

# sec news digest

Issue 95-88

May 8, 1995

---

## COMMISSION ANNOUNCEMENTS

---

### COMMISSION MEETINGS

#### CHANGE IN THE MEETING: TIME CHANGE

The time of the open meeting scheduled for Wednesday, May 10, 1995, has been changed from 10:00 a.m. to 9:00 a.m.

The subject matter of the open meeting will be:

Consideration of whether to adopt: (i) Rule 434 and amendments to existing rules and forms under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Company Act of 1940 in order to facilitate prospectus delivery under the T+3 securities transaction settlement cycle effective June 7, 1995 and otherwise streamline the registration process; (ii) amendments to Rule 15c6-1 under the Exchange Act with respect to settlement of firm commitment underwritten offerings; and (iii) revisions to Rule 15c2-8 under the Exchange Act to reflect the provisions of Rule 434 and new means of disseminating prospectus information. For further information, contact Anita Klein or Joseph Babits at (202) 942-2900.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary (202) 942-7070.

---

## ENFORCEMENT PROCEEDINGS

---

### CIVIL ACTION AGAINST MARC JOSEPH, ET AL.

The Commission announced the filing of a complaint in the Southern District of Florida against Marc M. Joseph and Richard A. Mallion, charging them with fraud in the sale of securities of Chartbreaker

Entertainment Corporation, and against Lawanda Joseph, Mona Mallion, and Donna M. Kelly as relief defendants.

The Commission's complaint alleges as follows: from approximately December 1991 through May 1993, Joseph and Mallion raised at least \$390,000 through the sale of Chartbreaker securities to public investors by means of misrepresentations and omissions of material facts concerning Chartbreaker's business, and its use of investors' funds. Among other false representations and omissions, investors were told that Chartbreaker was going into the compact disc rental and trade-in business, and might produce profits of approximately \$20,000,000 annually, when, in fact, Chartbreaker never conducted business operations, never opened a store, and never purchased, sold, exchanged or rented a single compact disc, and the defendants misappropriated most of the offering proceeds.

The Commission seeks injunctive relief, disgorgement, prejudgment interest, and penalties against the defendants, and disgorgement and prejudgment interest against the relief defendants. [SEC v. Marc M. Joseph, Richard A. Mallion, Defendants, and Lawanda Joseph, Mona Mallion and Donna M. Kelly, Relief Defendants, 95 Civ. 6399, S.D. Fla.] (LR-14491)

#### RALPH COTTON AND FRANCES PARELLA ENJOINED UNDER THE SECURITIES EXCHANGE ACT

The Commission announced that on May 1 the United States Court for the District of Colorado entered a Final Judgment of Permanent Injunction and Other Relief against Dr. Ralph L. Cotton. On March 3, the Court entered a Final Judgment of Permanent Injunction and Other Relief against Frances W. Parella. Cotton and Parella consented to these Orders without admitting or denying the Commission's allegations. The Final Judgments enjoin Cotton and Parella from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Cotton was ordered to pay disgorgement of \$20,496 plus prejudgment interest thereon and a penalty of \$60,830. Parella was ordered to pay disgorgement of \$24,257.51 and a penalty of \$22,500.

The complaint, filed against Cotton, Parella, John F. Long and James J. Baudo alleges that Cotton, as an outside director of Electromedics, Inc., came into possession of material non-public information concerning the impending acquisition of Electromedics which he then disclosed to Parella, his sister, and Long and Baudo, his brokers in breach of his fiduciary duty. Parella in turn tipped the inside information to friends and relatives. [SEC v. Dr. Ralph L. Cotton, Frances W. Parella, John F. Long and James J. Baudo, Case No. 94-B-2222, D.Co.] (LR-14492)

## FINAL JUDGMENT ENTERED AGAINST OTIS HASTINGS

The Commission announced that on April 27 the United States District Court for the District of New Jersey entered a Final Judgment of Permanent Injunction and Other Relief against Otis Hastings. The Final Judgment enjoins Hastings from violations of the anti fraud and beneficial ownership reporting provisions of the federal securities laws. The Final Judgment orders Hastings to file his delinquent beneficial ownership reports on Schedule 13G and Forms 3 and 4 and to pay a \$20,000 civil penalty.

In its complaint, the Commission alleged that Hastings, formerly the Chairman of the Board and Chief Executive Officer of PNF Industries, Inc., failed to cause PNF to disclose material facts in its Annual Report on Form 10-K for its fiscal year ended August 31, 1991. In that 1991 Form 10-K, PNF claimed that the company would receive millions of dollars in orders for its No Fire products from a licensee and proposed licensees. The Commission alleged that Hastings failed to cause PNF to disclose in its 1991 Form 10-K that the purported orders PNF would receive for the No Fire products and an investment a licensee was going to make in the company were contingent upon the development of the No Fire products to meet industry standards for the intended uses of the licensee and proposed licensee. The Commission also alleged that Hastings failed to cause PNF to disclose in its 1991 Form 10-K that he had voting control of PNF.

Hastings, without admitting or denying the allegations contained in the Commission's complaint, consented to the entry of the Final Judgment. For further information, see LR-14257A, LR-14430, AAER-602A and AAER-652. [SEC v. PNF Industries, Inc., Alfred Avasso, Otis Hastings, Samuel Gottfried, James Neville, Alphonso Margino, Jeffrey Pearlman and Louis Fox, Civ. No. 94-4691-JCL, D.N.J. September 27, 1994] (LR-14493; AAE Rel. 668)

## PRELIMINARY INJUNCTION ENTERED AGAINST TELECOM MARKETING, INC., TELECOM INDUSTRIES, INC., MIDAS MEDIA, INC. AND OTHERS

The Commission announced that on April 24 the Honorable Orinda Evans, Judge of the United States District Court for the Northern District of Georgia entered a preliminary injunction and asset freeze against Telecom Marketing, Inc., Telecom Industries, Inc., Barry Smith, Jeffrey Jolcover, Midas Media, Inc., Century Wireless Communications Corp., Ron Schroeder, Tri-Star Communications, Inc., Paul Iwankowski, Brixel, Inc., and John Field IV for violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Also, the Court continued an appointment of a receiver for Telecom Marketing, Telecom Industries and Midas Media.

The complaint alleges antifraud and registration violations arising from the sale of approximately \$28.5 million in units in two general partnerships formed to invest in wireless cable television systems. The SEC alleges that the defendants overstated the number of channels acquired by the promoters and contained false statements regarding the previous success of a consultant. Also, the promoters failed to disclose the prices paid for the assets sold to the partnerships and the profits made on the transactions. Further, sales persons falsely represented to investors that a previous system developed by the promoters was a success. Finally, the promoters disclosed sales commissions of 15%, when, in fact, the sales commissions were 50%. [SEC v. Telecom Marketing, Inc., et al., USDC, NDGA, Civil No, 1:95-CV-0804-ODE] (LR-14494)

---

#### INVESTMENT COMPANY ACT RELEASES

---

##### JANUS INVESTMENT FUND, ET AL.

A notice has been issued giving interested persons until May 30 to request a hearing on an application filed by Janus Investment Fund, et al. for an order under Section 6(c) of the Investment Company Act for an exemption from section 12(d)(1)(A)(ii), under Sections 6(c) and 17(b) for an exemption from Section 17(a), and under Rule 17d-1 to permit certain transactions in accordance with Section 17(d) and Rule 17d-1. The order would permit certain money market funds to sell their shares to affiliated investment companies and the money market funds subsequently to redeem such shares. (Rel. IC-21042 - May 4)

---

#### SELF-REGULATORY ORGANIZATIONS

---

##### ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change filed under Section 19(b) of the Exchange Act by the Midwest Securities Trust Company (SR-MSTC-95-06). The proposed rule change expands MSTC's interface with The Depository Trust Company's Interactive Institutional Delivery System. Publication of the proposal was expected in the Federal Register during the week of May 1. (Rel. 34-35656)

##### PROPOSED RULE CHANGES

The Chicago Board Options Exchange filed a proposed rule change (SR-CBOE-95-21) relating to parents of member organizations. Publication of the notice is expected in the Federal Register during the week of May 8. (Rel. 34-35666)

The Chicago Stock Exchange filed a proposed rule change (SR-CHX-95-06) to add interpretations and policies to its Rule 3 Article V, regarding the registration and fingerprinting of floor employees, and to impose an initial registration fee on clerks. Publication of the proposal is expected in the Federal Register during the week of May 8. (Rel. 34-35667)

The American Stock Exchange filed a proposed rule change (SR-NYSE-95-16) relating to the options market maker exemption from the NASD short sale bid test for certain merger and acquisition securities. Publication of the notice is expected in the Federal Register during the week of May 8. (Rel. 34-35672)

The Municipal Securities Rulemaking Board filed a proposed rule change under Section 19(b)(2) of the Securities Exchange Act of 1934 (SR-MSRB-95-03) relating to the submission of transaction information for confirmation, clearance, and settlement of transactions with customers. Publication of the notice is expected in the Federal Register during the week of May 8. (Rel. 34-35675)

The Philadelphia Stock Exchange filed a proposed rule change (SR-Phlx-95-21) relating to the trading of customized foreign currency options on the Spanish peseta. Publication of the notice is expected in the Federal Register during the week of May 8. (Rel. 34-35677; International Series Rel. 808)

The Philadelphia Stock Exchange filed a proposed rule change (SR-Phlx-95-20) relating to the trading of customized foreign currency options on the Italian lira. Publication of the notice is expected in the Federal Register during the week of May 8. (Rel. 34-35678; International Series Rel. 809)

#### IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

A proposed rule change filed by the Cincinnati Stock Exchange (SR-CSE-95-05) relating to the national securities trading system fees has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. (Rel. 34-35668)

A proposed rule change (SR-PHLX-95-24) filed by the Philadelphia Stock Exchange, which updates the PHLX's dress code and permits the appropriate PHLX floor standing committee to waive the dress code for a specific period of time has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934 and Rule 19b-4(e)(6) thereunder. Publication of the order is expected in the Federal Register during the week of May 8. (Rel. 34-35673)

A proposed rule change filed by the Municipal Securities Rulemaking Board (SR-MSRB-95-05) under Section 19(b) of the Securities Exchange Act, which modifies the MSRB's customer account transfer rules by reducing the applicable time frames in which dealers may respond to customer account transfer requests has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder. Publication of the proposal is expected in the Federal Register during the week of May 8. (Rel. 34-35674)

#### APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change submitted by the Boston Stock Exchange (SR-BSE-95-04) relating to the permanent approval of BEACON subscriber credits. (Rel. 34-35669)

The Commission approved a proposed rule change (SR-PHLX-94-61) filed by the Philadelphia Stock Exchange, which amends Floor Procedure Advice (Advice) F-8, "Failure to Comply with an Exchange Inquiry," to require members, to comply with PHLX requests for information in connection with any regulatory inquiry, investigation, or examination relating to the PHLX's disciplinary jurisdiction or regulatory obligations. In addition, the PHLX proposes to amend Advice F-8 to reduce the fine for the first violation of the Advice from \$500 to \$200 and to provide that each additional request for information not furnished within the allotted time period may be considered as a separate occurrence for purposes of the Advice's fine schedule. Publication of the approval order is expected in the Federal Register during the week of May 8. (Rel. 34-35671)

The Commission granted temporary approval of a proposed rule change filed by The Philadelphia Depository Trust Company (SR-PHILADEP-94-06) under Section 19(b) of the Securities Exchange Act. The rule change extends the pilot program for the Fully Automated Securities Transfer Reconciliation Accounting Control System (FASTRACS) through December 29, 1995. (Rel. 34-35676)

---

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

---

The following is a list of significant no-action and interpretative letters recently issued by the Division of Corporation Finance. These letters express the view of the Division respecting novel or important questions arising under the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. Copies

of these letters may be obtained by writing to the Public Reference Room, Securities and Exchange Commission, Washington, D.C. 20549, or by making a request in person at the Public Reference Room, 450 Fifth Street, N.W., Room 1024, Washington, D.C., stating the name of the subject company, the Act and the Section of the Act to which it relates, and the public availability date.

<u>COMPANY</u>	<u>ACT/SECTION/RULE OR RELEASE</u>	<u>DATE MAILED</u>	<u>PUBLIC AVAILABILITY DATE</u>
Brown & Wood	1933 Act - Sections 2(10), 5 and 10	2/17/95	2/17/95
Distribution of Certain Written Materials Relating to Asset-Backed Securities	1933 Act - Section 5	2/17/95	2/17/95
Signet Banking Corporation	1933 Act - Section 5 and Rule 144	2/14/95	2/14/95

---

## 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.

S-3 COLGATE PALMOLIVE CO, 300 PARK AVE, NEW YORK, NY 10022 (212) 310-2000 -  
700,000,000 (\$700,000,000) STRAIGHT BONDS. (FILE 33-58887 - APR. 28)  
(BR. 10)

S-3 FIRST MICHIGAN BANK CORP, ONE FINANCIAL PLAZA, HOLLAND, MI 49423  
(616) 392-9200 - 300,000 (\$7,312,500) COMMON STOCK. (FILE 33-91384 -  
APR. 26) (BR. 2)

REGISTRATIONS CONT.

- SB-2 DAVINCI SCIENTIFIC CORP/CA, 16225 PARK TEN PLACE, STE 380, HOUSTON, TX 77084 (713) 579-8700 - 3,125,000 (\$24,784,375) COMMON STOCK. UNDERWRITER: SENTRA SECURITIES CORP, SPELMAN & CO INC. (FILE 33-91446-LA - APR. 21) (BR. 8 - NEW ISSUE)
- S-1 PERRY CAPITAL CORP, 29200 NORTHWESTERN HIGHWAY, SOUTHFIELD, MI 48034 (810) 355-9300 - 803,516 (\$4,419,338) COMMON STOCK. (FILE 33-91582 - APR. 25) (BR. 6 - NEW ISSUE)
- S-8 MEDCHEM PRODUCTS INC /MA/, 232 W CUMMINGS PARK, WOBURN, MA 01801 (617) 932-5900 - 1,000,000 (\$5,625,000) COMMON STOCK. (FILE 33-91594 - APR. 26) (BR. 4)
- S-3 SAGA COMMUNICATIONS INC /DE/, 73 KERCHEVAL AVE, GROSSE POINTE FARMS, MI 48236 (313) 886-7070 - 580,000 (\$10,440,000) COMMON STOCK. (FILE 33-91596 - APR. 26) (BR. 7)
- F-1 BAAN CO N V, P O BOX 250 6710 BG EDE, NETHERLAND, P7 (011) 318-3880 - 6,900,000 (\$89,700,000) FOREIGN COMMON STOCK. UNDERWRITER: COWEN & CO, GOLDMAN SACHS & CO, MORGAN STANLEY & CO, UBS SECURITIES INC. (FILE 33-91598 - APR. 26) (BR. 10 - NEW ISSUE)
- S-8 SWEETHEART HOLDINGS INC /DE/, 7575 SOUTH KOSTER AVE, CHICAGO, IL 60652 (312) 767-3300 - 200,000 (\$200,000) LIMITED PARTNERSHIP CERTIFICATE. (FILE 33-91600 - APR. 26) (BR. 8)
- S-3 SELECTIVE INSURANCE GROUP INC, 40 WANTAGE AVENUE, BRANCHVILLE, NJ 07890 (201) 948-3000 - 250,000 (\$7,312,500) COMMON STOCK. (FILE 33-91604 - APR. 25) (BR. 10)
- S-8 NATIONAL INSTRUMENTS CORP /DE/, 6504 BRIDGE POINT PARKWAY, AUSTON, TX 78730 (512) 794-0100 - 2,700,000 (\$48,937,500) COMMON STOCK. (FILE 33-91608 - APR. 26) (BR. 9)
- S-8 NATIONAL INSTRUMENTS CORP /DE/, 6504 BRIDGE POINT PARKWAY, AUSTON, TX 78730 (512) 794-0100 - 1,620,000 (\$24,958,125) COMMON STOCK. (FILE 33-91610 - APR. 26) (BR. 9)
- S-8 FIRST CITIZENS FINANCIAL CORP, 22 FIRSTFIELD RD, GAITHERSBURG, MD 20878 (301) 527-2400 - 200,000 (\$3,287,500) COMMON STOCK. (FILE 33-91612 - APR. 26) (BR. 2)
- F-10 QUNO CORP, 80 KING STREET, ST CATHARINES ONTARIO L2R 7G1, A1 - 125,000,000 (\$125,000,000) FOREIGN GOVERNMENT AND AGENCY DEBT. (FILE 33-91614 - APR. 26) (BR. 8 - NEW ISSUE)
- S-1 LADY LUCK GAMING CORP, 206 NORTH THIRD ST, LAS VEGAS, NV 89101 (702) 477-3000 - 867,500 (\$1,735,000) COMMON STOCK. (FILE 33-91616 - APR. 26) (BR. 12)
- S-1 MD DEVELOPMENT CORP/NY/, 311 NORTH STREET STE 308, WHITE PLAINS, NY 10603 (914) 948-6655 - 5,400,000 (\$20,250,000) COMMON STOCK. (FILE 33-91618 - APR. 26) (BR. 10 - NEW ISSUE)