

sec news digest

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ENFORCEMENT PROCEEDINGS

PETER JONES BARRED

The Commission announced that it has entered an Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (Order) against Peter T. Jones (Jones) and has simultaneously accepted Jones' offer of settlement. The Order, which institutes public administrative proceedings pursuant to Section 203(f) of the Investment Advisers Act of 1940, bars Jones from association with any broker, dealer, municipal securities dealer, investment company or investment adviser. Jones consented to entry of the Order without admitting or denying the findings therein.

The Order was based on findings that from at least 1985 through November 1993 Jones, while acting as an unregistered investment adviser, engaged in a fraudulent scheme wherein he raised at least \$9.2 million from the sale of unregistered securities through an entity known as Independence Asset Management (IAM). The Order also contained the finding that on March 15, 1994, an Order of Permanent Injunction (Reserving the Issues of Disgorgement and Civil Penalty) was entered against Jones and IAM based on the same conduct (SEC v. Independence Asset Management and Peter T. Jones, Civil Action No. 94-CV-1698, ED Pa., LR-14006). (Rel. IA-1443)

ADMINISTRATIVE PROCEEDINGS AGAINST CAMPBELL (M.W.) & CO., LTD. AND MACK CAMPBELL

The Commission announced that it entered an Order Instituting Proceedings (Order) pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 and Sections 203(e) and 203(f) of the Investment Advisers Act of 1940 against Campbell (M.W.) & Co., Ltd. (Campbell & Co.) and Mack W. Campbell (Campbell). The Order alleges that, from approximately March 1992 through June 1992, Campbell and Campbell & Co. engaged in a scheme to defraud investors by holding Campbell & Co. out as a broker-dealer offering U.S. treasury securities

to public investors, inducing investors to part with their monies through use of false and misleading representations, and subsequently misappropriating at least \$352,032 of investor funds. In March 1994, Campbell & Co. and Campbell were permanently enjoined in civil injunctive proceedings instituted by the Commission in U.S. District Court for the Western District of Pennsylvania.

A hearing will be scheduled to determine whether the allegations against Campbell & Co. and Campbell are true and, if so, what sanctions, if any, are appropriate. (Rel. IA-1442; 34-34725)

ADMINISTRATIVE PROCEEDINGS ORDERED AGAINST GREGORY AMICO, TRACEY KAREKOS AND HERMAN EPSTEIN

The Commission has ordered public administrative proceedings pursuant to Section 8A of the Securities Act of 1933 (Securities Act) and Section 15(b), 19(h) and 21C of the Securities Exchange Act of 1934 (Exchange Act) against Gregory L. Amico (Amico) and Tracey J. Karekos (Karekos). The order for proceedings alleges that the Respondents Amico and Karekos violated Sections 5(a), (c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The alleged violations took place from October 1991 through April 1992. In addition, Herman Epstein (Epstein) allegedly violated Sections 5(a) and (c) of the Securities Act, or in the alternative, failed to reasonably supervise Amico pursuant to Section 15(b)(4) of the Exchange Act with a view toward preventing his violations.

The order instituting public proceedings alleges that Amico of Investors Associates, Inc. and Karekos of the now defunct Private Investors Cartel Ltd., violated the federal securities laws during the period from October 1991 through at least April 1992. The order alleges that Amico and Karekos facilitated an unregistered distribution of the control stock of Pacific Waste Management, Inc. (Pacific Waste) and both failed to disclose their secret receipt of free stock from the issuer as incentive to market Pacific Waste to their customers.

A hearing will be scheduled to take evidence on the staff's allegations and to afford Respondents an opportunity to present any defenses thereto. The purpose of the hearing is to determine whether the allegations are true and whether any remedial action should be ordered by the Commission. (Rel. 33-7096; 34-34726)

ADMINISTRATIVE PROCEEDINGS INSTITUTED AS TO MARTIN HALPERN

The Commission announced that on September 27 it instituted proceedings pursuant to Rule 2(e) of the Commission's Rules of Practice as to Martin Halpern. Simultaneously, the Commission accepted Halpern's settlement offer to consent to the entry of the Order without admitting or denying

the findings. The Order finds that Halpern engaged in improper professional conduct in auditing the financial statements of PNF Industries, Inc. for its fiscal year ended August 31, 1991. The Commission found that PNF's financial statements failed to comply with generally accepted accounting principles by, among other things, failing to account properly for a business combination, failing to account properly for related party transactions and failing to account properly for a subsequent event. The Commission found that Halpern failed to comply with generally accepted auditing standards by failing to exercise due professional care and failing to obtain sufficient competent evidential matter.

The Order requires that Halpern be denied the privilege of appearing or practicing before the Commission in the capacity of an independent public accountant, provided, however, that after three years Halpern may apply to resume practice before the Commission upon certain showings. (Rel. 34-34727; AAE Rel. 601)

CEASE AND DESIST ORDER ENTERED AGAINST RUSSELL FRIGNOCA AND EDWARD GURAK

The Commission has instituted public administrative proceedings under the Securities Exchange Act of 1934 (Exchange Act) against Russell L. Frignoca (Frignoca) and Edward J. Gurak (Gurak), former officers of Prospect Park Financial Corporation (PPFC). Simultaneously with the institution of the proceeding, the Commission accepted Frignoca's and Gurak's offers of settlement, under which Frignoca and Gurak consented, without admitting or denying the findings, to the entry of the Findings and Order of the Commission (Order). The Order requires Frignoca to cease and desist from causing any violation, and any future violation, of Section 13(a) of the Exchange Act and Rules 13a-1 and 12b-20, and Gurak to cease and desist from causing any violation, and any future violation of Sections 13(a) and 13(b)(2) of the Exchange Act and Rules 13a-1 and 12b-20.

The Commission found that PPFC violated Section 13(a) of the Exchange Act and Rules 13a-1 and 12b-20 because it materially overstated net income before tax in its fiscal year 1989 financial statements included in its Form 10-K for its fiscal year ending April 30, 1989, and that Frignoca and Gurak were a cause of PPFC's violation. Further, the Commission found that PPFC also violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act by failing to keep books and records, which in reasonable detail, accurately and fairly reflected the value of its assets, and by failing to devise and maintain a system of internal accounting controls sufficient to ensure that, among other things, PPFC's financial statements would be prepared in accordance with generally accepted accounting principles (GAAP). Gurak was a cause of PPFC's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. (Rel. 34-34728; AAE Rel. 603)

PERMANENT INJUNCTION ENTERED AGAINST LAURENCE BROWN

The Commission announced that on September 30 a complaint was filed in the U.S. District Court for the Southern District of New York against Laurence M. Brown. Simultaneous with the filing of the complaint, Brown consented to the entry of a Final Judgment of Permanent Injunction and Other Equitable Relief against him, without admitting or denying the allegations in the complaint. The Final Judgment enjoins Brown from violations of the antifraud provisions and of the registration provisions of the securities laws relating to broker-dealers and government securities broker-dealers. The issue of disgorgement was reserved for future determination.

The complaint alleges that from January 1986 to December 1989, Brown violated the antifraud provisions of the securities laws by raising approximately \$2,694,681 from investors for the purchase of securities, principally government securities, and misappropriating approximately \$1,704,331 of the monies raised. In addition, from July 1987 to December 1989, Brown operated his firm, Phoenix Capital Group, Inc., as an unregistered government securities broker-dealer and as an unregistered broker-dealer. [SEC v. Laurence M. Brown, USDC, SDNY, 94 Civ. 7112, DAB] (LR-14271)

KENNETH WEINBERG, KENNETH LAMPASONA, KENNECO CAPITAL CORPORATION AND KENNECO GROUP, INC. NAMED IN CIVIL INJUNCTIVE ACTION

The Commission announced today the filing of a civil action in New York against Kenneth L. Weinberg of Staten Island, New York, Kenneth G. Lampasona of Dix Hills, New York, and two companies they control, Kenneco Capital Corporation, and Kenneco Group, Inc., alleging violations of the general antifraud provisions by all four defendants; violations of the broker-dealer registration provisions by all four defendants; and violations of the antifraud provisions of the 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 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.

The complaint seeks permanent injunctions against future violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 and Rule 10b-5, and Sections 206(1) and 206(2) of the Investment Advisers Act against all four defendants; 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. [SEC v. Weinberg, et al., 94 Civ. 7127, LAK, SDNY] (LR-14273)

CIVIL ACTION FILED IN CONNECTION WITH PAY TELEPHONE INVESTMENT

The Commission today announced the filing of a complaint in the above-titled action seeking permanent injunctive and other relief.

The complaint charges that defendants violated 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 alleges that beginning in or about September 1992, defendants made material misrepresentations, and omitted to disclose material facts, relating to the sale of pay telephone instruments in combination with agreements to operate and manage the pay telephones, and that defendants raised at least \$80,050 through solicitations to the public.

Simultaneously with the filing of the complaint, defendants consented to the entry of Final Consent Judgments of Permanent Injunctive and Other Relief. The Final Judgments permanently enjoin defendants from future violations of the above provisions and require them to disgorge \$8,050, which will be returned to investors. [SEC v. JULES J. PIGLIACAMPI, and CHARLES L. VILLANTE, individually, and d/b/a CAPITAL COMMUNICATIONS MANAGEMENT CORPORATION, NATIONAL EQUIPMENT COMPANY, and ATLANTIC TELEPHONE SYSTEMS, Civil Action No. 94-CV-5979, E.D. Pa.] (LR-14272)

LINDA HODGE, C.P.A., AND THE HODGE GROUP, P.C. NAMED IN CIVIL INJUNCTIVE ACTION

The Commission announced today the filing of a civil action in New York against Linda A. Hodge, C.P.A., and her wholly-owned professional corporation, The Hodge Group, P.C. The Commission's complaint charges defendants with violating certain antifraud provisions of the federal securities laws by preparing and signing a false audit opinion they knew would be distributed to the public in connection with the fraudulent offering of securities of Air Tech Industries, Inc., and by misappropriating investors' funds raised in that fraudulent offering. The fraudulent offering is the subject of a related action (SEC v. Medoff, 93 Civ. 5573, LLS, SDNY, filed August 10, 1993). The complaint seeks permanent injunctions, disgorgement plus prejudgment interest from both defendants, and civil penalties from Ms. Hodge. [SEC v. Linda A. Hodge and The Hodge Group, P.C., 94 Civ. 7113, LLS, SDNY] (LR-14275; AAE Rel. 611)

CIVIL ACTION AGAINST HUGH GEE, GEE ASSET MANAGEMENT AND HUGH GEE & COMPANY, INC.

The Commission today announced that on September 28 a complaint was filed in the Northern District of California seeking injunctive and other equitable relief against Hugh P. Gee (Gee), Gee Asset Management, Inc. (GAM), and Hugh Gee & Company, Inc. (GeeCo), alleging that the defendants obtained clients by making material misrepresentations, then charged those clients excessive and undisclosed brokerage and advisory fees (complaint).

The complaint alleges that Gee, GAM, and GeeCo violated the antifraud provisions of the Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act) by making material misrepresentations about Gee's and GAM's investment strategy and performance results, the fees and commissions paid to GAM and GeeCo, and Gee's education. The complaint further alleges that GAM violated, and Gee aided and abetted violations of, the antifraud provisions of the Investment Advisers Act of 1940 (Advisers Act) and certain rules promulgated thereunder regarding advertisements by investment advisers. In addition, the complaint alleges that GAM and Gee violated Section 207 of the Advisers Act by making false statements in registration forms that GAM filed with the Commission and that GAM did not maintain documents supporting its alleged performance results, as required by Section 204 of the Advisers Act and certain rules promulgated thereunder.

The Commission seeks a permanent injunction enjoining Gee, GAM, and Geeco from violating Sections 17(a)(1), (2) and (3) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder; and Gee and GAM from violating Sections 204, 206(1), 206(2), 206(4) and 207 of the Advisers Act, and Rules 204-2(a)(16), 204-2(e)(3), 206(4)-1(a)(2) and 206(4)-1(a)(5) promulgated thereunder. The complaint further seeks the disgorgement of ill-gotten gains and the imposition of civil penalties against Gee, GAM, and GeeCo. [SEC v. Hugh P. Gee, Gee Asset Management, Inc. and Hugh Gee Company, Inc., Civil Action No. 94-03459, CW, ND Cal.] (LR-14276)

ANTIFRAUD SUIT NAMES VSE FIRM AND PRINCIPLES

The Commission today announced the filing of a complaint in the Northern District of California naming Dimples Group Inc., (Dimples), Robert G. Reid (Reid) and J. Douglas Elliott (Elliott) alleging violations of the antifraud provisions of the Securities Exchange Act of 1934, and naming Reid for violations of the rule prohibiting bidding for or purchasing a security while at the same time being engaged in a distribution of the security.

Dimples located in Ontario, Canada, is alleged to have made untrue and misleading statements concerning, projected revenues from sale of its diaper products, test-marketing of its product, financing, and the success of its new product. The complaint alleges that its price on the

Vancouver Stock Exchange rose from \$.098 to \$8.75 per share and that United States investors increased from a few transactions to 4.6 million shares in a two-year period. [SEC v. Dimples Group Inc., a British Columbia, Canada, corporation, Robert G. Reid, and J. Douglas Elliott, Civ. No. 94-3463, EFL, N.D.Cal.] (LR-14277)

TEMPORARY RESTRAINING ORDER ENTERED IN WIRELESS CABLE CASE

The Commission announced on October 3 that the Honorable Nicholas H. Politan of the United States District Court for the District of New Jersey entered a temporary restraining order against Future Vision Direct Marketing, Inc., Global Wireless, L.L.C., Worldwide Wireless, L.L.C., Caracas Wireless Communication, L.P., Global Communications Holding Corp., S & G Management, Inc., First Eastern Equity Corp., Philip Forma, Sr., James Barschow, Bruce Schroeder, and Joseph Glenski. The Order freezes the defendants' assets and enjoins them from engaging in the fraudulent offer and sale of unregistered securities of entities formed to fund wireless cable television operations in Venezuela. The Commission is also seeking the entry of preliminary and permanent injunctions, an accounting of investor funds, disgorgement and the imposition of civil penalties. A hearing on the Commission's application for an order to show cause why a preliminary injunction should not be entered against the defendants is scheduled for October 24, 1994.

The Commission's complaint alleges violations of the registration, antifraud and broker-dealer registration provisions of the securities laws. Since approximately April 1994, the defendants have raised nearly \$3.5 million through the sale of membership interests in so-called limited liability companies and limited and general partnership interests. The complaint alleges that the offering materials provided to investors failed to disclose material information and that the defendants misappropriated investor funds. [SEC v. Future Vision Direct Marketing, Inc., et al., D.N.J., Civil Action No. 94-4806] (LR-14287)

INVESTMENT COMPANY ACT RELEASES

NORWEST BANK MINNESOTA, N.A., ET AL.

A notice has been issued giving interested persons until October 25 to request a hearing on an application filed by Norwest Bank Minnesota, N.A., et al. for an order under Section 45(a) of the Investment Company Act that would declare that public disclosure of certain cost savings information submitted in support of another application filed by Norwest Bank Minnesota, N.A., et al. is neither necessary nor appropriate in the public interest or for the protection of investors. The other application seeks an exemption to permit certain series of Norwest Funds, an open-end investment company, to invest portions of their assets in certain series of Core Trust (Delaware), an open-end investment company. (Rel. IC-20593 - September 30)

GREAT HALL VALUE TEN TRUST, SERIES 1, ET AL.

A notice has been issued giving interested persons until October 25 to request a hearing on an application filed by Great Hall Value Ten Trust, Series 1 and Insight Investment Management, Inc., the trust's sponsor, for an order under Sections 11(a) and 11(c) of the Investment Company Act to permit certain offers of exchange of units of a terminating trust series for units of subsequently offered trust series. (Rel. IC-20594 -September 30)

HOLDING COMPANY ACT RELEASES

NORTHEAST UTILITIES, ET AL.

An order has been issued authorizing Northeast Utilities, a registered holding company, and its nonutility subsidiary companies, Charter Oak Energy, Inc. and COE Development Corporation (collectively, Applicants), to acquire interests in, finance the acquisition, and hold the securities, of "foreign utility companies" (FUCOs), as defined in section 33(a) of the Public Utility Holding Company Act of 1935, and companies engaged directly or indirectly in the business of owning and holding the securities of FUCOs and exempt wholesale generators (Intermediate Companies). In addition, the Applicants are authorized to issue guarantees and assume the liabilities of FUCOs and Intermediate Companies in connection with development activities, including construction and permanent financing. (Rel. 35-26134; International Series Rel. 721)

SELF-REGULATORY ORGANIZATIONS

PROPOSED RULE CHANGE AND AMENDMENTS TO PROPOSED RULE CHANGE

The Chicago Board Options Exchange filed with the Commission a proposed rule change (SR-CBOE-94-25) Amendments Nos. 1 and 2 to the proposed rule change relating to listing and trading options on the CBOE Emerging Latin American Markets Index. Publication of the notice is expected in the Federal Register during the week of October 3. (Rel. 34-34724; International Series Rel. 718)