

# sec news digest

Issue 94-195

October 13, 1994

---

## COMMISSION ANNOUNCEMENTS

---

CHANGE IN THE MEETING: Additional items.

The following additional items will be considered at a closed meeting scheduled for Thursday, October 13, 1994, following the 10:00 a.m., open meeting: Consideration of amicus participation; and Regulatory matter regarding financial institution.

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

---

PRELIMINARY INJUNCTION ENTERED AGAINST BOCA RATON CAPITAL CORP.

The Commission announced that on September 6 the Honorable Edward B. Davis, United States District Judge, entered a Consent Order for Preliminary Injunction And Other Ancillary Relief (Order) against Boca Raton Capital Corp. (BRCC). BRCC consented to the Order without admitting or denying the allegations of the Commission's complaint. The Order enjoins BRCC and its directors, officers and agents from violations of Section 56 of the Investment Company Act of 1940 (ICA), freezes the assets of BRCC, prohibits the destruction of BRCC's books and records, and appoints a receiver for BRCC for sixty days or until further order of the Court.

The Commission's complaint alleged that since October 1, 1993, the Board of Directors of BRCC was not properly constituted in that it did not have a sufficient number of disinterested directors, as required by Section 56 of the ICA. The Order provides that the receiver will arrange for shareholders to elect the proper number of disinterested directors. [SEC v. Boca Raton Capital Corp., No. 94-8517-CIV-DAVIS, S.D. Fl.] (LR-14294)

## CIVIL ACTION AGAINST PAUL MYERS

The Commission announced the filing of a complaint today in the United States District Court for the District of Columbia against Paul J. Myers for violations of the registration and antifraud provisions of the federal securities laws.

The complaint alleges that from late 1981 until at least late 1992, Myers, through his company, Security Finance Group, Inc. (SFG), sold at least \$45 million in interest-bearing SFG promissory notes to investors. According to the complaint, during 1986 and increasingly thereafter, Myers was using a substantial amount of incoming investor funds to make interest payments to other SFG investors.

Without admitting or denying the complaint's allegations, Myers consented to the entry of an order permanently enjoining him from future violations and a permanent officer and director bar. The order waives disgorgement based on Myers' sworn statement of financial condition, the pendency of several bankruptcy actions, a private civil suit against Myers, and an agreement with the U.S. Attorney's Office for the District of Columbia to make restitution in an amount to be determined by the court in a criminal action. While noting the appropriateness of civil penalties, the order also waives imposition of such penalties on the same bases. [SEC v. Paul J. Myers, Civil Action No. CV 94-2206, EGS, D.D.C.] (LR-14295)

---

## INVESTMENT COMPANY ACT RELEASES

---

### JEFFERSON-PILOT LIFE INSURANCE COMPANY, ET AL.

A notice has been issued giving interested persons until November 1 to request a hearing on an application filed by Jefferson-Pilot Life Insurance Company (Jefferson Pilot), Jefferson-Pilot Separate Account A (Separate Account), Any Other Separate Account Established by Jefferson-Pilot in the Future to Support Certain Variable Annuity Contracts Offered by Jefferson-Pilot that are Materially Similar to Those Offered by the Separate Account (Other Accounts), and Jefferson-Pilot Investor Services, Inc. (collectively, Applicants). Applicants seek an order under Section 6(c) of the Investment Company Act granting exemptions from the provisions of Sections 26(a)(2)(C) and 27(c)(2) of the Act to the extent necessary to permit the deduction from the assets of the Separate Account and of the Other Accounts of mortality and expenses risk charges in connection with the issuance and sale of certain variable annuity contracts. (Rel. IC-20609 - October 7)

**PACIFIC SELECT FUND, ET AL.**

A notice has been issued giving interested persons until November 6 to request a hearing on an application by Pacific Select Fund (Select Fund) and Pacific Corinthian Variable Fund (Variable Fund) requesting an order of the Commission pursuant to Section 17(b) of the Investment Company Act granting exemption from Section 17(a) thereof. The order is sought to the extent necessary to permit the assets of Variable Fund to be transferred to and combined with the assets of Select Fund in exchange for shares of Select Fund. (Rel. IC-20613 - October 12)

---

**HOLDING COMPANY ACT RELEASES**

---

**EUA COGENEX CORPORATION**

A notice has been issued giving interested persons until October 31 to request a hearing on a proposal by EUA Cogenex Corporation (Cogenex), a wholly-owned subsidiary of Eastern Utilities Associates, a registered holding company. Authorization is now sought for: Cogenex to form and acquire a wholly-owned subsidiary to be named EUA Citizens Conservation Services, Inc. (CCS); for CCS to issue common stock to Cogenex; for Cogenex to acquire such common stock from CCS; for Cogenex to make loans to CCS; for CCS to issue notes to Cogenex to evidence such loans; for CCS to issue preferred stock; for CCS to redeem such preferred stock pursuant to the terms thereof; for CCS to acquire certain assets of Citizens Conservation Corporation (CCC), a tax-exempt Massachusetts corporation; and for CCS to assume certain liabilities from CCC. (Rel. 35-26140)

**ENERGY INITIATIVES, INC., ET AL.**

A notice has been issued giving interested persons until October 31 to request a hearing on a proposal by Energy Initiatives, Inc. (EII), a nonutility subsidiary of General Public Utilities Corporation (GPU), and GPU, a registered holding company. EII and GPU now request the authority to enter into a loan agreement (Loan Agreement), including a letter of credit facility, allowing borrowing by EII in an aggregate amount not to exceed \$30 million. EII also requests the authority to issue notes (Notes) to the lenders under the Loan Agreement to evidence such borrowing. In addition, GPU requests the authority to enter into a support agreement (Support Agreement), where GPU would agree to maintain 100% ownership of EII and use its best efforts to arrange for repayment of the Notes when they become due and payable. (Rel. 35-26140)

---

## SIGNIFICANT NO-ACTION, EXEMPTIVE AND INTERPRETIVE LETTERS

---

### INTERPRETATION OF NEW RULES UNDER SECTION 16 OF THE EXCHANGE ACT

The Division of Corporation Finance has announced the publication of significant staff correspondence interpreting the new Section 16 rules. Copies of the letter may be obtained by writing to, or by making a request in person at, the Public Reference Room, Securities and Exchange Commission, 450 5th Street, N.W., Room 1024, Washington, D.C. 20549. Each request must state the name of the subject company, the Act and the Section of the Act to which it relates, and the public availability date.

<u>Letter</u>	<u>Availability Date</u>	<u>Subject</u>
American Re Corporation	October 13, 1994	Rule 16a-1(c)(3)(ii)

---

## SELF-REGULATORY ORGANIZATIONS

---

### APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change filed by the American Stock Exchange (SR-Amex-94-3) to amend its proxy rules to, among other things, permit registered investment advisers who exercise investment discretion pursuant to an advisory contract, and who have been designated in writing by the beneficial owner, to receive proxy materials, annual reports and other related material, and to vote proxies in lieu of the beneficial owners of securities. The Amex also amended its proxy rules to permit a member organization, that is designated by a named fiduciary as the investment manager of stock held as assets of an ERISA Plan, to vote the proxies on the stock in accordance with its ERISA Plan fiduciary responsibilities. (Rel. 34-34744)

The Commission approved a proposed rule change submitted by the Pacific Stock Exchange (SR-PSE-94-13) to increase the fine for violations of Equity Floor Procedure Advice 2-B relating to the dissemination of quotations in local issues and to add the rule to its Minor Rule Plan. (Rel. 34-34760)

The Commission approved a proposed rule change submitted by the Boston Stock Exchange (SR-BSE-94-07) to adopt new Section 2(n) to Chapter XXII of the BSE's rules relating to the reporting of certain financial and other information by broker-dealers for which the BSE is the designated examining authority. (Rel. 34-34761)

The Commission approved a proposed rule change submitted by the New York Stock Exchange (SR-NYSE-94-03) to adopt a new Rule 123A.46 to ensure that customers are informed of the circumstances under which their orders are being represented. (Rel. 34-34730)

The Commission approved a proposed rule change submitted by the Boston Stock Exchange (SR-BSE-94-08) to add to its Minor Rule Violation Plan failure to respond to Exchange blue sheet requests or file regularly scheduled financial and regulatory reports, improper use of the ITS administrative message function, and failure to register floor employees and complete appropriate forms. (Rel. 34-34762)

The Commission approved proposed rule changes (SR-MCC-93-7 and SR-MSTC-93-14) of the Midwest Clearing Corporation and Midwest Securities Trust Company concerning the establishment of risk assessment committees and other changes to MCC's and MSTC's By-Laws and Rules. (Rel. 34-34780)

The Commission approved a proposed rule change (SR-PHLX-94-28) submitted by the Philadelphia Stock Exchange to amend the PHLX's rules to establish the following maximum quote spreads for National Over-the-Counter Index (XOC) options: \$2.00 for XOC options with bids of \$20.00 to less than \$40.00; and \$3.00 for XOC options with bids of \$40.00 or more. Publication of the approval order is expected in the Federal Register during the week of October 10. (Rel. 34-34781)

The Commission approved a proposed rule change (SR-PHLX-94-36) filed by the Philadelphia Stock Exchange to amend Section 9-1 of Article IX of the Exchange's By-Laws to allow two members of the PHLX's Board of Governors, rather than two Vice Chairmen, to serve as trustees of the PHLX's Stock Exchange Fund and to allow qualified non-members to serve as trustees. The proposal also amends Section 10-13 of Article X of the PHLX's By-Laws to delete the requirement that the PHLX's Executive Vice President serve on the PHLX's Executive Committee. Publication of the approval order is expected in the Federal Register during the week of October 10. (Rel. 34-34782)

## ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

The Commission granted accelerated approval on a temporary basis of a proposed rule change (SR-NSCC-94-18) filed by the National Securities Clearing Corporation that limits the use of letters of credit to collateralize clearing fund contributions. The proposed rule change is approved through January 31, 1995. Publication of the notice and order was expected in the Federal Register during the week of October 3. (Rel. 34-34745)

The Commission granted accelerated approval to a proposed rule change submitted by the National Association of Securities Dealers (SR-NASD-94-52) to extend, on an interim basis, the OTC Bulletin Boards Service through December 31, 1994. (Rel. 34-34766)

## PROPOSED RULE CHANGES

The American Stock Exchange filed a proposed rule change (SR-Amex-94-35) to amend Amex Rule 179 regarding automatic cancellation of open orders in expiring equity securities. Publication of the proposal was expected in the Federal Register during the week of October 3. (Rel. 34-34763)

The Philadelphia Stock Exchange filed a proposed rule change (SR-PHLX-94-47) to amend PHLX Rule 101, "Hours of Business," to provide that foreign currency option (FCO) trading will be conducted on the PHLX between 2:30 a.m. Eastern time (ET) and 2:30 p.m. ET each business day. Under the proposal, the PHLX will change the opening of FCO trading from 1:30 a.m. to 2:30 a.m. ET for all PHLX-listed FCOs except the Canadian dollar, which will continue to commence trading at 7:00 a.m. ET each business day. Publication of the notice is expected in the Federal Register during the week of October 10. (Rel. 34-34798; International Series Rel. 726)

The Chicago Board Options Exchange filed a proposed rule change (SR-CBOE-94-33) relating to the reporting by the Exchange to the Central Registration Depository (CRD) of information concerning pending formal exchange disciplinary proceedings. Publication of the notice is expected in the Federal Register during the week of October 10. (Rel. 34-34792)

## IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change filed by the Chicago Stock Exchange to extend, through December 31, 1994, the current waiver of exchange transaction fees for trades in the Chicago Stock Basket (SR-CHX-94-19) has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of October 10. (Rel. 34-34790)

APPROVAL OF PROPOSED RULE CHANGE AND ACCELERATED APPROVAL TO AMENDMENT NO. 1 TO A PROPOSED RULE CHANGE

The Commission approved a proposal (SR-Phlx-91-46) filed by the Philadelphia Stock Exchange relating to firm quote responsibilities for customer and broker-dealer orders. Publication of the Order was expected in the Federal Register during the week of October 3. (Rel. 34-34742)

NOTICE OF FILING AND ORDER GRANTING ACCELERATED APPROVAL OF A PROPOSED RULE CHANGE AND AMENDMENT NOS. 1 AND 2 TO THE PROPOSED RULE CHANGE

The Commission granted accelerated approval of a proposed rule change (SR-NASD-94-49) and Amendment Nos. 1 and 2 to the proposed rule change filed by the National Association of Securities Dealers relating to listing standards for Selected Equity-Linked Debt Securities (SEEDS). Publication of the notice and approval order was expected in the Federal Register during the week of October 3. (Rel. 34-34758)

ORDER APPROVING PROPOSED RULE CHANGE AND NOTICE OF FILING AND ORDER GRANTING ACCELERATED APPROVAL OF AMENDMENT NOS. 1 AND 2 TO THE PROPOSED RULE CHANGE

The Commission approved a proposed rule change (SR-CBOE-94-04) and granted accelerated approval of Amendment Nos. 1 and 2 to the proposed rule change filed by the Chicago Board Options Exchange relating to the listing criteria for certain hybrid securities. Publication of the notice and approval order was expected in the Federal Register during the week of October 3. (Rel. 34-34759)

ORDER APPROVING PROPOSED RULE CHANGE AND NOTICE OF FILING AND ORDER GRANTING ACCELERATED APPROVAL OF AMENDMENT NO. 2 TO THE PROPOSED RULE CHANGE

The Commission approved a proposed rule change (SR-CBOE-93-54) filed by the Chicago Board Options Exchange that revises the minimum fractional changes for bids and offers on spreads, straddles and combinations and prescribes priority principles to apply to such orders when priced net at a multiple of a sixteenth of a dollar. Publication of the notice was expected in the Federal Register during the week of October 3. (Rel. 34-34764)

ORDER GRANTING ACCELERATED APPROVAL OF A PROPOSED RULE CHANGE AND AMENDMENT NO. 1 TO THE PROPOSED RULE CHANGE

The Commission granted accelerated approval of a proposed rule change (SR-Amex-94-36) and Amendment No. 1 to the proposed rule change filed by the American Stock Exchange relating to Equity Linked Term Notes (ELNs). Publication of the notice and approval order was expected in the Federal Register during the week of October 3. (Rel. 34-34765)

ORDER GRANTING ACCELERATED APPROVAL ON A TEMPORARY BASIS

The Commission granted accelerated approval on a temporary basis, through May 31, 1995, of a proposed rule change filed by the Depository Trust Company (SR-DTC-94-13) implementing to the prime broker option in the institutional delivery system. Publication is expected in the Federal Register during the week of October 10. (Rel. 34-34779)

NOTICE OF FILING AND ORDER GRANTING ACCELERATED APPROVAL OF PROPOSED RULE CHANGE AND AMENDMENT NO. 1 TO THE PROPOSED RULE CHANGE

The Commission granted accelerated approval of a proposed rule change and Amendment No. 1 to the proposed rule change filed by the Chicago Board Options Exchange (SR-CBOE-94-24) relating to an extension to and amendment of the pilot program for fees due for post-trade date submission of trade information. (Rel. 34-34783)

ORDER APPROVING PROPOSED RULE CHANGE AND NOTICE OF FILING AND ORDER GRANTING ACCELERATED APPROVAL OF AMENDMENT NO. 3 TO THE PROPOSED RULE CHANGE BY THE AMERICAN STOCK EXCHANGE, INC. RELATING TO THE LISTING AND TRADING OF OPTIONS ON THE ISRAELI INDEX

The Commission approved a proposal (SR-Amex-94-18) filed by the American Stock Exchange to list and trade options on the Israeli Index (Index), a narrow-based, "modified" equal dollar weighted index comprised of eleven Israeli stocks or American Depositary Receipts traded on the New York Stock Exchange, Amex or that are National Market securities traded through the National Association of Securities Dealers Automated Quotation system. Publication of the notice is expected in the Federal Register during the week of October 10. (Rel. 34-34791; International Series Rel. 723)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change submitted by the American Stock Exchange (SR-Amex-94-31) relating to market index option escrow receipts. (Rel. 34-34793)

NOTICE OF FILING OF PROPOSED RULE CHANGE AND AMENDMENT NO. 1 THERETO

The Philadelphia Stock Exchange filed a proposed rule change (SR-Phlx-94-44), and on September 30, 1994 filed Amendment No. 1 thereto, relating to extending the circuit breaker pilot program. Publication of the proposal is expected in the Federal Register during the week of October 10. (Rel. 34-34800)