

# SEC NEWS DIGEST

Issue 98-178

September 15, 1998

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## COMMISSION ANNOUNCEMENTS

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### SEC COMMISSIONER LAURA UNGER TO TESTIFY ON THE IMPACT OF YEAR 2000 ON MUTUAL FUNDS

Commissioner Laura Unger will testify before the Senate Special Committee on the Year 2000 Technology Problem regarding the effect of Year 2000 on mutual funds on Thursday, September 17, at 9:30 a.m. The hearing will be held in Room 192 of the Dirksen Senate Office Building.

Media Contact: Chris Ullman (202) 942-0020 (Press Rel. 98-86)

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## ENFORCEMENT PROCEEDINGS

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### COMMISSION MODIFIES DISCIPLINARY ACTION TAKEN BY NASD AND REMANDS PROCEEDING FOR REDETERMINATION OF SANCTIONS

The Commission has set aside the finding of the National Association of Securities Dealers that First Colorado Financial Services Company, Inc. (First Colorado), through its financial operations and principal, Mark P. Augustine, violated the net capital rule by participating in a firm commitment underwriting while maintaining less than \$50,000 in net capital. First Colorado, an introducing firm operating as a \$5,000 broker, placed a single order for 500 shares of a company involved in a public offering with a firm commitment underwriter. First Colorado did not solicit the order from its customer or market the offering. Under these circumstances, the Commission determined that First Colorado had not participated in the firm commitment underwriting and did not violate the net capital rule as it was not required to maintain \$50,000 in net capital at the time it placed the order for its customer.

The Commission sustained the finding of the NASD that First Colorado, through Augustine, had filed an inaccurate Financial and

Operational Combined Uniform Single Report. The proceedings were remanded for a redetermination of sanctions because it was unclear what sanctions the NASD would have imposed for the reporting violation alone. (Rel. 34-40436; File No. 3-9298)

#### **COMMISSION SUSTAINS NASD DISCIPLINARY FINDINGS AGAINST JOSEPH HANNAN AND MODIFIES SANCTIONS**

The Commission has sustained in part the disciplinary action taken by the National Association of Securities Dealers, Inc. (NASD) against Joseph P. Hannan of Beverly Hills, California. Hannan formerly was employed by Columbus Financial, Inc., a former member of the NASD, as an unregistered administrative assistant. The NASD found that Hannan failed to respond to NASD staff requests for an in-person interview and ordered that Hannan be censured, fined \$1,000, suspended from association with any member in any capacity for six months, and assessed costs.

The Commission sustained the NASD's findings of violations. However, the Commission, noting Hannan's inexperience, his unregistered capacity, and partial cooperation with the NASD staff, has determined to reduced the sanctions imposed to a censure and a \$500 fine. (Rel. 34-40438; File No. 3-9392)

#### **INJUNCTIONS ENTERED IN PRIME BANK SCHEME AND COMPLAINT AMENDED TO RECOVER ADDITIONAL INVESTOR FUNDS**

On September 9, in a civil action brought by the Commission involving so-called "prime bank" securities, defendants Teddy Wayne Solomon, Lisa Stevens and Quantum Group (Quantum) agreed to the entry of orders of permanent injunction against them. The Commission also filed an amended complaint to add four relief defendants to the action; Fidelity International Bank (FIB), Dunamis Enterprises International (Dunamis), Gilbert Zeigler, and Graham Young. The amended complaint charges that FIB, Dunamis, Zeigler and Young hold, and refuse to return, \$400,000 of funds Solomon obtained from investors, which they know to have been obtained illegally by Solomon and subject to an asset freeze order entered by the court.

The orders, which enjoin Solomon, Stevens and Quantum from future violations of the anti-fraud provisions of the federal securities laws, arise from charges in the Commission's original complaint that they fraudulently offered and sold interests in fictitious "Prime Bank Instrument" trading programs through Platinum International Associates and Quantum. The complaint alleged that Solomon and Stevens represented, among other things, that they were agents for foreign securities traders trading in large-denomination debt instruments issued by "one of the top 25 world banks," and that an investment in the trading programs would generate "safe, guaranteed" returns of as much as 4,300% annually. In fact, according to the complaint, Solomon's and Stevens' representations were false: the trading programs did not exist, and Solomon and Stevens, in an apparent "Ponzi scheme," used funds taken from investors to pay

supposed profits to their business associates, to repay other investors, and for their own purposes. [SEC v. Teddy Wayne Solomon and Lisa Stevens, individually and d/b/a Platinum International, and Quantum Group a/k/a Quantum Trading, Ltd. 3:97-CV-2712-H, USDC/ND TX, Dallas Division] (LR-15880)

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#### HOLDING COMPANY ACT RELEASES

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#### AMERICAN ELECTRIC POWER COMPANY, INC., ET AL.

A notice has been issued giving interested persons until October 5, 1998 to request a hearing on a proposal by American Electric Power Company, Inc. (AEP), a registered holding company, and AEP Resources, Inc. and AEP Energy Services, Inc., wholly owned subsidiaries of AEP (Applicants). Applicants request authority, through December 31, 2003, to invest up to \$800 million (Investment Limitation) to acquire certain energy assets incidental to energy marketing, brokering and trading activities and to acquire equity securities of companies owning these assets. In addition, Applicants propose to issue securities in amounts not to exceed the Investment Limitation to finance these acquisitions. (Rel. 35-26916)

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#### SELF-REGULATORY ORGANIZATIONS

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#### IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change (SR-NASD-98-62) filed by the National Association of Securities Dealers to change the fee schedule for Nasdaq Workstation II service for NASD members, has become immediately effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the notice is expected in the Federal Register during the week of September 14. (Rel. 34-40434)

#### WITHDRAWAL SOUGHT

A notice has been issued giving interested persons until October 5, 1998, to comment on the application of Municipal Mortgage and Equity, LLC to withdraw its Growth Shares, No Par Value, from listing and registration on the American Stock Exchange. (Rel. 34-40439)

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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.

SB-2 BENZ ENERGY LTD /CAN/, 1000 LOUISIANA ST, 15TH FL, HOUSTON, TX 77002  
(713) 739-0351 - 36,649,575 (\$15,074,826) COMMON STOCK. (FILE 333-63007 -  
SEP 08) (BR. 9 - NEW ISSUE)

S-8 COYOTE NETWORK SYSTEMS INC, 4360 PARK TERRACE DRIVE, WESTLAKE VILLAGE,  
CA 91361 (818) 735-7600 - 680,000 (\$3,958,000) COMMON STOCK. (FILE  
333-63011 - SEP 08) (BR 4)

S-8 COYOTE NETWORK SYSTEMS INC, 4360 PARK TERRACE DRIVE, WESTLAKE VILLAGE,  
CA 91361 (818) 735-7600 - 150,000 (\$871,500) COMMON STOCK (FILE  
333-63013 - SEP 08) (BR 4)

SB-2 MAKEPEACE CAPITAL CORP, 1660 SOUTH ALBION, DENVER, CO 80222  
(303) 753-6512 - 500,000 (\$2,500,000) COMMON STOCK. 1,453,428 (\$145,343)  
WARRANTS, OPTIONS OR RIGHTS. 1,837,632 (\$9,199,280) COMMON STOCK (FILE  
333-63015 - SEP. 08) (NEW ISSUE)

S-8 COYOTE NETWORK SYSTEMS INC, 4360 PARK TERRACE DRIVE, WESTLAKE VILLAGE,  
CA 91361 (818) 735-7600 - 2,000,000 (\$11,620,000) COMMON STOCK (FILE  
333-63017 - SEP 08) (BR. 4)

S-4 ALBERTSONS INC /DE/, 250 PARKCENTER BLVD, P O BOX 20, BOISE, ID 83726  
(208) 385-6200 - 292,857,142 (\$8,602,678,546.25) COMMON STOCK (FILE  
333-63019 - SEP 08) (BR 2)

S-8 ASTROPOWER INC, SOLAR PARK, NEWARK, DE 19716 (302) 366-0400 - 1,960,000  
(\$14,577,500) COMMON STOCK (FILE 333-63021 - SEP 08) (BR 5)

S-8 ARCADIA FINANCIAL LTD, 7825 WASHINGTON AVE S, MINNEAPOLIS, MN 55439  
(612) 942-9880 - 100,000 (\$600,000) COMMON STOCK (FILE 333-63023 -  
SEP 08) (BR 7)

S-8 ARCADIA FINANCIAL LTD, 7825 WASHINGTON AVE S, MINNEAPOLIS, MN 55439  
(612) 942-9880 - 500,000 (\$2,078,000) COMMON STOCK (FILE 333-63025 -  
SEP 08) (BR 7)

S-8 ARCADIA FINANCIAL LTD, 7825 WASHINGTON AVE S, MINNEAPOLIS, MN 55439  
(612) 942-9880 - 3,500,000 (\$14,546,000) COMMON STOCK. (FILE 333-63027 -  
SEP 08) (BR 7)

S-8 SAFE TECHNOLOGIES INTERNATIONAL INC, 249 PERUVIAN AVENUE STE F2,  
PALM BEACH, FL 33480 (516) 364-3887 - 30,000,000 (\$1,275,000)  
LIMITED PARTNERSHIP CERTIFICATE 45,000,000 (\$1,912,500) COMMON STOCK  
(FILE 333-63029 - SEP 08) (BR 4)

S-8 FARMERS CAPITAL BANK CORP, PO BOX 309, 202 W MAIN ST, FRANKFORT, KY  
40602 (502) 227-1668 - 450,000 (\$11,025,000) COMMON STOCK (FILE  
333-63037 - SEP 08) (BR. 7)

S-8 FIRST AMERICAN SCIENTIFIC CORP \NV\, 470 GRANVILLE ST, STE 1122,  
VANCOUVER BRITISH CO, A1 (604) 681-8656 - 15,000,000 (\$393,750)  
COMMON STOCK (FILE 333-63041 - SEP. 08) (BR. 6)

S-8 EXECUTIVE TELECARD LTD, 1720 SOUTH BELLAIRE STREET, SUITE 1000, 10TH FL,  
DENVER, CO 80222 (303) 691-2115 - 750,000 (\$1,476,000) COMMON STOCK  
(FILE 333-63043 - SEP 08) (BR 8)

S-8 EMC CORP, 171 SOUTH STREET, HOPKINTON, MA 01748 (508) 435-1000 -  
200,000 (\$3,168,000) COMMON STOCK. (FILE 333-63045 - SEP 08) (BR 3)

S-8 ASPECT DEVELOPMENT INC, 1300 CHARLESTON RD, MOUNTAIN VIEW, CA 94043  
(650) 428-2700 - 2,200,000 (\$67,025,127.50) COMMON STOCK (FILE 333-63047  
- SEP 08) (BR. 3)

S-3 RYDER SYSTEM INC, 3600 NW 82ND AVE, MIAMI, FL 33166 (305) 500-3283 -  
800,000,000 (\$800,000,000) STRAIGHT BONDS (FILE 333-63049 - SEP 08)  
(BR. 5)

S-8 CITADEL TECHNOLOGY INC, 3811 TURTLE CREEK BLVD, SUITE 600, DALLAS, TX  
75219 (214) 520-9292 - 5,280,338 (\$1,646,785) COMMON STOCK (FILE  
333-63051 - SEP 08) (BR. 5)

SB-2 NBI INC, 1880 INDUSTRIAL CIRCLE, SUITE F, LONGMONT, CO 80501  
(303) 684-2700 - 1,000,000 (\$9,420,000) PREFERRED STOCK 2,000,000  
(\$580,000) WARRANTS, OPTIONS OR RIGHTS 2,000,000 (\$2,400,000)  
COMMON STOCK. (FILE 333-63053 - SEP 08) (BR 6)

S-8 TECHNOLOGY SOLUTIONS COMPANY, 205 N MICHIGAN AVE, SUITE 1500, CHICAGO,  
IL 60601 (312) 228-4500 - 2,775,404 (\$30,182,518) COMMON STOCK (FILE  
333-63057 - SEP. 08) (BR 3)

S-3 CROSSMANN COMMUNITIES INC, 9202 N MERIDIAN ST, STE 300, INDIANAPOLIS, IN  
46260 (317) 843-9514 - 327,192 (\$8,016,204) COMMON STOCK (FILE 333-63059  
- SEP 09) (BR. 6)

S-11 FORTRESS INVESTMENT CORP, ONE PENN PLAZA 250 WEST 34TH ST, SUITE 3600,  
NEW YOR, NY 10119 - 20,916,739 (\$418,334,780) COMMON STOCK (FILE  
333-63061 - SEP 08)

SB-1 LIVING CARD CO INC, 1174 E 2700 SOUTH, STE 16, SALT LAKE CITY, UT 84106  
(801) 485-0430 - 150,000 (\$15,000) COMMON STOCK (FILE 333-63063 -  
SEP 09) (NEW ISSUE)

S-8 ITRONICS INC, 6490 SO MCCARRAN BLVD, BLDG C STE 23, RENO, NV 89509  
(702) 689-7696 - 2,000,000 (\$300,000) COMMON STOCK (FILE 333-63065 -  
SEP 08) (BR 6)

S-8 TELCOM SEMICONDUCTOR INC, 1300 TERRA BELLA AVE, MOUNTAIN VIEW, CA 94039  
(412) 968-9252 - 1,500,000 (\$3,918,750) COMMON STOCK (FILE 333-63067 -  
SEP 09) (BR 5)