

# Ferranti starts 'urgent' investigation

by Tim Mekeel and Ernest Schreiber  
New Era Staff Writers

An "urgent, full investigation" has been started into ISC Technologies Ltd.'s contracts because of suspected "significant irregularities," Ferranti International Signal said today.

The questionable contracts apparently include a \$450 million missiles deal with the United Arab Emirates.

Ferranti said it has hired an outside accounting firm, Coopers & Lybrand, "to under-

## National report of ISC layoffs here called 'speculation'

take urgently a full investigation" of ISC Technologies Ltd.'s contracts.

One analyst read the statement as meaning Ferranti might be uncovering fraud or negligence at ISC Technologies Ltd. Ferranti operates another, similar division in Lancaster, ISC Technologies Inc.

Both the British and Lancaster companies were part of the ISC group merged with Ferranti by local businessman James H. Guerin.

In other developments today:

- The Wall Street Journal said that Ferranti's Lancaster operation is "likely" to see contract cancellations and that many workers are destined to be laid off or transferred. But a Ferranti spokesman labeled the story "pure speculation."
- Guerin, former deputy chairman of Ferranti, "is likely to be asked" by the London stock exchange to explain the sale of his Ferranti shares shortly before the contract

questions arose, London's Independent newspaper said. Guerin sold the stock in July and at that time reportedly held 32 million shares.

• Assistant U.S. Attorney Nicholas C. Harbist denied another newspaper's report today which said the federal fraud investigation into United Chem-Con Corp. is "completed." Harbist said the investigation is "open and continuing." Guerin was a co-founder of Chem-Con, a separate company from ISC.

Ferranti halted trading of its stock Monday and delayed its shareholders meeting Tuesday. Officials said they discovered questions about the "carrying value" of contracts at its ISC Technologies Ltd. subsidiary in England.

In today's statement, Ferranti said the questions are "still far from resolved."

ISC Technologies was part of International Signal & Control Group, which merged with Ferranti in November 1987. The merged company employs about 1,500 people here under its U.S. holding company.

While not naming the questionable contracts or the amounts of money, Ferranti said the deals were reached by ISC before the merger "or, in one case, relate to inventory held by ISC at the time of the merger."

Ferranti is under "intense pressure" from the London investment community to uncover and disclose the problems, The Independent said.

See FERRANTI, Page A-5

merged company employs about 1,500 people here under its U.S. holding company.

While not naming the questionable contracts or the amounts of money, Ferranti said the deals were reached by ISC before the merger "or, in one case, relate to inventory held by ISC at the time of the merger."

Ferranti is under "intense pressure" from the London investment community to uncover and disclose the problems, The Independent said.

See FERRANTI, Page A-5

# LANCASTER NEW ERA

112th Year — No. 35,221 METROPOLITAN ★ LANCASTER, PA., FRIDAY, SEPTEMBER 15, 1989 Home Delivered \$1.80 a week Price 35¢

## Fitness report shows kids less active, heavier

WASHINGTON (AP) — America's youngsters are suffering an "ominous" decline in cardiovascular health from poor eating habits, inadequate physical training at school and their growing preference for video games over the playground variety, according to a decade-long study.

An annual random sampling from the millions of boys and girls who participated in the Chrysler Fund-Amateur Athletic

Union's fitness testing program shows a 10 percent decline in average scores for distance runs — the component measuring aerobic endurance, or heart and lung strength.

And, in the same 1980-89 period, there was also a major drop-off, from 43 percent to 32 percent, in those who achieved at least "satisfactory" scores in the entire test, despite some improvement in muscular strength.

"We've really got a problem here," said Wynn F. Updyke, director of the Chrysler-sponsored AAU Physical Fitness Program, which now enrolls 9.7 million youngsters aged 6 to 17.

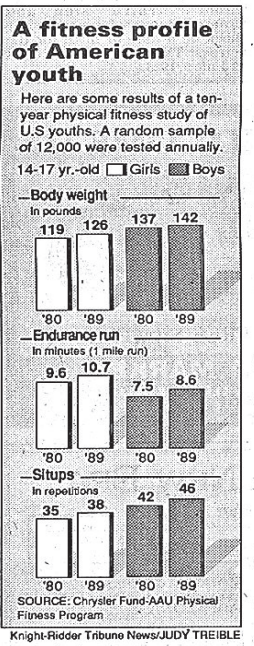
"The cardiovascular trend is ominous, based on what we know about the link between heart disease and inactivity and nutritional bad habits," he said.

At a news conference, Updyke, an associate dean at Indiana University, cited a variety of causes for the poorer aerobic showings, including less emphasis on physical training in the schools. Only one state, Illinois, now requires physical education for children in all grades, he noted.

And "technology, at best, has been a mixed blessing," he said, because "kids are saving their competitive instincts for Nintendo and other computer games instead of kick-the-can and other physical activity."

The program's printed report, based on a sample of 12,000 youngsters whose test scores were picked at random each year, also applied the word "ominous" to the creeping weight gain observed for most age groups over the decade. Children of all school ages, 6 to 17, were measured by the tests.

There was no perceptible increase in height for the various age groups, so the weight gains were attributed to poor dietary and physical habits, it said. For example, girls ages 12 and 13 averaged 61.5 inches in height in both 1980 and 1989, but they were



33 million Americans are fat, researcher says

WASHINGTON (AP) — The United States may be land of the free and home of the brave, but it's also the country of the fat.

A researcher on obesity says that 33 million adult Americans, about 20 percent of the adult population, are significantly obese, giving the United States one of the highest populations of fat people in the world.

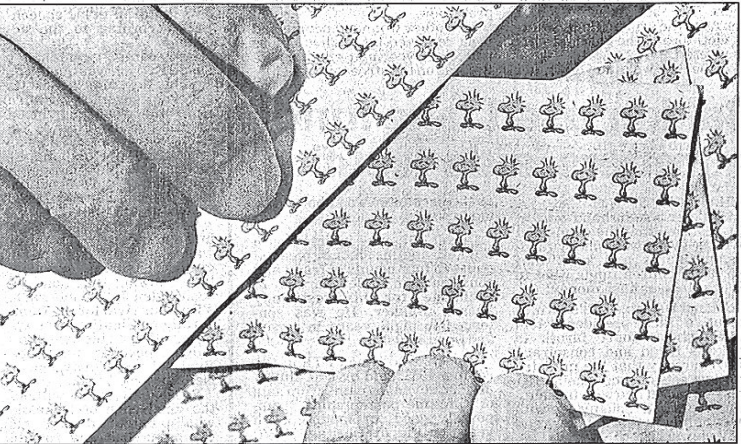
"It's clear that significant obesity appears to be more prevalent in the United States than elsewhere," Dr. George A. Bray,

a professor of medicine at Louisiana State University, said Thursday.

"The greater the excess weight, the greater excess risk" of resulting health problems, he said.

Obesity is a public health concern only in Europe and North America, and the percentage of significantly overweight people is highest by far in the United States, Bray said.

See OVERWEIGHT, Page A-5



Sheets of LSD tabs with the "Peanuts" comic-strip character, "Woodstock," were confiscated Thursday.

## Police crack LSD ring; 20 arrested in city, E. Lampeter Twp. drug raids

by John M. Hooper III  
New Era Staff Writer

State drug investigators and Lancaster police, in two separate drug raids Thursday, arrested 20 suspects, including a Conestoga Valley High School senior whose apartment police said was the "hub" of an LSD distribution network.

Also arrested was a 25-year-old Lancaster man who, investigators contend, supplied the CV seniors with LSD that she allegedly sold from her apartment in the Greenfield Estates complex in East Lampeter Township.

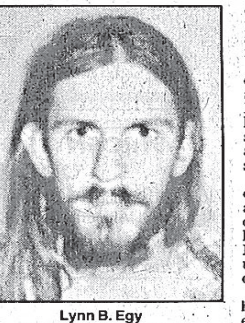
The LSD was on small paper squares or tabs, sold at \$4 apiece, that can be easily ingested, investigators said. Each tab had a "Woodstock" character from the "Peanuts" comic strip printed on it.

Luther L. Henry, regional director of the attorney general's Bureau of Narcotics Investigation, said the use of the cartoon character on the drugs was a type of trademark for that particular dealer.

Although there was no indication that the drug had been sold or given to very young children, Henry said he was especially concerned that had the dealers been aware of the pending arrest, "the drugs might have been easily scattered or discarded" in an area where young children could have had access to them.

The 17-year-old girl has been charged with two counts of delivery of LSD, conspiracy, and possession with intent to deliver 579 tabs of the drug at \$4 apiece. She has been placed in Barnes Hall to await Juvenile Court action.

Her alleged supplier, Lynn Barrington Egly, of 309 E. King St., Apt. 1, has been charged with drug agents with unlawful delivery of a large quantity of LSD to a



Lynn B. Egly  
Named supplier of LSD

juvenile. This offense makes him subject to double the maximum penalty, if convicted, a local drug investigator said.

Egly has been committed to Lancaster County Prison in lieu of \$25,000 bail.

The 17-year-old and Egly were among eight suspects arrested here by task force officers and agents of the attorney general's

office. Most of the arrests took place in East Lampeter Township, Lancaster, and around Littleton.

Late Thursday night, members of the city police warrant squad arrested another 12 suspects in Lancaster on drug charges. Police said some of them were observed taking part in drug transactions at locations in the city's southeast area.

Drug investigators said they consider the 17-year-old girl to be a major dealer in an LSD sales operation. LSD was a popular hallucinogenic in the 1960s. Later, many drug users ceased using LSD because of its dangerous side effects.

"We recovered more stuff in her apartment than anywhere else," said East Lampeter Township Police Chief Jacob Glick.

Glick said investigators made no drug buys at Conestoga Valley High School, and said police did not have an undercover agent stationed in the school.

Henry said the student is "apparently a very good student" and from all appearances "is a very sensible girl."

"This was a side to her that not

See DRUG, Page A-5

## City plans study to draw firms to SE

by Tim Buckwalter  
New Era Staff Writer

Luring businesses to the economically depressed southeast area of the city will be the goal of a \$35,000 to \$45,000 study announced today by Mayor Arthur E. Morris.

The marketing study will "determine recommendations to successfully encourage economic development," according to a

press release issued by the mayor.

"This is part of the Enterprise Zone" strategy, said Morris, referring to broad-based efforts to bring jobs to a wide swath of economically depressed neighborhoods running north and south through the city.

"In discussion with the (Lancaster) Chamber of Commerce and Industry, we decided that it was something that was well

worth pursuing," he said.

The study will include community and population profiles as well as employment and other economic variables. Those findings will then be used to identify demands and opportunities for commercial, retail and industrial development.

The study will be financed with community development funds.

See MORRIS, Page D-6

<b>IN TODAY'S NEW ERA</b>	<b>SPORTS</b>	<b>MAGAZINE</b>	<b>LOCAL NEWS</b>	<b>INDEX</b>	<b>WEATHER</b>
<b>RELIGION</b>	<b>EAGLES PICKED.</b> The Eagles are favored to edge the Redskins Sunday afternoon in Washington. Page D-1	<b>FLOWERS.</b> Now is the time to plan, select and plant those tulips, hyacinths, daffodils and other bright spring-flowering bulbs. Page C-1	<b>GUILTY VERDICT.</b> A county jury deliberated only an hour Thursday before convicting Michael D. Alcorn of first-degree murder. Page B-1	Bridge.....C-7 Business.....B-6 Church.....C-3 Classified.....B-6 Comics.....B-4 Commentary.....A-8 Crossword.....D-12 Health.....C-6 Local.....B-1 Magazine.....C-1 Obituaries.....B-3 Police-Fire.....D-5 Sports.....D-1 Theater.....A-6 TV.....B-5	<b>SHOWERS.</b> Tonight mostly cloudy with a 60 percent chance of a shower, patchy fog toward morning, lows 60 to 65. Saturday mostly cloudy with an 80 percent chance of showers and thunderstorms, highs in the mid-70s. Page A-4
<b>WORK BOOTS.</b> A city teenager has a broken-in pair of work boots to show for her summer in Hungary. Page C-3	<b>SHOWDOWN.</b> Top-ranked Notre Dame is a slight favorite in Saturday's big college football matchup against No. 2 Michigan. Page D-1	<b>ANTIQUES SHOW.</b> The International Antique Dealers Show in New York has been billed as the connoisseur's show. Page C-1	<b>\$6-MILLION GOAL.</b> Officials opened the 1989 United Way campaign, which assists local agencies. Page B-1	<b>PROJECT STALLS.</b> A developer has halted plans for a project for several hundred new homes in Brecknock Twp. Page B-1	<b>CHUCKLE</b> Some people go out of their way for you when you just wish they'd get out of your way.
<b>INFORMAL SERVICES.</b> Informal worship services are being held by a local pastor and church consultant. Page C-4	<b>'HORNS AGREE.</b> Texas was the only one of Penn State's football foes to agree to an exchange of tests for steroids. Page D-1	<b>BASEBALL GAMES.</b> As baseball card prices soar, collectors are looking for other baseball collectibles. Page C-1			

COVER 44 OF 52

## FERRANTI FORESHADOWING

The top of this New Era front page from Sept. 15, 1989, bears one of the first pieces of what would prove to be a shocking and wide-reaching story — the tale of James Guerin and the International Signal & Control fraud.

The eventually infamous ISC was formed by Guerin in 1971, operating out of his basement. Over the subsequent decades, the company grew rapidly as a defense electronics contractor. Its products included space-vehicle rocket engines, electronic artillery fuzes, cluster bombs, electronic battlefield sensors and circuit boards.

By 1987 it reported \$600 million in annual revenues, employing 1,800 people in Lancaster County and 5,500 worldwide. ISC was acquired for \$670 million by the venerable British defense firm Ferranti.

Guerin, too, was tremendously respected — the term "pillar of the community" was certainly apt, given his high regard as a local business leader and philanthropist.

But in June of 1989, Chem-Con, another defense contractor that Guerin co-founded, became embroiled in a \$16 million fraud case. Guerin did not face any charges related to the Chem-Con fraud, but left town in August 1989, announcing his move to Naples, Florida, in a six-page letter to the New Era. Local luminaries, from college presidents to corporate leaders, hailed Guerin's integrity and public service and expressed regret over his departure.

Just a month after Guerin left town, this New Era story detailed growing concerns raised by Ferranti related to "significant irregularities"

in ISC's contracts — including a questionable \$450 million missiles deal with the United Arab Emirates.

Over the coming months, more and more revelations of alleged crimes at ISC were disclosed by Ferranti in court actions, both here and in the United Kingdom, as the British company worked to recoup its losses.

Eventually, ISC's lightning-fast growth from basement-based start-up to top defense contractor was shown to have been driven by bogus deals.

In 1991, Guerin was one of 20 individuals and companies indicted for their alleged roles in a \$1.14 billion fake-contract scheme — as well as a scheme to smuggle \$50 million worth of military products to South Africa.

An illusion of real business dealings was maintained by looping ISC's money through a dizzying array of 42 front companies in Panama, 53 bank accounts in Switzerland and at least 10 bank accounts in the United States. ISC even rented warehouses and filled them with crates of phony inventory to show to auditors.

Guerin pleaded guilty to eight criminal counts, including money laundering, conspiracy, mail fraud, securities fraud, export violations (two counts) and tax evasion (two counts), and was sentenced to 15 years in prison in 1992.

A year later, due to the financial damage created by the fraud, Ferranti collapsed and began selling or closing all of its divisions worldwide, a process completed by 1996.