

# sec news digest

Issue 96-70

April 16, 1996

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## ENFORCEMENT PROCEEDINGS

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### DONALD ESTES SENTENCED AND ORDERED TO PAY \$1,000,000 RESTITUTION

The Commission and the United States Attorney for the Eastern District of Kentucky announced that on February 16, 1996, Donald Lewis Estes was sentenced to thirty months in prison with three years on supervised release, and ordered to pay \$1,000,000 in restitution. Estes pled guilty November 7, 1995 to one count of using interstate commerce to induce the purchase of unregistered securities. He began serving his prison term on April 1.

The criminal charge against Estes relates to the same activities alleged in the Commission's civil action filed on April 24, 1992. According to the Commission's complaint, Estes participated in the offer and sale of unregistered securities in the form of investment contracts in an investment pool purportedly formed to finance transactions in the import and export of commodities. Further, the complaint alleged that Estes, and others, lied to investors concerning the use of investor proceeds, the profits and earnings to be realized, and the risks associated with the investment. On January 21, 1994, without admitting or denying the allegations, Estes consented to be permanently enjoined from future violations of the registration and antifraud provisions of the federal securities laws. [U.S. v. Donald L. Estes, Criminal No. 95-61, USDC, ED/KY] (LR-14874)

### DEFENDANTS CHARGED IN \$570 MILLION "PONZI" SCHEME

The Commission announced that on March 28 it filed a civil injunctive action in the Southern District of New York, against Bennett Funding Group, Inc. (BFG), Patrick R. Bennett, Bennett Management and Development Corporation (BMDC), Bennett Receivables Corporation (BRC) and Bennett Receivables Corporation-II (BRC-II).

The complaint alleges that since 1991, the defendants have been engaged in a massive ongoing "Ponzi" scheme, employing misstatements and omissions of material fact in the offer and sale of more than \$570 million in securities in the form of supposed assignments of equipment leases (Lease Assignments), as well as promissory notes (Notes) issued by BFG, BRC, or BRC-II.

The Commission alleges that the defendants violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission alleges that the defendants defrauded investors by selling tens of millions of dollars of Lease Assignments for office equipment leases that simply did not exist, and that in cases where the defendants did have an underlying lease, the defendants sometimes fraudulently purported to sell to investors leases they had already sold to other investors.

The complaint alleges that fraudulent BFG audited financials -- showing artificially inflated net income resulting from sham transactions -- were included in offering documents provided to investors in connection with the sale of an estimated \$150 million in Notes.

Moreover, the Commission claims that defendants failed to disclose that tens of millions of dollars collected from investors were being diverted from BFG to Patrick Bennett, various people and entities connected to Patrick Bennett, members of his family, and to BMDC, a shell corporation owned by Patrick Bennett.

The Commission seeks permanent injunctions, disgorgement, prejudgment interest, and civil penalties. On March 29 the four corporate defendants, BFG, BMDC, BRC and BRC-II, filed for protection pursuant to Chapter 11 of the Bankruptcy Code. On April 11, 1996, the U.S. Bankruptcy Court for the Northern District of New York granted the Commission's motion for the appointment of a chapter 11 trustee to administer the Bennett bankruptcy cases.

Patrick Bennett has agreed, by stipulation, to an asset freeze and a temporary injunction enjoining him from violations of the antifraud provisions of the federal securities laws, pending hearing and determination on the Commission's application for a preliminary injunction, now scheduled for July 23, 1996. [SEC v. The Bennett Funding Group, Inc., Patrick R. Bennett, Bennett Management and Development Corporation, Bennett Receivables Corporation and Bennett Receivables Corporation-II, 96 Civ. 2237, SDNY, JES] (LR-14875; AAE Rel. 772)

## CIVIL ACTION AGAINST DR. RALPH COTTON

The Commission announced that on April 5 a jury in the United States District Court for the District of Colorado rendered a verdict finding John F. Long and James J. Baudo not guilty of insider trading. The Commission had filed a civil complaint alleging that Long and Baudo, who are registered representatives at a Denver broker-dealer, had on November 1, 1993, traded in the stock of Electromedics, Inc. while in possession of material nonpublic information concerning a possible acquisition of Electromedics.

Previously defendants Dr. Ralph L. Cotton and Frances W. Parella entered into settlements with the Commission whereby they consented to the entry of permanent injunctions without admitting or denying the allegations of the complaint. For further information see Litigation Releases 14261 (September 27, 1994) and 14492 (May 4, 1995). [SEC v. Dr. Ralph Cotton, et al., Civil Action 94-K-222, D. Colorado] (LR-14876)

## CIVIL INJUNCTIVE ACTION FILED AGAINST TELLUS INDUSTRIES, INC. AND GLEN BURKE

On April 16, the Commission filed a complaint in the United States District Court for the District of Columbia against Tellus Industries, Inc. (Tellus) and Glen E. Burke (Burke) of Las Vegas, Nevada, alleging that from 1992 through 1994 Tellus, a publicly-owned telemarketing company, and its president Burke, engaged in a willful fraud on the investing public by failing to disclose that at least five state law enforcement agencies had commenced legal proceedings to prohibit Tellus's lucrative telemarketing operations. The complaint seeks an injunction against Tellus, and an injunction and civil penalties against Burke.

The complaint alleges that Burke and Tellus knowingly disseminated materially false and misleading information to investors, in the form of Annual and Quarterly Reports filed with the Commission and at least one publicly disseminated press release that failed to accurately disclose law enforcement actions brought by the states of Wisconsin, Nevada, California, Minnesota and Idaho, and the seizure of records by the United States Postal Service. The complaint alleges that Burke personally profited from the fraud by receiving approximately \$1.5 million in salary, loans and other payments from Tellus during the period of the false disclosures. [SEC v. Tellus Industries, Inc. and Glen E. Burke, Civil Action No. 96CV-00712, D.D.C.] (LR-14877)

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## INVESTMENT COMPANY ACT RELEASES

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### PRUDENTIAL ADJUSTABLE RATE SECURITIES FUND, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that Prudential Adjustable Rate Securities Fund, Inc. has ceased to be an investment company. (Rel. IC-21891 - April 15)

### TARGET UNIT INVESTMENT TRUST

An order has been issued under Section 8(f) of the Investment Company Act declaring that Target Unit Investment Trust has ceased to be an investment company. (Rel. IC-21892 - April 15)

### THE WOODWARD FUNDS, ET AL.

A notice has been issued giving interested persons until May 10 to request a hearing on an application filed by The Woodward Funds, et al. for an order under Section 17(b) of the Investment Company Act that would exempt applicants from Section 17(a) of the Act. The order would permit certain series of The Woodward Funds to acquire all of the assets of certain series of the Prairie Institutional Funds in exchange for shares of The Woodward Funds. Because of certain affiliations, the series involved may not rely on Rule 17a-8 under the Act. (Rel. IC-21893 - April 15)

### EQUITABLE LIFE INSURANCE COMPANY OF IOWA, ET AL.

A notice has been issued giving interested persons until May 10 to request a hearing on an application filed by Equitable Life Insurance Company of Iowa (Equitable) and Equitable Life Insurance Company of Iowa Separate Account A (Account) (together, Applicants). Applicants seek an order under Section 26(b) of the Act approving the proposed substitution of shares of the Advantage Portfolio of the Equi-Select Series Trust (Trust) for shares of the Government Securities Portfolio (GS Portfolio) and the Short-Term Bond Portfolio (STB Portfolio) of the Trust. Applicants also seek an order pursuant to Section 17(b) of the Act exempting the Applicants from Section 17(a) to the extent necessary to permit them to carry out the above-referenced substitution by redeeming shares of the GS Portfolio and of the STB Portfolio in kind or partly in kind and using the redemption proceeds to purchase shares of the Advantage Portfolio. (Rel. IC-21894 - April 15)

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## HOLDING COMPANY ACT RELEASES

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### CENTRAL AND SOUTH WEST CORPORATION, ET AL.

A notice has been issued giving interested persons until May 6 to request a hearing on a proposal by Central and South West Corporation (CSW), a registered holding company, and CSW Energy, Inc., and CSW International, Inc., both wholly-owned non-utility subsidiaries of CSW, to modify a limitation contained in certain existing orders. Under the existing orders, CSW is authorized to use the proceeds of the issuance of common stock and borrowings to invest in exempt wholesale generators (EWGs) and foreign utility companies (FUCOs), and to issue guarantees of the obligations of such entities, provided that the total of the net proceeds used for such investments and guarantees outstanding at any one time shall not, when added to CSW's aggregate investment in all EWGs and FUCOs, exceed 50% of CSW's consolidated retained earnings. CSW requests that this limitation be increased to 100% of consolidated retained earnings. (Rel. 35-26503)

### JERSEY CENTRAL POWER & LIGHT COMPANY, ET AL.

A notice has been issued giving interested persons until May 6 to request a hearing on a proposal by Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, and GPU Service Corporation, all subsidiaries of General Public Utilities Corporation, a registered holding company. Applicants request authority to render billing, collection and other customer relations services through December 31, 2001 to nonassociate utilities and nonutilities. (Rel. 35-26503)

### CENTRAL AND SOUTH WEST CORP., ET AL.

A notice has been issued giving interested persons until May 6 to request a hearing on a proposal by Central and South West Corporation (CSW), a registered holding company, CSW Energy, Inc. (CSW Energy), a wholly-owned non-utility subsidiary company of CSW, and four special-purpose, wholly-owned subsidiary companies of CSW Energy -- CSW Sweeny GP, Inc., CSW Sweeny GP II, Inc., CSW Sweeny LP, Inc., and CSW Sweeny LP II, Inc. -- (i) to obtain third-party construction and term financing in an amount not to exceed \$250 million, (ii) to provide advances in an amount not to exceed \$250 million, (iii) to obtain or arrange for letters of credit and a revolving working capital credit line up to \$50 million, and (iv) to provide assurances of up to \$300 million in equity contributions. (Rel. 35-26503)

**GENERAL PUBLIC UTILITIES CORPORATION, ET AL.**

A notice has been issued giving interested persons until May 6 to request a hearing on a proposal by General Public Utilities Corporation, a registered holding company, and its subsidiary companies, Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, Energy Initiatives, Inc., and GPU Service Corporation, to (1) provide various engineering and consulting services; (2) invest through December 31, 1998, up to an aggregate principal amount of \$25 million in such services; and (3) provide such services beyond the boundaries of their existing utility service territories. (Rel. 35-26503)

**GENERAL PUBLIC UTILITIES CORPORATION, ET AL.**

A notice has been issued giving interested persons until May 6 to request a hearing on a proposal by General Public Utilities Corporation, a registered holding company, and its subsidiary companies Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, Energy Initiatives, Inc., and GPU Service Corporation (collectively, Applicants). Applicants propose to provide telecommunications power services through one or more new subsidiary companies or joint ventures. (Rel. 35-26503)

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**SELF-REGULATORY ORGANIZATIONS**

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**ACCELERATED APPROVAL OF PROPOSED RULE CHANGES**

The Commission granted accelerated approval to a proposed rule change submitted by the National Association of Securities Dealers (SR-NASD-96-13) to adopt the Japan Module (Series 47) of the General Securities Registered Representative Examination (Series 7). Publication of the proposal is expected in the Federal Register during the week of April 15. (Rel. 34-37112; IS-967)

The Commission granted accelerated approval to a proposed rule change (SR-MCC-96-03) filed by the Midwest Clearing Corporation. The proposed rule change relates to the pass-through of certain fees and charges assessed on MCC by the National Securities Clearing Corporation and the elimination of all other charges by MCC. (Rel. 34-37113)

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**SIGNIFICANT NO-ACTION, EXEMPTIVE AND INTERPRETIVE LETTERS**

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Listed below are significant interpretive, exemptive, or no-action letters issued by the Division of Market Regulation for the period January 1 to March 31, 1996.

<u>Company</u>	<u>Act/Section/Rule</u>	<u>Date Mailed</u>	<u>Date Available</u>
CountryBaskets Index Fund, Inc.	1934 Act, Section 10(b) Rules 10b-6, 10b-7, 10b-13, & 10b-17	3/22/96	3/22/96
CountryBaskets Index Fund, Inc.	1934 Act, Section 11(d)(1), Rules 10a-1, 10b-6, 10b-10, 11d1-1, 11d1-2	3/22/96	3/22/96
The Earthgrains Company	1934 Act, Section 13(e), Rule 13e-4	3/26/96	3/26/96
Enersis S.A.	1934 Act, Section 10(b), Rule 10b-6	2/9/96	2/9/96
Incentive AB	1934 Act, Section 10(b), Rule 10b-13	2/1/96	2/1/96
Telefonatktiebolaget LM Ericsson	1934 Act, Section 10(b), Rules 10b-6, 10b-7, 10b-8	10/5/96	10/5/96
Cleary, Gottlieb Steen & Hamilton	1934 Act, Rule 15a-6	1/30/96	1/30/96
Letter Re: InTouch Global, LLC	1934 Act, Section 15(a)	11/14/96	11/14/96
American Bar Association	1934 Act, Rule 15c2-12	3/15/96	3/15/96
Texas Education Agency	1934 Act, Rule 15c2-12	2/9/96	2/9/96

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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.

- S-8 MSC INDUSTRIAL DIRECT CO INC, 151 SUNNYSIDE BLVD, PLAINVIEW, NY 11803  
(516) 349-7100 - 2,000,000 (\$56,500,000) COMMON STOCK. (FILE 333-3256 -  
APR. 05) (BR. 10)
- S-8 MISSISSIPPI VIEW HOLDING CO, 35 E BROADWAY, LITTLE FALLS, MN 56345  
(612) 632-5461 - 100,799 (\$1,153,520.38) COMMON STOCK. (FILE 333-3280 -  
APR. 05) (BR. 2)
- S-8 PLATINUM TECHNOLOGY INC, 1815 S MEYERS RD, OAKBROOK TERRACE, IL 60181  
(708) 620-5000 - 6,712,482 (\$95,286,912.16) COMMON STOCK. (FILE 333-3284 -  
APR. 05) (BR. 9)
- S-8 KENTUCKY FIRST BANCORP INC, 306 NORTH MAIN ST, CYNTHIANA, KY 41031  
(606) 654-6961 - 194,407 (\$2,369,335.32) COMMON STOCK. (FILE 333-3286 -  
APR. 05) (BR. 2)