

# SEC NEWS DIGEST

Issue 99-45

March 9, 1999

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## ENFORCEMENT PROCEEDINGS

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### COMMISSION ISSUES ORDER APPROVING AMENDED PLAN OF DISGORGEMENT DISTRIBUTION, APPOINTING ADMINISTRATOR AND DIRECTING DISTRIBUTION OF DISGORGEMENT FUND

The Commission announced that on March 5 it issued an order approving an Amended Plan of Disgorgement Distribution (Amended Plan), appointed Eric M. Schmidt of the Northeast Regional Office as Administrator of the Amended Plan, and ordered the distribution of the money disgorged by respondent Eugene Bilotti (Bilotti), in accordance with the Amended Plan.

On December 23, 1997, the Commission simultaneously instituted and settled an Administrative Proceeding against Bilotti (In the Matter of Eugene Bilotti, File No. 3-9517). The Order Instituting Public Proceedings, Making Findings, Imposing Remedial Sanctions, and Issuing Cease and Desist Order, Eugene Bilotti, Advisers Act Release No. 1689, Securities Act Release No. 7490, provided, among other things, that Bilotti disgorge \$23,632.34 in management fees paid to the investment adviser with which Bilotti is associated (Adviser).

The Amended Plan provides for the distribution of the disgorged funds to those clients of the Adviser that paid the management fees disgorged by Bilotti. (Refs. 33-7652; IA-1792, File No. 3-9517)

### COMMISSION INSTITUTES ADMINISTRATIVE PROCEEDINGS AGAINST JEFFREY HARFST, CPA, WILLIAM HEBEL AND JOSEPH MUEHL

On March 8, the Commission issued an Order Instituting Proceedings Pursuant to Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice as to Jeffrey L. Harfst, CPA, William R. Hebel and Joseph E. Muehl. The Division of Enforcement alleges that each of the respondents, all former employees of the Nikko Securities Co. International, Inc. (Nikko), in connection with certain sales of its mortgage-backed securities (MBS) portfolio, violated the broker-dealer recordkeeping and reporting provisions of the federal securities laws. The Enforcement Division also alleges that Respondents Hebel and Muehl violated the antifraud provisions of the securities laws.

The Enforcement Division alleges that from August to November 1994, Nikko, with Respondent Harfst's knowledge, overstated the fair value of its MBS portfolio in its books and records and FOCUS reports. During the summer of 1994, MBS market prices declined following an increase in long-term interest rates and a drop in demand for MBS derivative securities like those held in Nikko's portfolio. Consequently, the fair value of Nikko's MBS portfolio declined. The Enforcement Division alleges that Nikko New York carried the MBS portfolio at values exceeding fair value by \$9.6 million at the end of August 1994 and by \$17.5 million by the end of October 1994. Respondent Harfst, as Nikko's co-Chief Financial, knew that Nikko was overstating the fair value of its MBS portfolio and yet permitted Nikko to continue to overstate the MBS portfolio.

The Enforcement Division alleges that in November 1994, Nikko sold the majority of the MBS portfolio to its London-based affiliate, Nikko Europe Plc (Nikko Europe), for \$134 million, at least \$17 million above fair value. Nikko then improperly booked the transaction as trading proceeds and failed to report the \$17 million loss that would have been recognized had the securities purchased by Nikko Europe been properly valued. The Enforcement Division alleges that Respondent Harfst knew that the sale to Nikko Europe was improperly booked.

The Enforcement Division alleges that several months later, in February 1995, Nikko, acting as broker for Nikko Europe, sold a portion of the MBS portfolio. In connection with those sales, Respondent Hebel, a Nikko Senior Vice President and Deputy Head of the Fixed Income Division, and Respondent Muehl, a Nikko First Vice President, violated the antifraud provisions, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, by misappropriating approximately \$842,000 from Nikko Europe. Respondents Hebel and Muehl arranged to sell the MBS portfolio securities in four swap transactions with an unaffiliated broker in which the prices were deliberately marked down to allow Nikko to profit at the expense of Nikko Europe. In order to conceal the scheme, Hebel and Muehl falsified Nikko's books and records to hide the illicit profits. As part of this scheme, Hebel and Muehl told Harfst that Muehl had certain profits he wanted to recognize over time, instead of on the day made. Harfst agreed to the profit-recognition scheme so long as all the profits were recorded by month-end. Harfst learned in early March that the profits had not been recorded as instructed, yet took no further action. As a result of these activities, Nikko's books and records and FOCUS reports were inaccurate in violation of the Exchange Act's books and records provisions for broker-dealers, Sections 17(a) and 17(e) of the Exchange Act and Rules 17a-3 and 17a-5 thereunder. The Division alleges that Harfst, Hebel and Muehl willfully aided and abetted and caused these violations and that Harfst engaged in improper professional conduct.

A hearing will be held before an administrative law judge to determine whether the staff's allegations are true, and if so, what if any remedial relief is appropriate and in the public interest. (Rel. 34-41146; AAE Rel. 1116; File No. 3-9846)

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## INVESTMENT COMPANY ACT RELEASES

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### PRUDENTIAL SERIES FUND ET AL.

An order has been issued exempting Prudential Series Fund (Series Fund) and The Prudential Insurance Company of America (Prudential) from 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. The order permits shares of any current or future series of the Series Fund and shares of any other investment company that is offered as a funding medium for insurance products and for which Prudential, or any of its affiliates, may serve, now or in the future, as manager, investment adviser, administrator, principal underwriter or sponsor, to be sold to, and held by: (1) separate accounts funding variable annuity and variable life insurance contracts issued by both affiliated and unaffiliated life insurance companies; and (2) certain qualified pension and retirement plans outside of the separate account context. (Rel. IC-23728 - March 5)

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## HOLDING COMPANY ACT RELEASES

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### CINERGY CORPORATION

A notice has been issued giving interested persons until March 30 to request a hearing on a proposal by Cinergy Corporation (Cinergy) a registered holding company. Cinergy proposes to: (1) amend its existing retirement plan (Amended Plan), under which non-employee directors of Cinergy, its two principal public utility subsidiaries, Cincinnati Gas & Electric Company (CG&E) and PSI Energy, Inc. (PSI), and Cinergy Services, Inc., (Services) have accrued benefits based upon years of service, to eliminate future accruals of benefits and to provide for the conversion of currently accrued benefits payable in cash to benefits payable in stock; (2) adopt a new retirement plan (New Plan) to replace the Amended Plan; (3) solicit proxies; and (4) issue up to 250,000 shares of its common stock from time to time through December 31, 2004. An order was issued authorizing Cinergy to solicit proxies from shareholders to obtain their approval of the Amended Plan and New Plan. (Rel. 35-26987)

### OHIO POWER COMPANY

A notice has been issued giving interested persons until March 30 to request a hearing on a proposal by Ohio Power Company, an electric utility subsidiary of American Electric Power Company, Inc., a registered holding company, to acquire and redeem certain air quality development revenue refunding bonds and to issue or acquire certain credit enhancement instruments. (Rel. 35-26988)

## JERSEY CENTRAL POWER & LIGHT COMPANY

A notice has been issued giving interested persons until March 30 to request a hearing on a proposal by Jersey Central Power & Light Company, a public utility subsidiary of GPU, Inc., a registered holding company, to organize a special purpose business trust, which will issue and sell from time to time in one or more series through December 31, 2000, up to \$200 million aggregate liquidation value of preferred trust securities. (Rel. 35-26988)

## AMERICAN ELECTRIC POWER COMPANY, INC. AND CENTRAL AND SOUTH WEST CORPORATION

A notice has been issued giving interested persons until April 6, 1999, to request a hearing on a proposal by American Electric Power Company, Inc., a registered holding company (AEP), to acquire all the issued and outstanding common stock of Central and South West Corporation, a registered holding company (CSW). AEP, together with CSW, also proposes to engage in certain other activities and enter into certain other transactions in connection with the acquisition. (Rel. 35-26989)

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## SELF-REGULATORY ORGANIZATIONS

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### DELISTINGS GRANTED

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration Texfi Industries, Inc., Common Stock, \$1.00 Par Value; Subordinated Extendible Debentures, due April 1, 2000; and 8 3/4% Senior Subordinated Debentures, due August 1, 1999. (Rel. 34-41138)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration WorldCorp, Inc., Common Stock, \$1.00 Par Value, and 7% Convertible Subordinated Debentures, due May 15, 2004. (Rel. 34-41139)

An order has been issued granting the application of the Pacific Exchange to strike from listing and registration US 1 Industries, Inc., Common Stock, No Par Value. (Rel. 34-41140)

An order has been issued granting the application of the American Stock Exchange to strike from listing and registration Pico Products, Inc., Common Stock, Par Value \$0.01. (Rel. 34-41141)

### APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change submitted by the Chicago Board Options Exchange (SR-CBOE-98-41) to amend its Minor Rule Violation Plan with respect to the exercise of American-style, cash-settled index options. Publication of the order is expected in

the Federal Register during the week of March 8. (Rel. 34-41127)

#### PROPOSED RULE CHANGES

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-99-09) relating to the establishment of an Agency Quotation in Nasdaq. Publication of the proposal is expected in the Federal Register during the week of March 8. (Rel. 34-41128)

The American Stock Exchange filed a proposed rule change (SR-AMEX-99-03) relating to bond indexed securities. Publication of the proposal is expected in the Federal Register during the week of March 8. (Rel. 34-41135)

The Philadelphia Stock Exchange filed a proposed rule change (SR-PHLX-99-02) to change the minimum value size for an opening transaction in FLEX equity options. Publication of the proposal is expected in the Federal Register during the week of March 8. (Rel. 34-41136)

#### IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change filed by the New York Stock Exchange (SR-NYSE-99-07) to adopt an administration fee in connection with the new Trading Assistant Qualification Examination (Series 25) has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of March 8. (Rel. 34-41130)

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#### SECURITIES ACT REGISTRATIONS

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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.

Registration statements may be obtained in person or by writing to the Commission's Public Reference Branch at 450 Fifth Street, N.W., Washington, D.C. 20549 or at the following e-mail box address: <public info @ sec>. In most cases, this information is also available on the Commission's website: <www.sec.gov>.

S-8 ROYAL AHOLD, ALBERT HEIJNWEG 1, P O BOX 33, 1500 EA ZAANDAM THE, P7 -  
190,188 FOREIGN COMMON STOCK. (FILE 333-10044 - FEB 23) (BR 2)

S-8 EMULTEK LTD, 5 KIRYAT MADA ST, HAR HOZVIM, JERUSALEM 91450 ISRAEL, L3  
(972) 587-0770 - 1,103,643 (\$7,587,545 63) FOREIGN COMMON STOCK (FILE  
333-10046 - FEB 23) (BR. 3)

S-8 EIDOS PLC, WIMBLEDON BRIDGE HOUSE 1 HARTFIELD RD,  
WIMBLEDON, LONDON SW19 3RV, WIMBELEDON LONDON UK, X0 (011) 441-8163 -  
96,128 (\$1,984,768) FOREIGN COMMON STOCK. (FILE 333-10048 - FEB 22)  
(BR 3)

F-9 SUNCOR ENERGY INC, 112 4TH AVENUE S W, P O BOX 38, CALGARY ALBERTA CANA,  
A0 00000 (403) 269-8100 - \$172,500,000 STRAIGHT BONDS. (FILE 333-10050 -  
FEB 24) (BR 4)

S-B PANAMA REPUBLIC OF, 2862 MCGILL TERRACE NW, C/O AMBASSADOR OF PANAMA,  
WASHINGTON, DC 20008 (000) 000-0000 - 1,000,000,000 (\$500,000,000)  
STRAIGHT BONDS. (FILE 333-10056 - FEB. 26) (BR. 99)

F-6 SWEDISH MATCH CORP /ADR, 111 WALL ST, NEW YORK, NY 10043 (212) 657-7691  
- 10,000,000 (\$500,000) DEPOSITARY RECEIPTS FOR COMMON STOCK (FILE  
333-10060 - FEB. 26) (BR. 99)

S-B ISRAEL STATE OF, 800 SECOND AVENUE 17TH FLOOR, NEW YORK, NY 10017  
(212) 560-0600 - \$13,600,000 FOREIGN GOVERNMENT AND AGENCY DEBT. (FILE  
333-10064 - FEB 25) (BR 99)

S-B ISRAEL STATE OF, 800 SECOND AVENUE 17TH FLOOR, NEW YORK, NY 10017  
(212) 560-0600 - \$125,000,000 STRAIGHT BONDS (FILE 333-10066 - FEB 25)  
(BR 99)

F-6 CHEMICAL & MINING CO OF CHILE INC/ADR/, 48 WALL ST, NEW YORK, NY 10286  
(212) 495-1727 - 50,000,000 (\$2,500,000)  
DEPOSITARY RECEIPTS FOR COMMON STOCK (FILE 333-10070 - MAR. 01)

S-8 AIR CANADA /QUEBEC/, PO BOX 14000, QUEBEC H4Y 1H4 CANADA, A8 - 200,000  
(\$808,000) FOREIGN COMMON STOCK (FILE 333-10074 - MAR 01) (BR 5)

S-3 ENGELHARD CORP, 101 WOOD AVENUE, ISELIN, NJ 08830 (908) 205-5000 -  
28,000,000 (\$499,520,000) COMMON STOCK (FILE 333-73185 - MAR 02)  
(BR 6)

S-3 LHS GROUP INC, SIX CONCOURSE PKWY, STE 2700, ATLANTA, GA 30328  
(770) 280-3100 - 3,735,000 (\$163,182,150) COMMON STOCK (FILE 333-73193 -  
MAR 02) (BR 3)

S-R SMITH CORONA CORP, 839 ROUTE 13 SOUTH, CORTLAND, NY 13045 (607) 753-6011  
- 196,386 (\$974,074 56) COMMON STOCK. (FILE 333-73195 - MAR. 02) (BR 3)

S-8 HUNT CORP, ONE COMMERCE SQ, 2005 MARKET ST, PHILADELPHIA, PA 19103  
(215) 732-7700 - 1,750,000 (\$21,581,798) COMMON STOCK (FILE 333-73197 -  
MAR 02) (BR 4)

S-3 ACTION PERFORMANCE COMPANIES INC, 4707 E BASELINE RD, PHOENIX, AZ 85040  
(602) 337-3700 - 149,199 (\$5,166,015 30) COMMON STOCK (FILE 333-73201 -  
MAR 02) (BR 2)

S-8 RALSTON PURINA CO, CHECKERBOARD SQ, ST LOUIS, MO 63164 (314) 982-1000 -  
19,000,000 (\$533,781,250) COMMON STOCK (FILE 333-73205 - MAR 02)  
(BR 4)

S-8 PRINCETON VIDEO IMAGE INC, 15 PRINCESS RD, LAWRENCEVILLE, NJ 08648  
(609) 912-9400 - 2,160,000 (\$8,336,520) COMMON STOCK (FILE 333-73207 -  
MAR 02) (BR 9)

S-8 SUNRISE TECHNOLOGIES INTERNATIONAL INC, 3400 WEST WARREN AVENUE,  
FREMONT, CA 94538 (510) 623-9001 - 3,000,000 (\$31,406,250) COMMON STOCK  
(FILE 333-73211 - MAR 02) (BR 5)

S-3 VISUAL EDGE SYSTEMS INC, 2424 NORTH FEDERAL HIGHWAY, SUITE 100,  
BOCA RATON, FL 33431 (561) 750-7559 - 3,390,000 (\$3,072,187 50)  
COMMON STOCK (FILE 333-73215 - MAR 02) (BR 5)

S-8 FRONTIER FINANCIAL CORP /WA/, 332 SW EVERETT MALL WAY, EVERETT, WA 98203  
(425) 514-0700 - 10,000 (\$490,000) COMMON STOCK (FILE 333-73217 -  
MAR 02) (BR 7)

S-8 TOPPS CO INC, ONE WHITEHALL STREET, NEW YORK, NY 10004 (212) 376-0300 -  
264,000 (\$1,138,500) COMMON STOCK (FILE 333-73219 - MAR 02) (BR 5)

S-8 CAROLINA FIRST BANCSHARES INC, 402 E MAIN ST, P O BOX 657, LINCOLNTON,  
NC 28093 (704) 732-2222 - 39,995 (\$385,151.85) COMMON STOCK (FILE  
333-73221 - MAR. 02) (BR. 7)

S-8 MODEM MEDIA POPPE TYSON INC, 228 SAUGATUCK AVE, WESTPORT, CT 06880  
(203) -34-1-52 - 4,329,658 (\$79,258,790.20) COMMON STOCK (FILE 333-73227  
- MAR 02) (BR 8)

S-3 VISUAL NETWORKS INC, 2092 GAITHER RD, SUITE 220-I, ROCKVILLE, MD 20850  
(301) 296-2300 - 2,075,277 (\$79,574,421.28) COMMON STOCK (FILE 333-73229  
- MAR. 02) (BR 3)

S-4 MONSANTO CO, 800 N LINDBERGH BLVD, ST LOUIS, MO 63167 (314) 694-1000 -  
2,500,000,000 (\$2,500,000,000) STRAIGHT BONDS. (FILE 333-73233 - MAR. 02)  
(BR 2)

S-4 HOLLYWOOD PARK INC/NEW/, 1050 SOUTH PRAIRIE AVE, INGLEWOOD, CA 90301  
(310) 419-1500 - 350,000,000 (\$350,000,000) STRAIGHT BONDS (FILE  
333-73235 - MAR 02) (BR. 5)

S-8 FIRST SENTINEL BANCORP INC, 1000 WOODBRIDGE CENTER DRIVE, WOODBRIDGE, NJ  
07095 (732) 726-8700 - 799,805 (\$3,220,360 85) COMMON STOCK (FILE  
333-73237 - MAR 02) (BR 7)

S-8 DST SYSTEMS INC, 333 WEST 11TH STREET, 5TH FL, KANSAS CITY, MO 64105  
(816) 435-6568 - 43,400 (\$1,251,346) COMMON STOCK (FILE 333-73241 -  
MAR 03) (BR 6)

S-4 GENERAC PORTABLE PRODUCTS INC, 1 GENERAC WAY, JEFFERSON, WI 53549  
(920) 674-3750 - 110,000,000 (\$110,000,000) STRAIGHT BONDS (FILE  
333-73247 - MAR 03) (NEW ISSUE)

F-3 AT&T CAPITAL CORP /DE/, 44 WHIPPANY ROAD, MORRISTOWN, NJ 07962  
(201) 397-3000 - 6,000,000,000 (\$6,000,000,000)  
WARRANTS, OPTIONS OR RIGHTS (FILE 333-73255 - MAR 03) (BR 7)

S-3 KOHLS CORPORATION, N56 W17000 RIDGEWOOD DR, MENOMONEE FALLS, WI 53051  
(414) 783-5800 - 4,903,600 (\$328,081,488) COMMON STOCK (FILE 333-73257 -  
MAR 03) (BR 2)

S-1 REPUBLIC SERVICES INC, 110 S E 6TH STREET, FORT LAUDERDALE, FL 33301  
(954) 769-6000 - 112,162,500 (\$1,836,660,938) COMMON STOCK (FILE  
333-73259 - MAR 03) (BR 6)