penalty. [SEC v. Lawrence M. Mathe, Civil Action No. 94-Civ. 9129, KKW, SDNY] (LR-14369)

---

## RULES AND RELATED MATTERS

---

### ADOPTION OF RECORDKEEPING AND REPORTING REQUIREMENTS FOR AUTOMATED SYSTEMS OPERATED BY BROKER-DEALERS

The Commission has adopted Rule 17a-23 and Form 17A-23, establishing recordkeeping and reporting requirements for registered brokers and dealers that operate certain automated trading systems. Sponsors of trading systems covered by the Rule would be required to keep system-specific trading records and file periodic operation and system activity reports with the Commission. Publication of the Rule and Form 17A-23 is expected in the Federal Register during the week of December 19. (Rel. 34-35124)

### PROPOSED RULE AMENDMENT AND RULE RESCISSION

The Commission is requesting comment on a proposed amendment to Rule 90 under the Public Utility Holding Company Act of 1935, as amended. Under

the present rule, service, sales and construction contracts among companies in a registered system must generally be performed for the benefit of associate companies at cost. The proposed amendment would require pricing at market if the market price for comparable services, construction or goods is lower than cost as determined pursuant to rule 91 under the Act. The Commission is also proposing related changes in other rules governing intrasystem transactions. Comments must be submitted on or before 90 days after publication in the Federal Register. FOR FURTHER INFORMATION CONTACT: Markian Melnyk at (202) 942-0592. (Rel. 35-26198; File No. S7-3794)

---

## **INVESTMENT COMPANY ACT RELEASES**

---

### **THE TRAVELERS INSURANCE COMPANY, ET AL.**

A notice has been issued giving interested persons until January 16 to request a hearing on an application filed by The Travelers Insurance Company (Travelers), The Travelers Growth and Income Stock Account for Variable Annuities, The Travelers Quality Bond Account for Variable Annuities, The Travelers Money Market Account for Variable Annuities, The Travelers Timed Growth and Income Stock Account for Variable Annuities, The Travelers Timed Short-Term Bond Account for Variable Annuities, The Travelers Timed Aggressive Stock Account for Variable Annuities, The Travelers Timed Bond Account for Variable Annuities, The Travelers Fund U for Variable Annuities, The Travelers Fund BD for Variable Annuities, The Travelers Fund UL for Variable Life Insurance, Copeland Financial Services, Inc, and Travelers Equities Sales, Inc. (TESI) (collectively, Applicants). Applicants request that the Commission issue an order under Section 6(c) of the Investment Company Act amending certain existing orders that grant exemptions from Sections 2(a)(32), 11, 12(b), 14(a), 15(a), 16(a), 17(d), 17(f), 22(c), 22(d), 22(e), 26(a)(2), 27(a)(2), 27(a)(4), 27(c)(1), 27(c)(2), 27(d), 32(a)(2), and Rules 17d-1, 17f-2, 22c-1, 12b-1, 6e-3(T)(b)(12), 6e-3(T)(b)(13) and 6e-3(T)(c)(2) thereunder to specify that TESI acts as principal underwriter with respect to certain variable annuity and variable life insurance contracts issued by Travelers and to grant TESI exemptive relief in accordance with the relief previously granted to Travelers in its capacity as principal underwriter of the Contracts. (Rel. IC-20790 - December 21)

### **CREDITANSTALT-BANKVEREIN**

A notice has been issued giving interested persons until January 17 to request a hearing on an application filed by Creditanstalt-Bankverein for an order under Section 6(c) of the Investment Company Act that would grant an exemption from Section 17(f) of the Act. The order would permit Creditanstalt Rt. to act as custodian for investment company assets in Hungary. (Rel. IC-20791; International Series Rel. 764)

## SUNAMERICA INC., ET AL.

A notice has been issued giving interested persons until January 17 to request a hearing on an application filed by SunAmerica Inc., Anchor National Life Insurance Company (Anchor National), Variable Separate Account (Separate Account) and SunAmerica Capital Services, Inc. for an order under Section 6(c) of the Investment Company Act granting an exemption from Section 22(d) of the Act. The order would permit Anchor National or any other insurance company controlling, controlled by, or under common control with, Anchor National (collectively, Affiliated Insurers) to waive, in certain circumstances, the contingent deferred sales charge that otherwise would be imposed on certain individual and group flexible payment deferred variable annuity contracts issued and to be issued by Anchor National and the Affiliated Insurers. (Rel. IC-20786 - December 20)

## IOWA BUSINESS DEVELOPMENT FINANCE CORPORATION

An order has been issued under Section 8(f) of the Investment Company Act declaring that Iowa Business Development Finance Corporation has ceased to be an investment company. (Rel. IC-20787 - December 20)

## MERRILL LYNCH INSTITUTIONAL TAX-EXEMPT FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that Merrill Lynch Institutional Tax-Exempt Fund has ceased to be an investment company. (Rel. IC-20788 - December 20)

## THE CHARLES SCHWAB FAMILY OF FUNDS, ET AL.

A conditional order has been issued under Section 6(c) of the Investment Company Act exempting applicants from Sections 13(a)(2), 13(a)(3), 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 exempting applicants from Section 17(a)(1) of the Act; and under Section 17(d) of the Act and Rule 17d-1 thereunder. The order permits certain registered open-end investment companies to establish deferred compensation plans for their trustees who are not "interested persons" of the companies, as defined in the Act, and permits the companies and their participating trustees to effect transactions incident to such deferred fee arrangements. (Rel. IC-20789 - December 20)

---

## HOLDING COMPANY ACT RELEASE

---

## NEW ENGLAND ENERGY INCORPORATED

A supplemental order has been issued authorizing a proposal by New England Energy Incorporated (NEEI), an electric public-utility subsidiary company of New England Electric System (NEES), a registered

holding company. NEEI proposes to invest up to \$30 million, through December 31, 1998, in its partnership (Partnership) with Samedan Oil Corporation, an unaffiliated company, for developing existing oil and gas prospects belonging to the Partnership. (Rel. 35-26197)

---

## SELF-REGULATORY ORGANIZATIONS

---

### APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change filed by the Philadelphia Depository Trust Company (SR-PHILADEP-94-04) which modifies PHILADEP Rule 2, Section 1 to require execution of a Participant's Agreement by participants and pledgees. (Rel. 34-35125)

The Commission approved a proposed rule change filed by the Delta Government Options Corp. (SR-DGOC-94-5) that establishes emergency contingency procedures. (Rel. 34-35129)

### IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

The Midwest Securities Trust Company filed a proposed rule change (SR-MSTC-94-16), which was effective on filing. The proposal makes a technical correction to MSTC's rules, changing the term "depository free position" to "segregated position" in order to make it consistent with the rest of MSTC's rules. (Rel. 34-35126)

A proposed rule change filed by the Philadelphia Stock Exchange (SR-Phlx-94-64), and Amendment No. 1 to the proposed rule change relating to the listing of options on the Phlx Airline Sector Index, have become immediately effective upon filing. Publication of the notice is expected in the Federal Register during the week of December 26. (Rel. 34-35131)

### PROPOSED RULE CHANGES

The American Stock Exchange filed a proposed rule change (SR-Amex-94-52) relating to S&P MidCap 400 Depository Receipts. Publication of the notice is expected in the Federal Register during the week of December 26. (Rel. 34-35127)

The Chicago Board Options Exchange filed a proposed rule change (SR-CBOE-94-47) relating to listing and trading of options and long-term options on a reduced-value of the Deutsche Aktien Index (DAX Index). Publication of the notice is expected in the Federal Register during the week of December 26. (Rel. 34-35130; International Series Rel. 763)

---

## 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 PANHANDLE EASTERN CORP /DE/, 5400 WESTHEIMER CT, P O BOX 1642, HOUSTON, TX 77251 (713) 627-5400 - 1,611,127 (\$21,556,879.26) COMMON STOCK. (FILE 33-56865 - DEC. 15) (BR. 8)
- S-8 NICOR INC, 1844 FERRY RD, NAPERVILLE, IL 60563 (708) 305-9500 - 375,000 (\$8,671,875) COMMON STOCK. (FILE 33-56867 - DEC. 15) (BR. 7)
- S-3 FPL GROUP INC, 700 UNIVERSE BLVD, JUNO BEACH, FL 33408 (407) 694-4647 - 4,000,000 (\$140,500,000) COMMON STOCK. (FILE 33-56869 - DEC. 15) (BR. 8)
- S-3 NICOR INC, 1844 FERRY RD, NAPERVILLE, IL 60563 (708) 305-9500 - 2,000,000 (\$46,250,000) COMMON STOCK. (FILE 33-56871 - DEC. 15) (BR. 7)
- S-3 FLORIDA PROGRESS CORP, P O BOX 33042, ST PETERSBURG, FL 33701 (813) 824-6400 - 350,000 (\$10,675,000) COMMON STOCK. (FILE 33-56873 - DEC. 15) (BR. 8)
- S-4 CFX CORP, 194 WEST ST, KEENE, NH 03431 (603) 352-2502 - 679,136 (\$9,507,907.50) COMMON STOCK. (FILE 33-56875 - DEC. 15) (BR. 2)
- S-8 KEYCORP/NEW, 127 PUBLIC SQ, CLEVELAND, OH 44114 (216) 689-3000 - 400,000 (\$9,700,000) COMMON STOCK. (FILE 33-56879 - DEC. 15) (BR. 2)
- S-3 KEYCORP/NEW, 127 PUBLIC SQ, CLEVELAND, OH 44114 (216) 689-3000 - 400,000 (\$9,700,000) COMMON STOCK. (FILE 33-56881 - DEC. 15) (BR. 2)
- S-8 READERS DIGEST ASSOCIATION INC, READERS DIGEST ROAD, PLEASANTVILLE, NY 10570 (914) 238-1000 - 6,000,000 (\$268,875,000) COMMON STOCK. (FILE 33-56883 - DEC. 15) (BR. 12)
- S-3 HARSCO CORP, 350 POPLAR CHURCH RD, CAMP HILL, PA 17001 (717) 763-7064 - 300,000 (\$11,804,675.07) COMMON STOCK. (FILE 33-56885 - DEC. 15) (BR. 9)
- S-3 CORNING INC /NY, ONE RIVERFRONT PLAZA, CORNING, NY 14831 (607) 974-9000 - 300,000,000 (\$300,000,000) STRAIGHT BONDS. (FILE 33-56887 - DEC. 15) (BR. 9)
- S-3 ZENITH ELECTRONICS CORP, 1000 MILWAUKEE AVE, GLENVIEW, IL 60025 (708) 391-7000 - 6,500,000 (\$78,409,500) COMMON STOCK. (FILE 33-56889 - DEC. 16) (BR. 11)
- N-1A BUFFALO USA GLOBAL FUND INC, 2440 PERSHING RD, G-15, KANSAS CITY, MO 64108 (816) 471-5200 - INDEFINITE SHARES. (FILE 33-87146 - DEC. 12) (BR. 16 - NEW ISSUE)