

sec news digest

Issue 95-146

July 31, 1995

ENFORCEMENT PROCEEDINGS

FOUR FORMER EXECUTIVES OF KURZWEIL APPLIED INTELLIGENCE, INC. NAMED IN INJUNCTIVE ACTION

The Commission announced the filing of a complaint in the United States District Court for the District of Massachusetts against Bernard F. Bradstreet (Bradstreet), Thomas E. Campbell (Campbell), David R. Earl and Debra J. Murray, seeking injunctive relief, officer and director bars, disgorgement from Bradstreet and Campbell of \$170,000 and \$12,000, respectively, prejudgment interest, and civil money penalties. The complaint alleges that the defendants, former executives of Kurzweil Applied Intelligence, Inc. (Kurzweil), engaged in a fraudulent scheme to inflate Kurzweil's revenues and earnings during the time leading up to and following the company's August 1993 IPO. According to the complaint, the defendants determined that Kurzweil would record revenue for sales that were non-existent, directed Kurzweil employees to forge customers' signatures on sales quotes, created "side letters" to purchasers negating the purchasers' obligation to pay, and sought to conceal their conduct from outside auditors by shredding, destroying or hiding documents, falsifying audit confirmations and transferring inventory to remote locations. The complaint also alleges that defendants Bradstreet and Campbell sold Kurzweil securities while in possession of material, nonpublic information regarding Kurzweil's true financial condition, and that Bradstreet received a fraudulent \$80,000 bonus advance. The complaint charges that the defendants violated Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2. [SEC v. Bradstreet, et al., Civil Action No. 11647DPW, D.MA] (LR-14571)

COMPLAINT FILED AGAINST EDWARD BEAGAN AND CANCER MINUS, INC.

The Commission announced the filing of a complaint in the United States District Court for the Southern District of New York against Edward M. Beagan and Cancer Minus, Inc. seeking to permanently enjoin each defendant from violating the antifraud provisions of the federal securities laws, and also seeking disgorgement, plus prejudgment interest, and civil penalties from each defendant.

According to the complaint, beginning in or about late 1990 through early 1994, Beagan and Cancer Minus induced 15 investors to invest in excess of \$300,000 in Cancer Minus. The defendants told certain investors that their investments would be used to develop a cancer diagnostic and a cancer drug. Beagan told other investors that Cancer Minus had already developed a cancer drug called "C-7" which could identify and eliminate "cancer cells throughout the entire blood system when they are 1-billionth [sic] the size at which they are normally diagnosed." However, there was no cancer drug or cancer diagnostic. Rather, Beagan misappropriated all of the funds invested in Cancer Minus to pay personal expenses. [SEC v. Beagan, et al., 95 Civ. 5631, KNW] (LR-14575)

COMPLAINT FILED AGAINST KEITH GROUP OF COMPANIES, HUGH KEITH, STEVEN WOLIS, AND ROBERT MCCLERNON

The Commission announced that on July 24 a complaint was filed by the Commission seeking permanent injunctive and other relief, against the Keith Group of Companies, Inc. (Keith Group) -- a public company whose stock trades on NASDAQ, Hugh Keith (Keith), president and chairman of the board of Keith Group, Steven Wolis (Wolis), a director, vice president and general counsel of Keith Group, and Robert McClernon (McClernon), Keith Group's former controller. The complaint also seeks civil penalties from Keith Group and Keith pursuant to the Insider Trading Sanction Act.

The complaint, among other things, seeks to enjoin the defendants from violating the antifraud and reporting provisions of the federal securities laws. The complaint alleges that the defendants made false filings with the Commission during the period February 1991 and March 1993 which improperly reported \$4,837,899 in gains from six fraudulent sales of real estate in the company's financial statements. The complaint also alleges that Keith traded in Keith Group stock and received total proceeds of over \$1,000,000, while in possession of material non-public information regarding Keith Group's financial condition. Keith is alleged to have opened or caused to be opened nominee accounts through his daughters and son to facilitate his illegal trading. [SEC v. the Keith Group of Companies, Inc., et al., Case No. 95-6702-CIV-GONZALEZ, SD Fla.] (LR-14576)

COMPLAINT FILED AGAINST SYBARIS CLUBS INTERNATIONAL, INC. AND KENNETH KNUDSON

On July 26, the Commission filed a Complaint for Permanent Injunction and Other Equitable Relief in the United States District Court for the Northern District of Illinois against Sybaris Clubs International, Inc.

(Sybaris) and Kenneth C. Knudson (Knudson) for violations of the registration and antifraud provisions of the federal securities laws. The Commission's complaint alleges that from at least May 1985 to July 1994, Sybaris, through Knudson, offered and sold at least \$7.5 million in unregistered securities in the form of promissory notes (Notes) to over 430 investors in at least 10 states. In the offer and sale of the Notes, Sybaris, through Knudson, failed to disclose, among other things, that if a substantial number of investors demanded the return of their principal upon their Notes maturing, Sybaris would be unable to make the required payments. Sybaris and Knudson have submitted offers of settlement, which the Commission has accepted, in which they consent, without admitting or denying the allegations in the Commission's complaint, to the entry of Final Judgments which will enjoin the Defendants from violating the registration and antifraud provisions of the federal securities laws; order Sybaris to disgorge approximately \$5.4 million representing the amount owed to investors; and order Knudson to pay a civil penalty in the amount of \$10,000. [SEC v. Sybaris Clubs International, Inc. and Kenneth C. Knudson, No. 94-C-5902, N.D. Ill.] (LR-14577)

PERMANENT INJUNCTION ENTERED AGAINST ROBERT BURSTEIN

The Commission announces that on July 14 the U.S. District Court for the Northern District of Illinois entered an Order of Permanent Injunction against Robert Burstein enjoining him from future violations of the antifraud provisions of the federal securities laws. Burstein, while an associated person of an investment adviser to the Union Carbide Pension Fund, engaged in a three year scheme of trade allocations and interpositioning in United States government securities, to the detriment of the Fund. Burstein, along with a registered representative at a Midwest broker-dealer, would interposition the broker-dealer and a Bank between the Fund and the market, needlessly increasing transaction costs and causing the Fund to obtain less than the best market price. In addition, the two would execute transactions and not identify the purchaser until after they determined if the transaction was profitable. Profitable transactions would be assigned to the Bank. Burstein received a 10% commission from the Bank and kickbacks from the registered representative. Burstein previously pled guilty to criminal charges for this conduct, serving 21 months in prison. [SEC v. Burstein, District, N.D.Ill., No. 95 C 04063] (LR-14578)

SELF-REGULATORY ORGANIZATIONS

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change submitted by the Chicago Stock Exchange (SR-CHX-95-15) relating to the

implementation of modified versions of the SuperMAX system on a pilot basis. (Rel. 34-36027)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The New York Stock Exchange submitted a proposed rule change (SR-NYSE-95-07) and request for accelerated approval on March 1, 1995 to adopt listing standards for options on securities issued in certain corporate restructuring transactions. The Commission approved proposed rule change by the NYSE and Amendment No. 1 to the proposed rule change, on an accelerated basis. (Rel. 34-36029)

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 TOUCHSTONE SOFTWARE CORP /CA/, 2124 MAIN ST, HUNTINGTON BEACH, CA 92648
(714) 969-7746 - 2,070,000 (\$20,824,200) COMMON STOCK. 100,000 (\$100)
WARRANTS, OPTIONS OR RIGHTS. 100,000 (\$1,207,000) COMMON STOCK. (FILE
33-94352 - JUL. 21) (BR. 9)
- S-8 PEACHTREE FIBEROPTICS INC /DE/, 6301 N W 5TH WAY - STE 5000,
FORT LAUDERDALE, FL 33309 (305) 771-5546 - 358,333 COMMON STOCK. (FILE
33-94354 - JUL. 24) (BR. 9)
- S-3 PENSKE TRUCK LEASING CO LP, ROUTE 10 GREEN HILLS, PO BOX 563, READING,
PA 19603 (610) 775-6000 - 500,000,000 (\$500,000,000) STRAIGHT BONDS.
(FILE 33-94812 - JUL. 21) (BR. 4)
- S-8 OAK TREE MEDICAL SYSTEMS INC, 16504 STONEHAVEN RD, MIAMI LAKES, FL 33014
(305) 822-8889 - 15,000 (\$61,875) COMMON STOCK. (FILE 33-94816 - JUL. 20)
(BR. 11)
- S-8 R F INDUSTRIES LTD, 7620 MIRAMAR RD, BLDG 4100, SAN DIEGO, CA 92126
(619) -54-9-63 - 600,000 (\$1,162,500) COMMON STOCK. (FILE 33-94818 -
JUL. 19) (BR. 3)
- S-3 CDW COMPUTER CENTERS INC, 1020 E LAKE COOK RD, BUFFALO GROVE, IL 60089
(708) 465-6000 - 1,375,000 (\$71,156,250) COMMON STOCK. (FILE 33-94820 -
JUL. 21) (BR. 1)
- S-8 SYBRON INTERNATIONAL CORP, 411 E WISCONSIN AVE 24TH FLR, MILWAUKEE, WI
53202 (414) 274-6600 - 1,500,000 (\$56,359,155) COMMON STOCK. (FILE
33-94822 - JUL. 21) (BR. 8)

REGISTRATIONS CONT.

- S-8 CENTRAL ILLINOIS FINANCIAL CO INC, 100 W UNIVERSITY AVE, CHAMPAIGN, IL 61820 (217) 351-6500 - 114,208 (\$835,094) COMMON STOCK. (FILE 33-94824 - JUL. 21) (BR. 2)
- S-8 NATIONAL MERCANTILE BANCORP, 1840 CENTURY PARK EAST, LOS ANGELES, CA 90067 (310) 277-2265 - 200,000 (\$700,000) COMMON STOCK. (FILE 33-94828 - JUL. 21) (BR. 1)
- S-8 LA JOLLA PHARMACEUTICAL CO, 6455 NANCY RIDGE DR, SAN DIEGO, CA 92121 (619) 452-6600 - 300,000 (\$1,265,625) COMMON STOCK. (FILE 33-94830 - JUL. 21) (BR. 4)
- S-4 SPECIALTY FOODS CORP, 520 LAKE COOK ROAD SUITE 520, DEERFIELD, IL 60015 (708) 267-3000 - 150,000,000 (\$150,000,000) STRAIGHT BONDS. (FILE 33-94836 - JUL. 21) (BR. 3)
- S-3 HEARTLAND WIRELESS COMMUNICATIONS INC, 903 N BOWSER STE 140, RICHARDSON, TX 75081 (214) 479-9244 - 1,029,707 (\$21,881,273.75) COMMON STOCK. (FILE 33-94838 - JUL. 21) (BR. 7)
- S-8 HAUSER CHEMICAL RESEARCH INC, 5555 AIRPORT BLVD, BOULDER, CO 80301 (303) 443-4662 - 500,000 (\$2,690,000) COMMON STOCK. (FILE 33-94840 - JUL. 21) (BR. 4)
- S-8 PARK MEDITECH INC /CANADA/, 150 KING STREET WEST SUITE 15151, P O BOX 500WER P O BOX 47, TORONTO ONTARIO CANADA M5H 1J9, A6 - 2,000,000 (\$2,550,000) COMMON STOCK. (FILE 33-94842 - JUL. 21) (BR. 8)
- S-8 TOUCHSTONE SOFTWARE CORP /CA/, 2124 MAIN ST, HUNTINGTON BEACH, CA 92648 (714) 969-7746 - 636,334 (\$636,334) COMMON STOCK. (FILE 33-94844 - JUL. 21) (BR. 9)
- S-3 FORE SYSTEMS INC /DE/, 174 THORN HILL RD, WARRENDALE, PA 15086 (412) 772-6600 - 378,334 (\$12,579,605.50) COMMON STOCK. (FILE 33-94850 - JUL. 21) (BR. 9)
- S-1 INFORMATION STORAGE DEVICES INC /CA/, 2841 JUNCTION AVE, SAN JOSE, CA 95134 (408) 428-1400 - 4,485,000 (\$102,594,375) COMMON STOCK. (FILE 33-94852 - JUL. 21) (BR. 3)
- S-3 MATRIX PHARMACEUTICAL INC/DE, 1430 OBRIEN DRIVE, SUITE H, MENLO PARK, CA 94025 (415) 326-6100 - 1,481,982 (\$18,524,775) COMMON STOCK. (FILE 33-94854 - JUL. 21) (BR. 4)
- S-3 EDMARK CORP, 6727 185TH AVE NE, REDMOND, WA 98052 (206) 556-8400 - 1,116,250 (\$36,067,248.74) COMMON STOCK. (FILE 33-94864 - JUL. 24) (BR. 9)
- S-3 QUALCOMM INC/DE, 6455 LUSK BLVD, SAN DIEGO, CA 92121 (619) 587-1121 - 9,200,000 (\$328,329,600) COMMON STOCK. (FILE 33-94870 - JUL. 24) (BR. 7)
- S-8 LYNX THERAPEUTICS INC, 3832 BAY CENTER PLACE, HAYWARD, CA 94545 (510) 670-9300 - 7,000,000 (\$700,000) COMMON STOCK. (FILE 33-94872 - JUL. 24) (BR. 4)
- S-8 IMAGING DIAGNOSTIC SYSTEMS INC /NJ/, 10281 NW 46TH ST, SUNRISE, FL 33351 (305) 746-0500 - 72,000 (\$119,520) COMMON STOCK. (FILE 33-94874 - JUL. 21) (BR. 8)

REGISTRATIONS CONT.

- S-8 QUICKRESPONSE SERVICES INC, 1400 MARINA WAY SOUTH, RICHMOND, CA 94804
(510) 215-5000 - 500,000 (\$10,562,500) COMMON STOCK. (FILE 33-94876 -
JUL. 21) (BR. 9)
- S-8 US XPRESS ENTERPRISES INC, 2931 SOUTH MARKET ST, CHATTANOOGA, TN 37410
(615) 696-7377 - 50,000 (\$425,000) COMMON STOCK. (FILE 33-94878 - JUL. 24)
(BR. 4)
- S-8 INNOVO GROUP INC, 27 N MAIN ST, SPRINGFIELD, TN 37172 (615) 384-0100 -
750,000 (\$2,300,000) COMMON STOCK. (FILE 33-94880 - JUL. 24) (BR. 7)
- S-8 ASCEND COMMUNICATIONS INC, 1275 HARBOR BAY PKWY, ALAMEDA, CA 94502
(510) 769-6001 - 3,200,000 (\$190,800,000) COMMON STOCK. (FILE 33-94886 -
JUL. 21) (BR. 10)
- S-8 FIRST YEARS INC, ONE KIDDIE DR, AVON, MA 02322 (508) 588-1220 - 115,000
(\$2,156,250) COMMON STOCK. (FILE 33-94888 - JUL. 24) (BR. 5)
- F-6 MOSTOSTAL EXPORT CORP \ADR\, NOMURA INTERNATIONAL TRUST CO,
10 EXCHANGE PLACE, JERSEY CITY, NJ 07039 (201) 322-2679 - 6,000,000
(\$300,000) DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 33-94890 - JUL. 21)
(NEW ISSUE)
- F-6 JCI LTD, 48 WALL ST, C/O BANK OF NEW YORK, NEW YORK, NY 10286
(212) 951-1727 - 10,000,000 (\$500,000)
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 33-94892 - JUL. 21)
(NEW ISSUE)
- F-6 ANGLO AMERICAN PLATINUM CORP LTD, 111 WALL ST, C/O BANK OF NEW YORK,
NEW YORK, NY 10286 (212) 495-1727 - 10,000,000 (\$500,000)
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 33-94894 - JUL. 21)
(NEW ISSUE)
- S-8 BAYWOOD INTERNATIONAL INC, 14950 N 83RD PLACE, STE 1, SCOTTSDALE, AZ
85260 (602) 951-3956 - 130,000 (\$145,600) COMMON STOCK. (FILE 33-94900 -
JUL. 24) (BR. 9)
- S-8 BAYWOOD INTERNATIONAL INC, 14950 N 83RD PLACE, STE 1, SCOTTSDALE, AZ
85260 (602) 951-3956 - 100,000 (\$112,000) COMMON STOCK. (FILE 33-94902 -
JUL. 24) (BR. 9)