

Form 19A

U.S. Securities and Exchange Commission CATS—Investigation

SEC: ACT 10/3/94

Revision

1. Enf. File No.

NY-6066

2. Case Name

In The Matter Of King Arthur

3. Case Status (circle one)

- PE Open
- PJ Pending-Justice
- PL Pending-State/Local
- PS Pending-SRO
- PI Pending-Inactive

- PF Under Review/Closing-Field
- PH** Recommended Closing-Hdqrs.
- PM Recommended Closing by Merger-Hdqrs.

4. Org. Code

01311
01022

5. Date Opened

11/13/92

6. Primary Trading Markets (Circle no more than two)

- AME American
- BOS Boston
- CIN Cincinnati
- CBO Chicago Bd. Options
- IMT Inter-Mountain
- MID Midwest
- NYS New York

- PAC Pacific Coast
- PHL Philadelphia
- SPK Spokane
- FRN Foreign
- OTC Over-the-Counter
- NAS NASDAQ
- NAP** Not Applicable

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APR 05 1994

Office of Chief Counsel
Division of Enforcement

7. Case Origin (Circle no more than two)

- CB Cause Examination (BD)
- CI Cause Examination (IA)
- CC Cause Examination (IC)
- CA Change in Accountants
- CP** Complaint from Public
- CG Congressional Inquiry
- FA Federal Agency
- IN Informant
- IF Issuer Filing
- IP Issuer Publicity
- IR Issuer/Reg. Stmt.
- MS Market Surveillance

- NM News Media
- OD Other SEC Division
- OI Other SEC Investigation
- PL Private Litigation
- RB Routine Examination (BD)
- RI Routine Examination (IA)
- RC Routine Examination (IC)
- SI Securities Industry Contact
- SR Self-Regulatory Organization
- SL State/Local Agency
- OT Other

8. Nature of Security (Circle up to five; if more than 5 apply, see instructions.)

- CP Commercial Paper
- CO Commodity
- CS Common Stock
- CD Corporate Debt
- FS Foreign Securities
- GO General Obligation Bond
- ID IDR Bond
- LD Limited Partnership
- IC Investment Company
- IT Investment Contract
- MB Municipal Bond
- OP Options

- PS Preferred Stock
- PM** Promissory Note (non-corporate)
- RB Revenue Bond (other than IDR)
- SF Security Futures and/or Forwards
- UI Undivided Interests
- US U.S. Government Issue
- UG U.S. Government Guaranteed Issue
- WT Warrants
- NA Not Applicable
- OT Other
- XX (See Instructions)

Staff Assigned

former New York Enforcement Staff Attorney
former New York Enforcement Staff Attorney #2

10. Related SEC No.

1) NY-6067
2)

11. MUI No.

MNY-1498

SEC 1752 (5/89)

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12. Case Classification (Circle up to 10; if more than 10 apply, see instructions.)

- | | |
|--|---------------------------------|
| AC Accountants | IA Investment Adviser |
| AP Accounting Problem | IC Investment Company |
| AT Attorney(s) | MF Management Fraud |
| BH Bank/Bank Holding Co. | MA Manipulation |
| BO Beneficial Ownership | MI Mining |
| BI Books & Records (Issuer) | NC Net Capital |
| BB Books & Records (BD/IC/A) | NP Nonpublic/Inside Information |
| BF Breach Fiduciary Relationship | OG Oil/Gas |
| BD Broker-Dealer | OP Operational Problem |
| CH Churning | PS Penny Stocks |
| DL Delinquent Filing | PK Perks |
| EM Excessive Markup/Markdown | PO Possible Organized Crime |
| EC Extension of Credit | PR Proxy |
| FD Failure to Disclose | PU Public Utility |
| FI Failure to File (Issuer Filing) | RE Real Estate |
| FO Failure to File (Other Than Issuer) | SU Suitability |
| FR Failure to Register (BD, IA, IC, etc.) | TS Tax Shelter |
| FS Failure to Supervise | TO Tender Offer |
| FF False Filing | UT Unauthorized Transaction |
| FP Financial Problem | UO Unregistered Offering |
| FC Foreign Corrupt Practices | OT Other _____ |
| FU Fraud in Offer/Sale/Purchase | |
| GP Going Private | |
- XX (See instructions)

13. Violations (Act/Section/Rule)

'33/Act	§ 5 (a) (c)			
'40/Act (IC)	§ 7			

14. Comments (not to exceed 150 characters)

Avellino and Bienes has been acting as an unregistered investment company selling unregistered securities.

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15. Summary of Facts - Opening or Closing Recommendation is to include a complete summary of the facts. Continue on additional pages, if necessary.

On November 17, 1992, the NYRO commenced a civil injunctive action against Avellino & Bienes ("A&B"), Frank J. Avellino ("Avellino") and Michael S. Bienes ("Bienes") in the United States District Court for the Southern District of New York. SEC v. Avellino & Bienes, Frank J. Avellino, and Michael S. Bienes, 92 Civ. 8314 (JES) (S.D.N.Y. November 17, 1992). The Complaint alleged that from at least in or about 1984 to in or about November 1992, A&B operated as an unregistered investment company, issuing and selling unregistered securities in the form of demand notes to the public in violation of Sections 5(a) and 5(c) of the Securities Act and Section 7 of the Investment Company Act. As of November 1992, there were approximately 3,200 investors who had invested with A&B through the purchase of A&B's securities; and the total amount of money A&B raised through the sale of A&B's unregistered securities was in excess of \$400 million.

On the same date that the NYRO commenced the action against the Defendants, the Honorable Kenneth Conboy, United States District Court, Southern District of New York, issued an Order of Preliminary Injunction and Other Equitable Relief on Consent ("Order") which preliminarily enjoined the Defendants from engaging in further violations of the above provisions of the federal securities laws. A trustee and an accounting firm were appointed to conduct an audit and to oversee the liquidation of A&B's brokerage accounts and the redemption of the note holders. The trustee redeemed all of the notes. The auditors did not uncover any fraud.

On September 7, 1993, the Honorable John E. Sprizzo, District Judge for the Southern District of New York, permanently enjoined, by consent, A&B, Avellino, and Bienes from further violations of Sections 5(a) and 5(c) of the Securities Act of 1933 and Section 7 of the Investment Company Act of 1940. The Order also directed A&B to pay a civil penalty in the amount of \$250,000, and Avellino and Bienes each to pay civil penalties in the amount of \$50,000. All Defendants have paid their civil penalties.

As this matter has been adequately resolved through the consent Order, the NYRO recommends that this investigation be closed.

All files relating to this case have been prepared for disposition in accordance with the procedures set forth in the memorandum entitled "Disposition of Records Upon the Closing of Cases", dated August 20, 1993. No access requests or protective orders are outstanding. After consultation with the FOIA office, no FOIA concerns exist as of this date. No objection is made to the eventual destruction of the files. The files contain no category E records.

16. Signatures	
former New York Enforcement Staff Attorney #2 [Redacted Signature] Attorney	former New York Enforcement Staff Attorney [Redacted Signature]
Date: 3/23/94	Date: 3/23/94
Asst. Director / Asst. Reg. Adm. [Redacted Signature] Associate Director	Branch Chief / Special Counsel [Redacted Signature]
Date: 3/28/94	Date: 3/30/94
Regional Adm. / Assoc. Reg. Adm. [Redacted Signature]	Case Management Review [Redacted Signature]
Date: [Redacted]	Date: [Redacted]
17. Management Code	18. Date Closed 03/20/94

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Case Name

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19. Related Names

<u>Name</u> (If individual, enter last, first, middle)	<u>Relationship Code</u>
Avellino & Bienes	IC/GP
Avellino, Frank J.	PL
Bienes, Michael S.	PL

TOTAL NUMBER OF CASES FOUND: 2 ***UPDATE MODE***

LN ENF.NO.	CASE NAME	DATE	TYPE
		OPEN STATUS	ACTION
1. NY-6066	KING ARTHUR IN THE MATTER OF	111392	RECCL INVESTGATION
2. NY-6066	AVELLINO & BIENES ET AL SEC V	111792	CLOSD CIV-INJUNCT

NO MORE DATA AVAILABLE

SELECT LINE NO: TRANS: CASE MASTER = M
 RELATED NAME = R
 EVENT FILE = E TO PRINT SCREEN
 ADD NEW ACTION = A TYPE "Y":

TO PROCESS PRESS "ENTER" - TO CANCEL PRESS "CLEAR"

NYRO A 03-2

CASE MASTER DISPLAY (INVESTIGATION) FGPCAT05-1 03/11/94 10.35.46
 CASE NAME...: KING ARTHUR IN THE MATTER OF *UPDATE MODE*
 ENF FILE NO.: NY-6066 A TYPE ACTION: INVESTGATION IN

CASE STATUS.....: PH
 DATE-OPENED.....: 11/13/92
 CASE ORIGIN.....: CP
 DATE-CLOSED.....:
 DATE-LAST-EVENT : 09/09/93
 DATE-FORMAL ORD.:
 DATE FO RENEWAL.:
 DATE FO TERM.....:
 MANAGEMENT CODE.:
 STAFF ASSIGNED...: former New York Enforcement Staff Attorney

ORGAN. CODE.....: 01311
 PRI TRADE MKT.....: NAP
 NATURE OF SECURITY: PH
 REL SEC NO..... 1): MNY-1498
 REL SEC NO..... 2): NY-6067
 CONSOL ENF NO.....:
 FED.REC.CNTR.....:
 CASE/CLASS.....: FR UO

RELATIONS: 33 5(A) 33 5 (C) 031194 IC 40(A)

REMARKS: THE CLOSING RECOMMENDATION HAS BEEN FORWARDED TO 031194
 THE DIVISION OF ENFORCEMENT, HEADQUARTERS D.C. 031194 ✓
 031194

FOR RELATED NAMES TYPE "R" - FOR EVENT FILE TYPE "E":.....
 PRINT SCREEN TYPE "Y": TO PROCESS PRESS "ENTER" - TO EXIT PRESS "CLEAR"
 NYRO A 03-2

FOR RELATED NAME DISPLAY FGPCAT08 03/11/94 10.36.00 PAGE 01
 NAME...: KING ARTHUR IN THE MATTER OF ***UPDATE MODE***
 FILE NO.: NY-6066 TYPE ACTION: INVESTGATION

RELATED NAMES	RELATION	DATE	DISP	LNK
AVELLINO & BIENES	INVEST CO			
AVELLINO & BIENES	GEN PARTNR			
AVELLINO FRANK J	PRINCIPAL			
BIENES MICHAEL S	PRINCIPAL			
KING ARTHUR IN THE MATTER OF KING ARTHUR	REL PARTY			

NO MORE DATA AVAILABLE

0 ADJUST OR DELETE SELECT LINE NO: * TO ADD NEW RECORDS TYPE "YES":
TO PRINT TYPE "Y":
TO PROCESS PRESS "ENTER" * TO CANCEL PRESS "CLEAR"

NYRO A 03-2

ASE MASTER DISPLAY (LITIGATION) FGPCAT06-1 03/11/94 10.36.17
SE NAME....: AVELLINO & BIENES ET AL SEC V *UPDATE MODE*
NF FILE NO.: NY-6066 B TYPE ACTION: CIV-INJUNCT CI

CASE STATUS....: CL CLOSED ORGAN. CODE.....: 01311
MANAGEMENT CODE: COURT DOCKET NO.: 92CIV.8314
DATE-OPENED....: 11/17/92 COURT NAME.....: USDC/SDNY
DATE-CLOSED....: 09/16/93 DEPT JUSTICE NO.: 0000000
DATE LAST EVENT: 09/09/93 INDICTMENT NO...:

SEC ATTORNEY 1.: former New York Enforcement Staff Attorney
" " 2.: former Enforcement Assistant Regional Director

RELATIONS: 33 5(A) 33 5(C) IC 7

COMMENTS: THE DEFS CONSENTED TO A PERM.INJ. FROM ISSUING & 091693
SELLING UNREGISTERED SECU.& ACTING AS AN UNREG.INV 091693
ESTMENT COMPANY, AND CIVIL PENALTIES. 091693

OR RELATED NAMES TYPE "R" - FOR EVENT FILE TYPE "E":.....
PRINT SCREEN TYPE "Y": TO PROCESS PRESS "ENTER" - TO EXIT PRESS "CLEAR"
NYRO A 03-2

SE RELATED NAME DISPLAY FGPCAT08 03/11/94 10.36.26 PAGE 01
E NAME....: AVELLINO & BIENES ET AL SEC V ***UPDATE MODE***
FILE NO.: NY-6066 TYPE ACTION: CIV-INJUNCT

RELATED NAMES	RELATION	DATE	DISP	LNK
AVELLINO FRANK	DEFENDANT	090993	FJC	
AVELLINO & BIENES	DEFENDANT	090993	FJC	
BIENES MICHAEL	DEFENDANT	090993	FJC	

NO MORE DATA AVAILABLE

ADJUST OR DELETE SELECT LINE NO: * TO ADD NEW RECORDS TYPE "YES":
TO PRINT TYPE "Y":
TO PROCESS PRESS "ENTER" * TO CANCEL PRESS "CLEAR"

NYRO A 03-2