

SEC NEWS DIGEST

Issue 96-139

July 24, 1996

ENFORCEMENT PROCEEDINGS

IN THE MATTER OF PETER FERRARO, CPA, AND WILLIAM STAYDUHAR, CPA

The Securities and Exchange Commission today announced the entry by consent of an Order pursuant to Rule 102(e) of the Commission's Rules of Practice against Peter C. Ferraro, CPA and William G. Stayduhar, CPA. The Order finds that Ferraro and Stayduhar engaged in improper professional conduct by failing to conduct their audits of Sulcus Computer Corporation's financial statements for the years ended December 31, 1991 and December 31, 1992 in accordance with generally accepted auditing standards (GAAS). In particular, Ferraro and Stayduhar failed to exercise professional skepticism and failed to perform basic auditing procedures in examining Sulcus' accounting for several acquisitions. In addition, the Order finds that the audit of Sulcus' tax provision pursuant to Financial Accounting Standard No. 109 was inadequate.

Simultaneously with the institution of the proceedings, the Commission accepted Ferraro's and Stayduhar's offers of settlement in which they consented, without admitting or denying the Commission's findings, to the issuance of the Commission's Order finding that they engaged in improper professional conduct. The Order denies Ferraro and Stayduhar the privilege of appearing or practicing before the Commission as accountants for a period of two years and one year, respectively. (Rels. 33-7312; 34-37474; AAER-804)

WIRE FRAUD AND CRIMINAL CONTEMPT

On July 22, Robert N. Taylor entered a guilty plea to one count of wire fraud and one count of felony criminal contempt pursuant to an information filed by the U.S. Attorney for the District of Columbia. Judge Thomas F. Hogan accepted the plea, scheduled sentencing for September 4, 1996, and jailed Taylor pending sentencing. Taylor faces a sentence of up to 5 years imprisonment on the wire fraud count. On the contempt count, the court, in its discretion, may impose a fine or a term of imprisonment. The plea agreement does not cover the fraud allegations underlying the Commission's separate civil enforcement action against Taylor and the Better Life Club of America, Inc., which alleges that Taylor and his Club operated a \$47 million Ponzi scheme.

In his guilty plea, Taylor admitted that he refinanced his house and dissipated the proceeds of the transaction in violation of the asset freeze order entered last year in the Commission's civil action. The wire fraud count was based on Taylor's signing of a false mortgage application, which overstated his income and failed to reveal the Commission's action against him. Taylor further admitted having violated the asset freeze order by conducting hundreds of banking transactions after the freeze was entered. [U.S. v. Robert N. Taylor, USDC DC, Criminal No. 96-149, TFH] (LR-14988)

TRUSTEE APPOINTED IN THE MATTER OF A.R. BARON, ET AL.

The Commission, in cooperation with the Securities Investor Protection Corporation (SIPC), announced the appointment on July 11 of James W. Giddens of Hughes Hubbard & Reed LLP as trustee to take control and liquidate the assets of A.R. Baron & Co., Inc., to protect investors. A.R. Baron, a broker-dealer headquartered in New York City, and two of its principals, Andrew Bressman and Roman Okin, had filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code on July 3 and 5, 1996. The appointment of the SIPC trustee stays the A.R. Baron bankruptcy proceeding and places all A.R. Baron assets in the control of the trustee. The A.R. Baron bankruptcy proceeding was removed to the Bankruptcy Court for the Southern District of New York. Also on July 11, the United States Bankruptcy Court for the District of New Jersey entered consent orders prohibiting Bressman and Okin from using any property of the bankrupt estates except upon application to the Bankruptcy Court and notice to the Commission, and requiring them to file statements of financial affairs by July 18, 1996, and to submit to an examination by the Commission staff concerning the debtors' financial condition.

The Commission previously ordered an emergency Temporary Cease and Desist Order and related interim relief, to which A.R. Baron, Bressman, and Okin consented. The Respondents have now offered to consent to a Supplemental Order, without admitting or denying any of its allegations, requiring them to cease and desist soliciting or effecting transactions for Baron or any customer in any security, other than liquidating customer positions while the previously issued Temporary Cease and Desist Order is in effect.

The Division of Enforcement alleged in its cease-and-desist proceeding (Admin. Proc. File No. 3-9010) that, from at least February 1995, Respondents engaged in egregious fraudulent sales practices, including placing unauthorized trades in customer accounts; refusing to carry out customer sell orders; refusing or delaying to remit proceeds of sales of securities to customers; opening accounts for customers without the customers' authorization; and placing margin transactions in customer accounts without the customers' authorization. These practices, it is alleged, are the subject of numerous recent customer complaints, involving nearly \$17 million in securities. [Securities Investor Protection Corp. v. A.R. Baron & Co., Inc., No. 96-CIV-5171, S.D.N.Y.; In the Matter of: A.R. Baron & Co., Inc., No. 96-25927,

WTF, Bankr. D.N.J.; In the Matter of: Andrew E. Bressman, 96-25926, WTF, Bankr. D.N.J.; In the Matter of: Roman Okin, 96-25928, WTF, Bankr. D.N.J.; and In the Matter of: A.R. Baron & Co., Inc., No. 96-8831A, PBA, SIPA, Bankr. S.D.N.Y.] (LR-14987)

SETTLEMENT OF INSIDER TRADING COMPLAINT AS TO JOHN PREVOST AND PATRICIA O'CONNELL

The Commission announced that it filed a complaint on July 19 in the United States District Court for the Western District of North Carolina against John A. Prevost and Patricia O'Connell alleging violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder by engaging in insider trading. Simultaneously, and without admitting or denying the allegations, Prevost and O'Connell have consented to a Final Judgment enjoining both of them from future violations of Section 10(b) and Rule 10b-5, and ordering each to pay a civil money penalty of \$3,387.50. Additionally, Prevost has agreed to pay disgorgement of \$3,387.50, plus prejudgment interest of \$782.38.

The complaint alleged that in 1993, prior to public announcement, Prevost, as director of Wellco Enterprises, Inc., told O'Connell, his long-time business partner, that Wellco would declare a substantial dividend. The complaint further alleged that, while in possession of this material, non-public information, O'Connell bought shares of Wellco common stock and that these shares appreciated immediately after the dividend was publicly announced. [SEC v. John A. Prevost and Patricia O'Connell, Case No. 1:96CV176-T, W.D.N.C.] (LR-14989)

INVESTMENT COMPANY ACT RELEASES

BT INSURANCE FUNDS TRUST, ET AL.

A notice has been issued giving interested persons until August 13, 1996, to request a hearing on an application filed by BT Insurance Funds Trust (Trust), Bankers Trust Global Investment Management, a unit of Bankers Trust Company (Investment Management), and certain other life insurance companies and their separate accounts investing now or in the future in the Trust (collectively, Applicants). Applicants request an order under Section 6(c) of the Investment Company Act exempting them from Sections 9 (a), 13 (a), 15 (a), and 15 (b) of the Act and Rules 6e-2 (b) (15), and 6e-3 (T) (b) (15) thereunder. Applicants seek exemptive relief to the extent necessary to permit shares of the Trust and any other investment company that is offered to fund variable insurance products and for which Investment Management, or any of its affiliates, may serve as investment adviser, administrator, manager, principal underwriter, or sponsor to be sold to and held by the separate accounts funding

variable annuity and variable life insurance contracts issued by affiliated or unaffiliated life insurance companies or to qualified pension and retirement plans outside of the separate account context. (Rel. 1C-22082 - July 19)

THE FIRST TRUST SPECIAL SITUATIONS TRUST

A notice has been issued giving interested persons until August 16 to request a hearing on an application filed by The First Trust Special Situations Trust for an order under Section 6(c) of the Investment Company Act that would exempt the Trust from Section 12(d) (3) of the Act. The order would permit certain series of the Trust to invest up to 10.5% and certain other series of the Trust to invest up to 20.5% of their respective total assets in securities of issuers that derived more than 15% of their gross revenues in their most recent fiscal year from securities related activities. (Rel. IC-22086 - July 22)

PAINWEBBER ATLAS FUND

A notice has been issued giving interested persons until August 19 to request a hearing on an application filed by PaineWebber Atlas Fund for an order under Section 8(f) of the Investment Company Act declaring that applicant has ceased to be an investment company. (Rel. IC-22087 - July 23)

BEA INVESTMENT FUNDS, INC.

An order has been issued under Section 8(f) of the Investment Company Act declaring that BEA Investment Funds, Inc. has ceased to be an investment company. (Rel. IC-22091 - July 23)

SELF-REGULATORY ORGANIZATIONS

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

The Commission received a proposal from the Chicago Board Options Exchange on July 17 (SR-CBOE-96-50) to establish an interim enforcement procedure for the Exchange's new log-on requirement for market-makers participating in the CBOE's Retail Automatic Execution System for transactions in Standard & Poor's 100 Index options. Publication of the notice is expected to appear in the Federal Register during the week of July 22. (Rel. 34-37464)

DELISTINGS

An order has been issued granting the application of the Boston Stock Exchange to strike from listing and registration Harvey Universal, Inc. Common Stock, \$0.01 Par Value. (Rel. 34-37465)

An order has been issued granting the application of the Boston Stock Exchange to strike from listing and registration Merit Studios, Inc.

