

# SEC NEWS DIGEST

Issue 99-187

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## COMMISSION ANNOUNCEMENTS

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### FEE RATE ADVISORY

The fee rate on filings made pursuant to Section 6(b) of the Securities Act of 1933 may change as of October 1, 1999, the beginning of fiscal year 2000. Any change is dependent on the enactment of a fiscal year 2000 appropriation for the SEC. However, as of today, a fiscal 2000 appropriation bill for the SEC has not been enacted, so it is uncertain what the fee rate will be. The two possibilities are:

- 1) If an appropriation bill is enacted, the fee rate will decrease to \$264 per \$1,000,000. This rate would be applied pro rata to amounts less than \$1,000,000. The fee should be calculated by multiplying the aggregate offering amount by .000264.
- 2) If a continuing resolution is enacted, or in the event that neither a fiscal 2000 appropriations bill nor a continuing resolution is enacted, the fee rate will continue at the current rate of \$278 per \$1,000,000.

The Commission will issue further notices as appropriate to keep filers and registrants informed of developments affecting the Section 6(b) fee rate. This information will be posted at the SEC's Internet website at <http://www.sec.gov>. In the interim, filers and registrants should contact the Office of Filings and Information Services, Filer Support Unit, at (202) 942-8900 if they have any questions. (Press Rel. 99-122)

### CONTRACT AWARD FOR ELECTRONIC AND STENOGRAPHIC REPORTING SERVICES

The Commission awarded Contract No. SECHQ1-00-D-0313 for Electronic and Stenographic Reporting Services to Diversified Reporting Services, Inc., 1025 Vermont Avenue, NW, Suite 1250, Washington, DC, 20005. The contract period of performance is October 1, 1999, through September 30, 2000 (Fiscal Year 2000) with four (4) one-year options (October 1, 2000 through September 30, 2004). The estimated total dollar amount for the Base Year/\$2,552,770.00; Option I/\$2,682,507.50; Option II/2,790,970.00; Option III/\$2,898,172.50; and Option IV/\$2,998,095.00. The total contract

amount for SEC which include option years if the government exercises all options will be \$7,055,065.00. The total estimated price for the public will be \$6,867,450.00. The grand total for the SEC and the Public, inclusive of all options is \$13,922,515.00. (Press Rel. 99-123)

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## **ENFORCEMENT PROCEEDINGS**

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### **IN THE MATTER OF RUSSELL STEIN, FORD ALBRITTON, JR., AND DOVER AND ASSOCIATES, INC.**

Administrative Law Judge Lillian A. McEwen issued an initial decision today in the above-referenced matter. Respondent Russell W. Stein, a financial consultant and registered representative associated with Merrill Lynch, was charged with violating the antifraud provisions of the Investment Advisers Act by failing to disclose a potential conflict of interest to his consulting clients. Respondents Ford D. Albritton, Jr., and Dover and Associates, Inc., were charged with causing and aiding and abetting Stein's violations. Stein's nondisclosure allegedly caused his employer, Merrill Lynch, to file reports with the Commission that omitted to disclose this potential conflict of interest. Stein was also charged with causing and aiding and abetting Merrill Lynch's disclosure violations. The Decision finds that Stein's actions did not fall within the ambit of the Advisers Act. In the alternative, the Decision concludes that, even if Stein did act as an investment adviser, Stein did not commit fraud against his clients and that he had no potential or real conflict of interest with them. The Decision orders that this proceeding against Respondents Stein, Albritton, and Dover be dismissed. (Initial Decision No. 150; File No. 3-9309)

### **CEASE AND DESIST PROCEEDING INSTITUTED AGAINST GARY RUE**

On September 27, the Commission issued an Order Instituting Public Cease and Desist Proceeding, Making Findings and Issuing a Cease and Desist Order (Order) against Gary A. Rue (Rue). The Commission simultaneously accepted Rue's Offer of Settlement, in which he consented, without admitting or denying the findings, to an order requiring him to cease and desist from violating the securities and broker-dealer registration provisions of the federal securities laws. The Order contains findings that, from May to September 1997, Rue was a salesperson for Kellin Investment Corporation (Kellin) and sold unregistered securities offered by Kellin, raising approximately \$2.5 million from about 33 investors. Kellin raised a total of approximately \$4.1 million from about 58 investors through the sale of the securities, which typically offered returns of 2% per month. While he was selling the securities, Rue was not associated with a broker-dealer registered with the Commission. (Rels. 33-7743; 34-41915; File No. 3-10032)

**PUBLIC ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST FOUR REGISTERED REPRESENTATIVES FOR ACCEPTING BRIBES FROM PUBLIC RELATIONS FIRM CORPORATE RELATIONS GROUP, INC.**

On September 27, the Commission instituted public administrative and cease and desist proceedings, pursuant to Section 8A of the Securities Act of 1933 (Securities Act) and Sections 15(b)(6), 19(h) and 21C of the Securities Exchange Act of 1934 (Exchange Act), against Respondents Steven J. Erlsten, Jr., William H. Clark, Derek L. DuBois and Aaron Finkelstein for willfully violating, and committing or causing violations of, Sections 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

The Division of Enforcement alleged that Respondents, each of whom was a registered representative during the relevant time, recommended and/or sold shares of common stock of The Tracker Corporation of America (Tracker) to their customers and failed to disclose the material information that they had been or would be compensated by Corporate Relations Group, Inc., a public relations firm located in Winter Park, Florida, which was promoting Tracker at the time, for inducing their clients to buy this stock. (Rels. 33-7744; 34-41919; File No. 3-10033)

**SUMMARY JUDGMENT GRANTED AGAINST MICHAEL CARNICLE**

The Commission announced that on September 20 the Honorable Tena Campbell of the United States District Court for the District of Utah issued an Order granting the Commission summary judgment against Michael Carnicle on all issues, and assessing civil penalties against Howard Ray and Randy Glad. The Court found undisputed the Commission's evidence that Carnicle secretly established and controlled two Los Angeles based mutual funds, Public Funding Portfolios, Inc. (PFP) and American Vision Funds (AVF), and knowingly made misrepresentations and omissions of material fact, including failing to disclose his control of the funds, falsely representing the identities of the Funds' general counsel, administrator and custodian, and falsely representing that only 10% of the Funds' monies would be invested in "illiquid" securities and that "exchange" transactions would only be conducted under limited circumstances.

The Court found that the Commission is entitled to all of the relief sought against Carnicle: a permanent injunction, disgorgement of \$444,323 plus prejudgment interest, and the maximum third-tier penalty equal to Carnicle's pecuniary gain of \$444,323. Similarly, the Court found that the Commission was entitled to the second-tier penalties of \$20,000 each that it sought against Glad and Ray, who had previously been enjoined by default. For further information, see LR-15839 (August 11, 1998), LR-15209 (January 8, 1997), LR-15173 (December 3, 1996), LR-15051 (September 17, 1996), LR-14935 (June 6, 1996), and LR-14669 (October 2, 1995). [SEC v. Michael Carnicle, Michael Hansen, William Straughan, Randy Glad, Lionel Reifler, Howard Ray and Arie From, No. 1:95-CV-0110C, D. Utah] (LR-16293)

**CIVIL INJUNCTIVE ACTION COMMENCED AGAINST PUBLIC RELATIONS FIRM CORPORATE RELATIONS GROUP, INC AND SIXTEEN OTHER DEFENDANTS FOR SECURITIES FRAUD IN CONNECTION WITH THE TRADING AND PROMOTION OF THE STOCK OF 15 MICROCAP COMPANIES**

On September 27, the Commission filed a civil injunctive action in the United States District Court for the Middle District of Florida against 17 defendants alleging securities fraud in connection with the trading and promotion of the stock of at least 15 different microcap companies. The defendants include Corporate Relations Group, Inc., a Winter Park, Florida-based public relations firm, and its president Roberto E. Veitia. The Commission alleges that the defendants realized profits of at least \$20 million in connection with their illegal activity, which began at least as early as September 1994 and continued beyond December 1996. The Commission is seeking injunctions, disgorgement and fines.

The complaint alleges that CRG, Veitia and two of Veitia's associates, James W. Spratt III and James A. Skalko, obtained free or deeply discounted securities from public companies in return for touting the companies. These defendants then sold these securities while they recommended them as good investments. Also, while touting one client, these defendants also offered and paid bribes to registered representatives to push the stock to their customers. The complaint alleges that the publications fraudulently failed to disclose the receipt of securities as compensation, the selling activity by the defendants, or the bribes that were paid.

The complaint alleges that Veitia used two Costa Rican entities to acquire securities. The Commission alleges that Veitia and Jose Antonio Gomez Cortes, the president of Fondo de Adquisiciones E Inversiones Internacionales XL, S.A. and C.A. Oportunidad, S.A., defrauded issuers by falsely representing that Fondo and Oportunidad were bona fide offshore purchasers when, in reality, they acted as fronts for CRG and Veitia.

The complaint alleges that CRG, Gulf Atlantic Publishing, Inc., Veitia, Spratt, Skalko, Jack R. Rodriguez, Fondo, Oportunidad, Gomez, Michael Parnell, and Ammonia Hold, Inc. violated Section 17(a) of the Securities Act of 1933 (Securities Act) and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (Exchange Act). The complaint alleges that CRG, Gulf Atlantic, Veitia, Spratt, and Skalko violated Section 17(b) of the Securities Act. The Commission is charging CRG, Stratcomm Media Ltd., Veitia, Spratt, Skalko, Fondo, Oportunidad, Gomez, Parnell, Ammonia Hold, New Concepts L.L.C., Arnold Zousmer, Charles J. Lidman, CJL Corporation, Pow Wow, Inc., and Rodriguez with violating Section 5 of the Securities Act. The Commission is charging CRG, Stratcomm, Spratt, Skalko, and Rodriguez with violations of Section 15(a) of the Exchange Act. Finally, the complaint alleges that Stratcomm and Veitia are liable for all of CRG's violations, as controlling persons of CRG, under Section 20 of the Exchange Act. [SEC v. Corporate Relations, et al., Civil Action No. 99-1222-CV-22-A, M.D. Fla., Orlando] (LR-16294)

## COMMISSION SUES CHARLES PARISI FOR VIOLATING AN ADMINISTRATIVE ORDER

The Commission today filed a complaint in federal court in San Diego alleging that Charles F. Parisi violated a Commission administrative order. In July 1992, the Commission barred Parisi from associating with any investment adviser or investment company with the right to reapply after one year. He never reapplied.

The complaint filed today alleges that for nearly five years following his bar Order, Parisi violated the Order by associating with Palladian Advisers, Inc., an investment adviser, and the Palladian Trust (Trust), an investment company. The complaint alleges that Parisi associated with these entities by, among other things: financing the entities; using others to conceal his association with the entities; holding himself out as a representative of the entities; participating in selecting Trust portfolio managers; participating in Trust board meetings; and receiving compensation based on sales of investments in the Trust. The complaint seeks an injunction and civil penalties. [SEC v. Charles F. Parisi, Civil Action No. 99-CV 2079B, RBB, SD Cal.] (LR-16295)

## SEC SETTLES CHARGES AGAINST SWEDISH INSIDER TRADERS

The Commission announced today that it has settled its case against five Swedish citizens charged with insider trading in the stock of Pinkerton's, Inc. The five Swedish traders consented to the entry of Final Judgments against them, which are subject to the approval of the Honorable Shira A. Scheindlin, without admitting or denying the allegations of the Commission's complaint.

The Final Judgments require the defendants to pay a total of \$288,570. The defendants, who reaped trading profits of \$165,877, must disgorge all of their profits and pay civil penalties of \$115,834. Each of the five trading defendants also agreed to be enjoined from committing future violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 and Rules 10b-5 and 14e-3 thereunder.

Goran Heden, a Stockholm stockbroker, agreed to pay disgorgement of \$122,482.39 and a penalty of \$95,291.25. Per Snarberg and Anders Johansson each agreed to disgorge \$11,431.54 and to pay a penalty of \$8,573.65. Johan Schelin will disgorge \$4,527.62 and pay a penalty of \$3,395.72. Per Isacsson will pay disgorgement of \$11,431.54.

The SEC wishes to acknowledge the assistance of the New York Stock Exchange, the Swedish securities regulator, Finansinspektionen, and Sweden's Economic Crimes Bureau in connection with this case. [SEC v. Heden, et al., Civil Action No. 99 Civ. 1418, SDNY, SAS] (LR-16311)

**STEPHEN PACE IS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION, AND FROM COMMITTING OR CAUSING ANY FUTURE VIOLATION, OF SECTIONS 10(b) AND 13(b)(5) OF THE EXCHANGE ACT AND RULES 10b-5 AND 13b2-1**

The Commission has instituted public administrative proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) against Stephen J. Pace (Pace), a former software sales executive at KnowledgeWare, Inc. (KnowledgeWare). Simultaneously with the institution of the proceedings, the Commission accepted a settlement offer from Pace wherein Pace consented, without admitting or denying the Commission's findings, to the entry of an order directing Pace to cease and desist from committing or causing any violation, and from committing or causing any future violation, of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1. The Commission found that Pace violated these provisions by knowingly taking part in a fraudulent scheme whereby phony software sales were used to inflate KnowledgeWare's quarterly earnings during its fiscal year ended June 30, 1994. (Rel. 34-41929; AAE Rel. 1165; File No. 3-10040)

**LAURA DREWS IS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION, AND FROM COMMITTING OR CAUSING ANY FUTURE VIOLATION, OF SECTIONS 10(b) AND 13(b)(5) OF THE EXCHANGE ACT AND RULES 10b-5 AND 13b2-1**

The Commission has instituted public administrative proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) against Laura M. Drews (Drews), a former software sales executive at KnowledgeWare, Inc. (KnowledgeWare). Simultaneously with the institution of the proceedings, the Commission accepted a settlement offer from Drews wherein Drews consented, without admitting or denying the Commission's findings, to the entry of an order directing Drews to cease and desist from committing or causing any violation, and from committing or causing any future violation, of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 (Order). The Commission found that Drews violated these provisions by knowingly taking part in a fraudulent scheme whereby phony software sales were used to inflate KnowledgeWare's quarterly earnings during its fiscal year ended June 30, 1994. (Rel. 34-41928; AAE Rel. 1164; File No. 3-10039)

**JOSEPH MATHES IS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION, AND FROM COMMITTING OR CAUSING ANY FUTURE VIOLATION, OF SECTIONS 10(b) AND 13(b)(5) OF THE EXCHANGE ACT AND RULES 10b-5 AND 13b2-1**

The Commission has instituted public administrative proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) against Joseph A. Mathes (Mathes), a former software sales executive at KnowledgeWare, Inc. (KnowledgeWare). Simultaneously with the institution of the proceedings, the Commission accepted a settlement offer from Mathes wherein Mathes consented, without admitting or denying the Commission's findings,

to the entry of an order directing Mathes to cease and desist from committing or causing any violation, and from committing or causing any future violation, of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1. The Commission found that Mathes violated these provisions by knowingly taking part in a fraudulent scheme whereby phony software sales were used to inflate KnowledgeWare's quarterly earnings during its fiscal year ended June 30, 1994. (Rel. 34-41927; AAE Rel. 1163; File No. 3-10038)

**ROBERT CHAMBERLAIN IS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION, AND FROM COMMITTING OR CAUSING ANY FUTURE VIOLATION, OF SECTIONS 10(b) AND 13(b)(5) OF THE EXCHANGE ACT AND RULES 10b-5 AND 13b2-1**

The Commission has instituted public administrative proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) against Robert S. Chamberlain (Chamberlain), a former software sales executive at KnowledgeWare, Inc. (KnowledgeWare). Simultaneously with the institution of the proceedings, the Commission accepted a settlement offer from Chamberlain wherein Chamberlain consented, without admitting or denying the Commission's findings, to the entry of an order directing Chamberlain to cease and desist from committing or causing any violation, and from committing or causing any future violation, of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1. The Commission found that Chamberlain violated these provisions by knowingly taking part in a fraudulent scheme whereby phony software sales were used to inflate KnowledgeWare's quarterly earnings during its fiscal year ended June 30, 1994. (Rel. 34-41926; File No. 3-10037)

**TOP OFFICERS OF UNISON HEALTHCARE CORPORATION SUED IN EARNINGS MANAGEMENT ACCOUNTING FRAUD**

The Commission brought an action against Jerry M. Walker, the former CEO and president of Unison, and Craig R. Clark, its former CFO, alleging that they made unsupported adjustments to Unison's quarterly net income in 1996, thereby enabling Unison to meet publicly announced earnings estimates. The complaint alleges that, at Walker's direction, Unison's controller increased net income by a material amount for the second quarter of 1996 and that Walker later falsely represented to Unison's auditors that the quarter's financial statements had been prepared in conformity with GAAP. The complaint also alleges that Walker and Clark instructed the controller to make materially false adjustments to revenue and expenses for the third quarter 1996. Unison announced the falsely inflated earnings figures to the public and included the materially false figures in two 1996 Forms 10-Q.

The complaint seeks an order enjoining Clark from violating Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1, and imposing civil monetary penalties. Walker has consented to the issuance of a final judgment permanently enjoining him from violating Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1, and 13b2-2, and from aiding and abetting violations

of Section 13(a) and Rule 13a-13, and ordering him to pay a civil penalty of \$15,000. Walker, a certified public accountant, also consented to the issuance of a Rule 102(e) Order barring him from practicing before the Commission with the right to apply for readmission after five years.

Raintree, Unison's successor, consented to a cease-and-desist order for violating Section 13(a) of the Exchange Act and Rule 13a-13. Lisa M. Beuche, Unison's former controller, consented to a cease and desist order for violating Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2, and for causing violations of Section 13(a) of the Exchange Act and Rule 13a-13. Beuche, a certified public accountant, also consented to a Rule 102(e) Order barring her from practicing before the Commission with the right to apply for readmission after two years. [SEC v. Walker and Clark, USDC, D. Arizona, No. Civ-99-1737-PHX-ROS] (LR-16300, AAE Rel. 1170); In the Matter of Raintree HealthCare Corporation, formerly known as Unison HealthCare Corporation, and Lisa M. Beuche - Rel. 34-41925, AAE Rel. 1162, File No. 3-10036)

**SEC FILES SECURITIES FRAUD COMPLAINT AGAINST C.E.C. INDUSTRIES CORPORATION, GERALD LEVINE AND MARIE LEVINE**

On September 28, the Commission filed a securities fraud action in the United States District Court for the District of Columbia against C.E.C. Industries Corporation, a Nevada corporation, and Gerald H. Levine, and Marie A. Levine, the company's chief executive officer and principal financial officer during the relevant time period. The complaint alleges that C.E.C. fraudulently overstated its assets and revenues in public filings and statements concerning the company's fiscal years ended March 31, 1996 and March 31, 1997. These material overstatements, according to the complaint, all resulted from various asset exchange transactions in which C.E.C. acquired non-cash assets in exchange for either company stock or other non-cash assets previously acquired with company stock. The complaint also alleges that C.E.C. has been chronically delinquent in filing required reports with the Commission since June 1997, and has not filed any required reports since July 1998. The Commission contends that Gerald and Marie Levine, as C.E.C.'s controlling officers and directors during the relevant time period, were directly responsible for C.E.C.'s fraudulent overstatements of assets and revenues, as well as for C.E.C.'s filing delinquencies. According to the complaint, the Levines also published false and misleading information about C.E.C. on the Internet during the period in question.

The Commission's complaint charges all defendants with fraud violations under Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Exchange Act Rule 10b-5. It further charges C.E.C. with violating the reporting and bookkeeping provisions of Exchange Act Section 13 and the rules thereunder, and Gerald and Marie Levine with falsifying books and records and failing to implement internal accounting controls in violation of Exchange Act Section 13(b)(5) and Exchange



Act Rule 13b2-1. The Commission is seeking permanent injunctions against all defendants, a restatement of past financial statements and the prompt filing of current information by C.E.C., civil penalties against Gerald and Marie Levine, and an order prohibiting the Levines from serving as directors or officers of any public companies. [SEC v. C.E.C. Industries Corporation, et al., Case No. 1:99CV02568, D.D.C.] (LR-16299, AAE Rel. 1169)

**CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST JAMES MONTGOMERY, II, DANNY AUERBACH AND MICHAEL GLASER**

The Commission announced that on September 28 it instituted administrative cease and desist proceedings against James Montgomery, II, of Auburn, GA, Danny R. Auerbach, of Lawrenceville, GA, and Michael L. Glaser, of Tempe, AZ. Montgomery was a director of sales for Computone Corporation of Alpharetta, GA. Auerbach was Computone's national sales manager and currently is its director of North American sales. Glaser is the president of a customer of Computone. In the Order Instituting Public Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 (Order), the Division of Enforcement alleges that these individuals took steps that caused Computone to violate the federal securities laws prohibiting fraud, the filing of false reports with the Commission, the failure to keep accurate books and records, and the failure to maintain an adequate system of internal accounting controls. Montgomery and Auerbach are also alleged to have knowingly falsified Computone's books, records and accounts.

The Division of Enforcement alleges that Montgomery altered a customer's purchase order so that Computone could recognize the sale and lied to Computone's outside auditors about the altered purchase order. Auerbach is alleged to have created a fictitious sales order while knowing that no such order was placed. Finally, the Order alleges that Glaser agreed to falsely represent that his employer had entered into a contract to purchase computer equipment from Computone and that it owed Computone the purchase price when in fact his employer would pay for the products only if it sold them..

A hearing will be held before an administrative law judge to determine whether the allegations in the Order are true and, if so, what, if any, remedial sanctions against Montgomery, Auerbach and Glaser are appropriate. (Rel. 34-41931; AAE Rel. 1180; File No. 3-10042)

**SEC SUES SENIOR OFFICERS OF A MICROCAP COMPANY AND ITS STOCK PROMOTERS FOR FINANCIAL FRAUD**

The Commission today announced the filing of a complaint in the United States District Court for the Eastern District of New York against Noah Steinberg, Enriquez Reyes Carrion, Gershon Tannenbaum, Jay M. Vermonty, and relief defendant Carmen Vermonty. The complaint alleges that from 1995 through 1997, the defendants engaged in a fraudulent scheme to falsify and inflate the financial condition of Power Phone Inc., a New York corporation formerly headquartered in Brooklyn, and its successor, TMC Agroworld

Corporation. According to the complaint, Steinberg, the president and chief executive officer of Power Phone, and Carrion, the president and chief executive officer of TMC Agroworld, orchestrated the fraud by filing fraudulent financial statements with the Commission and by issuing false press releases. The complaint also alleges that Tannenbaum and Jay Vermonty fraudulently promoted Power Phone and TMC Agroworld stock.

The complaint alleges that Power Phone's audited financial statements for the fiscal year ended June 30, 1995, improperly included two assets that Power Phone did not own: (i) artwork with a purported value of \$2 million; and (ii) a commercial grade application software program known as "ASAP," also with a purported value of \$2 million. Collectively these assets accounted for 95% of Power Phone's total assets. According to the complaint, Power Phone's audited financial statements for the fiscal year ended June 30, 1995 were included in Power Phone's annual report on Form 10-K and in a Form 10 registration statement, both of which were filed with the Commission in October 1995 and June 1996, respectively. The complaint states that Steinberg prepared and signed Power Phone's annual report and registration statement. The complaint also alleges that Steinberg made false statements to the accountants that audited Power Phone's financial statements for its fiscal year ended June 30, 1995.

The complaint further alleges that Steinberg and Carrion were involved in the issuance of false press releases. Among other things, those press releases claimed that Power Phone and TMC Agroworld owned a slaughterhouse and meat processing plant in Argentina purportedly worth \$74 million. The complaint alleges that neither Power Phone nor TMC Agroworld ever owned this asset. In addition, the complaint alleges that without any reasonable basis for its statements, TMC Agroworld claimed in press releases that it had entered into contracts to supply urea fertilizer to a foreign purchaser and that the contracts would yield astronomical profits of \$405 million to TMC Agroworld.

The complaint further alleges that two stock promoters, Tannenbaum and Jay Vermonty, actively and fraudulently touted the stock of Power Phone and TMC Agroworld to the investing public and then sold their stock in those entities at artificially inflated prices. According to the complaint, Tannenbaum has a disciplinary history which includes the revocation of his brokerage license by the NASD. The complaint also alleges that in 1994, the SEC obtained an order against Jay Vermonty, enjoining him from violating the antifraud provisions of the federal securities laws.

According to the complaint, Jay Vermonty conducted most of his fraudulent trading through the brokerage account of his wife, relief defendant Carmen Vermonty. Carmen Vermonty is not alleged to have herself engaged in any violations of the federal securities laws, but is named in the complaint as a relief defendant because she holds funds that represent the fruits of the violations committed by Jay Vermonty.

The complaint alleges that Steinberg violated Section 17(a) of the Securities Act of 1933 (Securities Act), Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 (Exchange Act), and Rules 10b-5, 13b2-1 and 13b2-2 thereunder. The complaint alleges that Carrion, Tannenbaum and Jay Vermonty violated Sections 10(b) of the Exchange Act and Exchange Act Rule 10b-5. The Commission seeks permanent injunctions and civil monetary penalties against Steinberg, Carrion, Tannenbaum and Vermonty. The Commission also seeks disgorgement of ill-gotten gains, together with prejudgment and postjudgment interest thereon, from Tannenbaum and Jay Vermonty. The Commission is also asking the Court to require Carmen Vermonty to account for and disgorge the profits she realized as a result of the illegal conduct of Jay Vermonty and to pay prejudgment interest thereon.

On April 14, 1999, the Commission instituted a related administrative proceeding pursuant to Rule 102(e) of the Commission's Rules of Practice against Michael, Adest & Blumenkrantz, P.C. (MA&B), and its two principal shareholders, David Michael (Michael) and Paul Adest (Adest). The Commission found that MA&B, Michael and Adest engaged in improper professional conduct in connection with their audit of the financial statements of Power Phone for the fiscal year ended June 30, 1995. Without admitting or denying the Commission's findings, MA&B, Michael and Adest consented to the entry of the Commission's order, which denies them the privilege of appearing or practicing before the Commission as accountants (In the Matter of Michael, Adest & Blumenkrantz, P.C., David Michael and Paul Adest, Rel. 34-41284; AAER No. 1125, April 14, 1999). [SEC v. Noah Steinberg, Enriquez Reyes Carrion, Gershon Tannenbaum, Jay M. Vermonty and Carmen Vermonty (as relief defendant), Civil Action No. 99-Civ. 6050, EDNY, RJ] (LR-16303; AAE Rel. 1173)

#### **COMPUTONE CORPORATION AND CERTAIN OFFICERS SUED FOR INFLATING EARNINGS**

On September 28, the Commission filed a complaint against Computone Corporation of Alpharetta, Georgia, Thomas J. Anderson, its former president and chief executive officer, Gregory A. Alba, Donald A. Pearce, its former vice president of finance, and certain other officers for inflating Computone's earnings. The complaint alleges that from October 1993 through October 1997 the defendants fraudulently overstated Computone's income; they improperly recognized revenue in approximately 240 transactions where, among other things, customers had never placed orders, products were not shipped to customers, products were shipped before customers wanted delivery, or the risks/rewards of ownership had not passed to the customers. Computone's income was also overstated as a result of the deliberate refusal to timely record product returns and failure to properly account for various expenses. As a result, the defendants collectively violated the antifraud, reporting, books and records, and internal control provisions of the Securities Exchange Act of 1934 (Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) and Rules 10b-5, 12b-20, 13a-1, 13a-13, 13b2-1 and 13b2-2 thereunder).

The complaint asks the Court to issue permanent injunctions against all the defendants and seeks civil money penalties against Anderson, Alba, Pearce, Hume and Kretschman, and disgorgement plus prejudgment interest against Anderson. The Commission also seeks a court order barring Anderson from serving as an officer and director in the future. [SEC v. Computone Corporation et al., Civil Action No. 1:99-CV-2496, N.D. Ga.] (LR-16307; AAE Rel. 1178)

#### **ADMINISTRATIVE CEASE AND DESIST ORDER ENTERED AGAINST RICKY BARKLEY**

The Commission announced that on September 28 it instituted and simultaneously settled an administrative proceeding against Ricky D. Barkley of Cumming, Ga., who consented to the entry of a cease-and-desist order against him without admitting or denying the Order's findings. In its Order, the Commission found that Barkley, a CPA, while employed as an accounting manager at Computone Corporation located in Alpharetta, Ga., allowed Computone in 1994 and 1995 to record transactions as sales not in conformity with generally accepted accounting principles; this caused Computone to materially overstate its income and further caused Computone to file false reports with the Commission and to make false entries in the internal books and records of the company. The Commission also found that Barkley failed to tell Computone's auditors about the company's misstated FY 1995 first quarter financial statements even though he was concerned that they were materially misstated. The Commission found that Barkley violated Section 13(b)(5) of the Securities Exchange Act and Rules 13b2-1 and 13b2-2 and caused Computone to violate Sections 13(a), 13(b)(2)(A) and (B) of the Securities Exchange Act and Rules 12b-20, 13a-13 and 13b2-1. (Rel. 34-41923, AAE Rel. 1160; File No. 3-10034)

#### **EIGHT FORMER OFFICERS AND EMPLOYEES OF SOFTWARE COMPANY ARE CHARGED WITH COMMITTING FINANCIAL FRAUD VIOLATIONS**

The Commission today filed a civil injunctive action in federal court in Atlanta, Georgia against Francis A. Tarkenton (Tarkenton), Donald P. Addington (Addington), Rick W. Gossett (Gossett), Lee R. Fontaine (Fontaine), William E. Hammersla, III (Hammersla), Robert S. Chamberlain (Chamberlain), Eladio Alvarez (Alvarez), and Edward Welch (Welch), alleging that they engaged in a financial fraud scheme and violated antifraud, corporate reporting and recordkeeping and other provisions of the federal securities laws. During the time of the events alleged in the Commission's complaint, Tarkenton was chief executive officer and chairman of the board of directors of KnowledgeWare, Inc. (KnowledgeWare); Addington was KnowledgeWare's President and Chief Operating Officer; Gossett, a certified public accountant, was KnowledgeWare's Chief Financial Officer; Fontaine, a certified public accountant, was KnowledgeWare's Manager of Financial Reporting; and Hammersla, Chamberlain, Alvarez and Welch were KnowledgeWare sales executives.

In its complaint, the Commission alleges that the defendants engaged in a fraudulent scheme whereby they falsely portrayed KnowledgeWare's financial performance in the quarters ended

September 30, 1993, December 31, 1993 and March 31, 1994. The complaint further alleges that even when KnowledgeWare was later forced to restate those results, Tarkenton and Gossett continued to mislead the investing public by misrepresenting the circumstances that led to the restatement. The complaint also alleges that the defendants, directly or indirectly, made or caused false entries on KnowledgeWare's books and records and otherwise circumvented whatever internal controls existed at KnowledgeWare. In addition, the complaint alleges that Gossett made materially false and misleading statements to KnowledgeWare's auditors. Finally, the complaint alleges that Hammersla and Alvarez used material nonpublic information concerning KnowledgeWare's pending acquisition by another software company when they sold all their shares of KnowledgeWare stock in August 1994.

Simultaneous with the filing of the complaint, Gossett and Fontaine consented, without admitting or denying the allegations in the complaint, to the entry of final judgments: (i) permanently enjoining them from violating antifraud and other provisions of the federal securities laws; (ii) ordering Gossett to disgorge a performance bonus he received based on the inflated quarterly financial results; and (iii) ordering them to pay civil penalties of \$25,000 and \$10,000, respectively. [SEC v. Francis A. Tarkenton, Donald P. Addington, Rick W. Gossett, Lee R. Fontaine, William E. Hammersla, III, Robert S. Chamberlain, Eladio Alvarez, and Edward Welch, Civil Action No. 1:99-CV-2497, ND Ga.] (LR-16306, AAE Rel. 1179)

### **THREE EXECUTIVES OF PEPSI-COLA PUERTO RICO BOTTLING COMPANY CHARGED WITH ACCOUNTING FRAUD**

The Commission announced today that it filed accounting fraud charges against three executives of Pepsi-Cola Puerto Rico Bottling Company (Pepsi P.R.) in the United States District Court for the District of Columbia. The complaint alleges that Pepsi P.R.'s General Manager, Jose Carlos Villares (Villares), directed the company's Director of Finance, Jose E. Rivera, CPA (Rivera), and Controller, Guillermo Quinones, CPA (Quinones), to inflate the company's financial results by understating sales discounts and allowances and operating expenses, in violation of the antifraud, reporting and books and records provisions of the federal securities laws. The complaint also alleges that Villares orchestrated, and Quinones agreed to participate in, an unsuccessful revenue recognition scheme, in violation of the books and records provisions. The complaint alleges that, as a result of defendants' fraudulent scheme, the company's Forms 10-Q for the first two quarters following its September 19, 1995 initial public offering were materially false and misleading. Previously, the Commission charged Pepsi P.R. in a settled cease and desist proceeding arising out of the same conduct that formed the basis for today's action. See In the Matter of Pepsi-Cola Puerto Rico Bottling Company, Secs. Exch. Act Rel. No. 39984 (May 12, 1998).

All three defendants have agreed to settle the charges without admitting or denying the allegations in the complaint. Villares consented to the entry of a final judgment permanently enjoining him from future violations of Section 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 10b-5, 12b-20, 13a-13, 13b2-1 and 13b2-2 thereunder. The Commission agreed not to seek imposition of civil monetary penalties against Villares based upon his demonstrated inability to pay. Rivera consented to the entry of a final judgment permanently enjoining him from future violations of Section 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-13 and 13b2-1 thereunder, and imposing a \$10,000 civil penalty. Rivera also offered to settle related administrative proceedings by consenting to the issuance of an order denying him the privilege of appearing or practicing before the Commission as an accountant, with the right to apply for reinstatement after five (5) years, pursuant to Rule 102(e) of the Commission's Rules of Practice. Quinones consented to the entry of a final judgment permanently enjoining him from future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-13 and 13b2-1 thereunder. [SEC v. Jose Carlos Villares, Jose E. Rivera and Guillermo Quinones, No. 99 Civ. 2565, TPJ, D.D.C.] (LR-16301, AAE Rel. 1171)

#### **SEC FILES FRAUD CASE AGAINST ITEX CORPORATION**

On September 27, the Securities and Exchange Commission filed a civil fraud action in the United States District Court for the District of Oregon against Itex Corporation (Itex), Terry L. Neal, Michael T. Baer, Graham H. Norris, Cynthia Pfaltzgraff and Joseph M. Morris. The Commission's complaint alleges that Itex, a Portland-based barter exchange operator, materially inflated its revenues and earnings in financial statements filed with the Commission and in other disclosures made to investors through a series of suspect, and in many cases sham, barter deals between Itex and various offshore entities controlled by or related to Itex's founder, Terry Neal. The complaint also alleges that Neal, a control person of Itex, orchestrated these transactions and made profits of approximately \$6.3 million from sales of Itex stock through a variety of primarily offshore accounts he controlled. Neal was assisted in the fraud scheme by various people who, at the time, were members of Itex management, specifically, Michael Baer, Graham Norris, Joseph Morris and Cynthia Pfaltzgraff.

The complaint alleges that the defendants violated the antifraud provisions of the federal securities laws, certain reporting, internal controls and record-keeping provisions. The complaint alleges that Itex and Neal violated the securities registration provisions of Section 5 of the Securities Act and that Neal violated Sections 13(d) and 16(a) of the Exchange Act of 1934, and Baer violated Section 13(d), by failing to make filings disclosing their beneficial interest and changes in their interest in the securities of Itex.

The Commission is seeking injunctive relief, civil penalties, disgorgement of Neal, Baer and Morris' ill-gotten gains, and officer and director bars against Neal, Baer and Morris. [SEC v. Itex Corporation, Terry L. Neal, Michael T. Baer, Graham H. Norris, Cynthia Pfaltzgraff and Joseph M. Morris, Civ. No. 99-1361, HA, D. Ore.] (LR-16305, AAE Rel. 1175)

#### **SEC CHARGES FORMER GENERAL MANAGER WITH FRAUD ARISING FROM THEFT OF OVER \$400,000**

The Commission today filed a complaint in the United States District Court for the District of Columbia against Bradley J. Buchanan, of Sarnia, Ontario. The complaint alleges that Buchanan, a former employee of a subsidiary of Thor Industries, Inc. (Issuer), stole corporate funds totaling at least \$415,000. According to the complaint, to conceal his theft, give the appearance that the subsidiary was operating at a profit when it was not, and to earn performance bonuses, Buchanan made false entries to the subsidiary's books and records over a several year period. Due to Buchanan's fraudulent scheme, the Issuer filed with the Commission annual and periodic reports for fiscal 1996, 1997, and the first two quarters of fiscal 1998, which materially overstated net income by between 4% to 19%, and a registration statement on Form S-8, which incorporated by reference the 1997 financial statements.

As a result, the complaint alleges that Buchanan violated Section 17(a) of the Securities Act of 1933, Sections 10(b), and 13(b)(5) of the Securities Exchange Act of 1934 (Exchange Act), and Rules 10b-5 and 13b2-1 thereunder, and aided and abetted violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. The complaint seeks a permanent injunction and an officer and director bar against Buchanan.

On September 21, 1999, the United States Attorney's Office for the Eastern District of Michigan secured a fourteen-count criminal indictment charging Buchanan with wire fraud and interstate transportation of money obtained by fraud arising from the same conduct. [SEC v. Bradley J. Buchanan, Case No. 1:99CV02567, TPJ, D.D.C.] (LR-16302, AAE Rel. 1172)

#### **SEC SUES NORTHERN VIRGINIA TELECOMMUNICATIONS COMPANY AND ASSOCIATED INDIVIDUALS FOR ACCOUNTING VIOLATIONS**

The Commission today filed civil actions in federal district court in Alexandria, Virginia against FastComm Communications Corporation, a telecommunications company based in Sterling, Virginia, and Charles L. DesLaurier, formerly FastComm's Vice President of Contracts and Administration. The complaint charged that FastComm, with the knowledge and participation of DesLaurier, engaged in certain transactions that led to the fraudulent recognition of revenue in certain of its financial statements during 1993 and 1994. In addition, FastComm failed to disclose a related-party transaction between the Company president and his brother-in-law that accounted for nearly 20% of the sales revenue for the quarter ended, July 31, 1993.

According to the complaints, FastComm recognized \$185,000 in revenue on a sale of product that was not completely assembled as originally shipped. The complaint as to DesLaurier alleges that he had directed the shipment of incomplete product and ordered the backdating of Company documentation to conceal that certain shipments had been made after the end of the quarter.

The complaints further allege that FastComm similarly recognized revenue of \$579,000, or one-third of its sales revenue for the quarter ended, February 5, 1994, on two sales of incomplete product to a South American customer. When finished product was not available for shipment to satisfy these orders by the end of the quarter, the complaints allege that unfinished product was shipped to a freight-forwarder's warehouse to be held until recalled by FastComm. In addition, these sales were contingent on a letter of credit from the customer, which was never provided, and a further sale of the product by the customer to an end-user. The complaint as to DesLaurier alleges that DesLaurier had ordered the shipment of unfinished product; that he had known of the conditional nature of the sale by assisting in the drafting of a side letter; and that he had been aware of the backdating of Company documentation to conceal that this shipment of product had been made after the close of the fiscal quarter ended, February 5, 1994.

Simultaneous with the filing of the complaints, FastComm and DesLaurier each consented, without admitting or denying the allegations in the complaints, to the entry of final judgments as to each of them. The final judgment as to FastComm enjoins it from future violations of the antifraud, the periodic reporting, books and records and internal control provisions of the Securities Exchange Act of 1934. The final judgment as to DesLaurier enjoins him from future violations of the Exchange Act's antifraud provisions and aiding and abetting violations of the Exchange Act's periodic reporting provisions, and orders that he pay a civil penalty of \$20,000.

In a related matter, on September 28, 1999, the Commission instituted and simultaneously settled public administrative proceedings against two other FastComm officers: CEO Peter C. Madsen and CFO Mark Rafferty. The Commission made findings that Madsen and Rafferty were each a cause of certain of the Company's violations of the Exchange Act's periodic reporting, books and records and internal controls provisions. Madsen and Rafferty each consented, without admitting or denying the Commission's findings, to the issuance of an order directing each of them to cease and desist from causing any violation or any future violation of the periodic reporting, books and records and internal controls provisions of the Exchange Act. In addition, Madsen and Rafferty each agreed, in a separate civil action in federal district court, to pay \$20,000 in civil penalties. [SEC v. FastComm Communications Corporation, Civil Action No. 99-1448-A, ED Va.]; [SEC v. Charles L. Deslaurier, Civil Action No. 99-1449-A, ED Va.] (LR-16310; AAE Rel. 1187)



## **IN THE MATTER OF PAUL FINK, C.P.A.**

On September 28, the Securities and Exchange Commission instituted public administrative proceedings against Paul T. Fink, the former CFO and later, CEO, of Photran Corp., a manufacturer of high-performance, film-coated glass located in Lakeville, Minnesota. Photran ceased operations in April, 1999 and filed for Chapter 7 bankruptcy protection on May 3, 1999.

In the Order Instituting Proceedings, the Division of Enforcement (Division) and the Office of Chief Accountant (OCA) allege that Fink violated the antifraud and books and records provisions of the federal securities laws by preparing Photran's financial statements and signing the company's registration statement and periodic reports filed with the Commission when he knew or was reckless in not knowing that they contained materially false and misleading financial information. The Division and OCA further allege that Fink knowingly falsified and directly caused false entries to be made in Photran's books and records when he directed a Photran employee to backdate various documents to report a false shipment date that resulted in premature revenue recognition. In addition, the Division and OCA allege that Fink circumvented existing internal accounting controls at Photran by allowing fictitious and premature revenue to be recorded without proper documentation. As a result of this conduct, the Division and OCA allege that Fink violated Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b-2-2 thereunder. (Rel. 34-41934; AAE Rel. 1183; File No. 3-10045)

## **SEC FILES FRAUD CHARGES AGAINST FOUNDER OF PHOTRAN CORP. AND OTHERS**

On September 27, the Commission filed a complaint in the United States District Court for the District of Minnesota against David E. Stevenson, the founder and former president, CEO and chairman of the board of directors of Photran Corp. Before it filed for Chapter 7 bankruptcy protection on May 3, 1999, Photran was headquartered in Lakeville, Minnesota and manufactured high-performance, film-coated glass. The Commission alleges that David Stevenson violated the antifraud, books and records, and internal accounting control provisions of the federal securities laws. The complaint also alleges that David Stevenson's brother, Mark Stevenson, aided and abetted David Stevenson's violations of the antifraud provisions.

The Commission alleges that, beginning in December 1995, David Stevenson devised a fraudulent scheme to overstate Photran's revenues and earnings by recording fictitious sales and prematurely recognizing revenue. This scheme allowed Photran to report a profit for the first time in its existence and just prior to its initial public offering. Specifically, the complaint alleges that in December 1995, David and Mark Stevenson used Photran's own funds as the purported payment for a fictitious glass sales. Using a network of sham companies created by his brother, David Stevenson caused over a million dollars to be wired from Photran accounts purportedly to purchase equipment. In reality, only \$18,000 was spent to purchase a used piece of equipment while \$951,000 was wired back

from the sham company accounts to Photran as payment for glass that was never sold. According to the complaint, Mark Stevenson also converted over \$55,000 of Photran's funds for his personal benefit.

The complaint further alleges that David Stevenson fabricated invoices and shipping documents to support additional fictitious sales during 1996. He also directed Photran employees to record unshipped and consigned glass orders as revenue which were recorded in Photran's books and records and incorporated into the financial statements filed with the Commission. In addition, David Stevenson took steps to conceal these fraudulent transactions from Photran's auditors by providing falsified documents to them during the company's initial public offering and its 1996 audit. According to the complaint, this conduct caused Photran to report a profit in its initial registration statement and in subsequent quarters when, in fact, it suffered significant losses. David Stevenson signed Photran's registration statement and the 1996 second and third quarter reports filed with the Commission when he knew or was reckless in not knowing that they contained false and misleading information.

David Stevenson settled the Commission's lawsuit, without admitting or denying the allegations, and agreed to an injunction prohibiting him from future violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 and Rules 10b-5, 13b2-1 and 13b2-2. David Stevenson also agreed to an order prohibiting him from serving as an officer and director of any public company for a period of three years and to pay a \$25,000 civil money penalty. In addition, David Stevenson agreed to settle an anticipated administrative proceeding against him, based on the entry of the injunction, which would deny him the privilege of appearing or practicing as an accountant before the Commission pursuant to Rule 102(e) of the Commission's Rule of Practice. Mark Stevenson also settled the Commission's charges, agreeing to a judgment which permanently enjoins him from violating or aiding or abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, but does not order him to pay disgorgement or a civil penalty based upon his demonstrated inability to pay. [SEC v. David E. Stevenson and Mark A. Stevenson, Civil Action No. 99-CV-1470, DWF/AJB, D. Minn.] (LR-16308; AAE Rel. 1185)

#### **SEC BRINGS ACCOUNTING FRAUD CASE AGAINST OFFICERS OF FLORIDA PERFUME WHOLESALE**

The SEC today filed a complaint in the United States District Court for the District of Columbia charging two former officers of Model Imperial, Inc. with falsifying Model Imperial's financial statements and fraudulently inflating the company's sales and net income. Model Imperial, based in Boca Raton, Florida, is a wholesale distributor of brand name fragrances and cosmetics to discount retailers, drugstore and supermarket chains and other mass merchants. At the time of the actions alleged in the SEC's complaint, Model Imperial was a public company. All of its stock,

however, has subsequently been acquired by a private entity.

The officers of Model Imperial named in the first complaint are Harold M. Ickovics, Model Imperial's President and Chief Executive Officer, and Stephen J. Kesh, Model Imperial's former Chief Financial Officer. The complaint alleges that during 1994 and 1995, Ickovics and Kesh caused Model Imperial to record: (1) a \$1.3 million gain from a "barter" transaction which lacked economic substance; (2) sales revenue from consignment shipments; (2) customer returns of merchandise as purchases of goods; and (3) sham sales transactions to create fraudulent receivables in connection with a revolving credit agreement. In addition, Model Imperial overstated gross profits on retail sales and made improper payments to obtain a supply of product and recorded fictitious purchases to conceal the nature of those payments. These practices resulted in the filing with the SEC of numerous false and misleading periodic reports during 1994 and 1995.

Ickovics and Kesh each consented, without admitting or denying the SEC's allegations, to a Final Judgment that permanently enjoins each of them from violating the anti-fraud, periodic reporting and internal controls provisions of the securities laws. In addition, Ickovics agreed to pay a civil penalty of \$200,000, and Kesh agreed to pay a civil penalty of \$25,000. Kesh has also consented to the entry of an order permanently denying him the privilege of practicing as an accountant before the SEC.

Named in a separate complaint, also filed today in the U.S. District Court of the District of Columbia, is Robert M. Cankes. From April 1991 until July 1996, Cankes was the president of a major fragrance company which supplied products to Model Imperial. The complaint alleges that Cankes was questioned by Model Imperial's outside auditors about payments made by Model Imperial to an individual, now deceased, for the purpose of obtaining supplies of fragrance. Cankes falsely stated that he was unaware of the arrangement and did not disclose to the auditors that he had been given money by this individual. In so doing, Cankes aided and abetted Ickovics' violations of Exchange Act Rule 13b2-2, or the "lying to auditors" provision of the Exchange Act. Simultaneously with the filing of the complaint in this action, Cankes consented, without admitting or denying the SEC's allegations, to a Final Judgment against him that imposes: (i) a permanent injunction against violating or aiding and abetting the above provision of the Exchange Act and (ii) a civil penalty of \$50,000.

In a related matter, the SEC instituted an administrative proceeding against Kenneth Schwartz and Joel Steinberg, partners in a retail fragrance shop. According to the Order Instituting that proceeding, in order to ensure a continuing supply of products from a fragrance supplier, Model Imperial made payments to an officer of the supplier, either directly or through a middleman. Model Imperial's President, Harold Ickovics, obtained cash for some of these payments from Schwartz and Steinberg. On at least three occasions, Ickovics delivered a Model Imperial check to Schwartz and Steinberg and received cash in exchange, minus a three percent fee retained by

them. Ickovics obtained, on behalf of Model Imperial, at least \$490,000 in cash from Schwartz and Steinberg, in exchange for Model Imperial checks. In all three instances Schwartz and Steinberg provided Ickovics with fraudulent invoices for merchandise in the amount of the checks, which allowed Model Imperial to record the transactions as purchases of product and thus conceal their true nature. The SEC's order finds that Schwartz and Steinberg, through this conduct, were each a cause of Model Imperial's violations of the antifraud, periodic reporting and books and records provisions of the securities laws. Without admitting or denying the SEC's findings, Schwartz and Steinberg consented to the issuance of an order that they cease and desist from committing or causing any violations of the above provisions of the securities laws and pay disgorgement of \$14,500, plus prejudgment interest.

Finally, the SEC instituted public administrative proceedings to determine whether to revoke the registration of the common stock of Model Imperial. [SEC v. Harold M. Ickovics and Stephen J. Kesh, Civil Action No. 1:99CV02563, D.D.C; SEC v. Robert M. Cankes, Civil Action No. 1:99CV02564, D.D.C.] (Rels. 34-41932; 34-41933; AAE Rels. 1181; 1182; File Nos. 3-10043; 3-10044)

#### **SETTLEMENT OFFER OF MATERIAL SCIENCES CORPORATION ACCEPTED**

The Commission, by consent, entered an Order Instituting Public Administrative Proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act), against Material Sciences Corporation (MSC). The Order requires MSC to cease and desist from committing or causing any violation and any future violation of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder. The Order further requires MSC to require its personnel occupying the following positions to submit to 40 hours of educational classes and seminars on the subject of accounting policies and procedures and internal accounting controls within one year from the date the Order is entered: Chief Financial Officer, Chief Accounting Officer, Group Vice President and General Manager of the Laminates Division, and all Division Controllers.

The Order states that during the period March 1, 1995 through February 28, 1997, the Plant Controller at one of MSC's divisions recorded erroneous entries on MSC's books, records, and accounts. As a result of these erroneous entries, MSC's inventory and accounts payable records were inaccurate or overstated. These improper accounting entries caused MSC to file with the Commission an inaccurate Form 10-K which overstated MSC's earnings for fiscal year ended 1996. These improper entries also caused MSC to file with the Commission inaccurate Forms 10-Q for the first, second, and third quarters of fiscal years ended 1996 and 1997, which overstated MSC's quarterly net earnings. The Order further states that during fiscal years ended 1995, 1996, and 1997, MSC failed to implement and maintain proper and adequate internal accounting controls. MSC's internal accounting controls were inadequate to detect the false entries made by MSC's Plant Controller because MSC failed to

reconcile or analyze its general ledger accounts to ensure that transactions were properly recorded and account balances properly stated. MSC also failed to revise its policies and procedures manual which could have ensured that accounting policies and procedures were segregated properly. In addition, MSC's computer system needed to be updated to eliminate the need to make manual adjustments to inventory valuation. Although it did not contribute to the overstatement of inventory in this instance, MSC's computer system also lacked safeguards to prevent inappropriate manual computer entry of general ledger information.

In a related matter, on September 27, 1999, the Commission filed a complaint in the United States District Court for the Northern District of Illinois against Robert H. Sutton, a former plant controller for MSC. The complaint alleges that between March 1995 and February 1997, Sutton violated the antifraud provisions of the Exchange Act by making false entries in the inventory and accounts payable records of MSC. (Rel. 34-41930; AAE Rel. 1176; File No. 3-10041)

#### **SEC SUES ROBERT SUTTON FOR FINANCIAL FRAUD**

On September 27, the Commission filed a complaint in the United States District Court for the Northern District of Illinois against Robert H. Sutton, a resident of Palatine, Illinois. The complaint alleges that between March 1995 and February 1997, Sutton violated the antifraud provisions of the Securities Exchange Act of 1934 (Exchange Act) by making false entries in the inventory and accounts payable records of Material Sciences Corporation (MSC), a Delaware corporation based in Elk Grove Village, Illinois. At the time, Sutton was the plant controller of a unit of MSC. According to the complaint, Sutton fabricated values for inventory work in process and used these values to artificially inflate the book value of the unit's inventory on hand and to understate the unit's cost of sales. Sutton also is charged with making false ledger entries for the unit's accounts payable. The complaint alleges that, as a result of Sutton's false entries, MSC overstated its net earnings for the fiscal year ended February 29, 1996, by 29%. The complaint also alleges that the false entries caused MSC to overstate the net earnings in MSC's Forms 10-Q during fiscal years 1996 and 1997 by amounts ranging between 6.27% and more than 300%. In addition, the complaint alleges that Sutton violated the Exchange Act by circumventing MSC's system of internal accounting controls and falsifying MSC's books, records and accounts.

In a related matter, the Commission, by consent, entered an Order Instituting Public Administrative Proceedings against MSC. The Order requires MSC to cease and desist from committing or causing any violation and any future violation of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder, and to engage in certain undertakings. [SEC v. Robert H. Sutton, USDC, ND Ill., Civil Action No. 99 C 6342] (LR-16304; AAE Rel. 1174)

**COMPLAINT FILED AGAINST KAHN, VAN EYL AND EHMANN IN SUB-PRIME LENDER ACCOUNTING FRAUD MATTER**

The Commission announced that on September 27 it filed a complaint in the U.S. District Court for the Northern District of Illinois against Mitchell Kahn, Paul Van Eyl and Thomas Ehmann. Kahn was the President and Chief Executive officer of First Merchants Acceptance Corporation (FMAC), a Deerfield, Illinois company which filed a Chapter 11 bankruptcy petition in July 1997. Van Eyl and Ehmann were Vice President of Strategic Planning and Chief Financial Officer, respectively, of FMAC. The complaint alleges that Kahn, Van Eyl and Ehmann engaged in a scheme to make FMAC's delinquent and uncollectable accounts appear current. Specifically, Kahn and Van Eyl directed FMAC's operations manager and financial analyst to, among other things, alter payment and balance information on thousands of FMAC accounts. Ehmann discovered the scheme and, instead of reporting it, took action in furtherance of the scheme and to prevent its detection. As a result of the Defendants' actions, FMAC's books and records vastly understated the number of delinquent and uncollectable accounts. This caused FMAC to materially under reserve its allowance for credit losses and overstate its net income for 1996 by over \$76 million dollars in filings with the Commission, which Kahn and Ehmann signed. The complaint alleges violations of the antifraud, periodic reporting and books and records provisions of the Securities Act of 1934. The Commission is seeking disgorgement of funds fraudulently obtained by Kahn, Van Eyl and Ehmann and civil monetary penalties.

In a related proceeding, the Commission also announced the entry of an Order requiring Respondents Steven Zemaitis and Julie Freisinger, two former low-level FMAC employees, to cease and desist from committing or causing violations of the antifraud, periodic reporting and books and records provisions of the Securities and Exchange Act of 1934, for their role in the scheme. [SEC v. Mitchell C. Kahn et al., N.D. Illinois, Case No. 99C 6343] (LR-16297, AAE Rel. 1167); In the Matter of Steven R. Zemaitis and Julie Freisinger, 34-41924, AAE Rel. 1161, File No. 3-10035)

**SEC FILES COMPLAINT CHARGING WIZ TECHNOLOGY EXECUTIVES MAR-JEANNE TENDLER AND ARTHUR TENDLER, AND FORMER WIZ CHIEF FINANCIAL OFFICER BILLIE JOLSON, WITH FINANCIAL FRAUD AND INSIDER TRADING**

The Commission filed suit today in the federal district court in Los Angeles, California against three top officers of WIZ Technology, Inc. (WIZ), based in San Juan Capistrano, California, for financial fraud and insider trading. The Commission sued Mar-Jeanne Tendler, WIZ's chief executive officer and chair of its board of directors, Arthur Tendler, WIZ's president and the husband of Mar-Jeanne Tendler, and Billie Jolson, WIZ's former chief financial officer, all residents of Orange County, California.

The Commission's complaint alleges that the three used accounting gimmicks, sham sales, and backdated agreements artificially to inflate WIZ's publicly reported sales, income, and assets in four

reports filed with Commission and in three press releases during 1995, 1996, and 1997, causing WIZ to overstate revenue, income and assets in Commission reports and in press releases. The defendants are also alleged to have engaged in illegal insider trading during 1996 by selling thousands of shares of WIZ common stock, with the Tendlers receiving at least \$218,705, and Jolson receiving at least \$63,183, from the trades.

The Commission seeks an order enjoining the defendants from violating antifraud and other provisions of the federal securities laws, requiring them to disgorge their insider trading proceeds and to pay civil penalties, and barring them from serving as officers or directors of a public company. [SEC v. Mar-Jeanne Tandler, Arthur Tandler and Billie M. Jolson, USDC, CD Cal., Civil Action No. SA CV 99-1200, DOC, Anx] (LR-16298; AAE Rel. 1168)

#### **SEC SUES LAWRENCE BOROWIAK FOR FINANCIAL FRAUD AND INSIDER TRADING**

On September 28, the Commission filed a complaint seeking a Permanent Injunction in the United States District Court for the Northern District of Illinois against Lawrence Borowiak, a resident of Mundelein, Illinois. The complaint charges that between 1995 and February 1997, while acting as Assistant Controller of Mercury Finance Corporation (Mercury), Borowiak participated in a fraudulent scheme to overstate Mercury's earnings by \$22.7 million in 1995 and by \$14 million in 1996. According to the complaint, Borowiak inflated income accounts, failed to charge off losses incurred, reduced expenses and otherwise falsified company accounting records. He also is charged with giving false and misleading documents to Mercury's auditors regarding the fraudulent entries made to Mercury's books and records in an attempt to conceal the scheme. The complaint also alleges that just before the fraud was disclosed to the public, Borowiak sold most of his family's holdings in Mercury common stock, avoiding a loss of over \$550,000. The complaint also names Joanne Borowiak, Borowiak's wife, as a relief defendant in order to recover from her funds received from the sale of the stock.

Mercury was a sub-prime auto lender based in Lake Forest, Illinois. It filed for bankruptcy in 1998 and has been reorganized as MFN Financial Corporation. [SEC v. Lawrence Borowiak, USDC, ND Ill., Civil Action No. 99 C 6348] (LR-16296; AAE Rel. 1166)

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#### **INVESTMENT COMPANY ACT RELEASES**

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##### **DAEWOO CAPITAL MANAGEMENT CO., LTD., ET AL.**

A notice has been issued giving interested persons until October 18, 1999, to request a hearing on an application filed by Daewoo Capital Management Co., Ltd., et al. for an order exempting applicants from Section 15(a) of the Investment Company Act. The order would permit the implementation, without prior shareholder approval, of a new

investment subadvisory agreement for a period continuing until the agreement is approved or disapproved by shareholders of the investment company (but in no event later than December 31, 1999). (Rel. IC-24052 - September 24)

#### **ENDEAVOR SERIES TRUST, ET AL.**

A notice has been issued giving interested persons until October 22, 1999, to request a hearing on an application filed by Endeavor Series Trust, et al., exempting applicants from Section 15(a) of the Investment Company Act and Rule 18f-2 under the Act, and from certain disclosure requirements. The order would permit applicants to enter into and materially amend sub-advisory agreements without shareholder approval and would grant relief from certain disclosure requirements regarding advisory fees paid to subadvisers. (Rel. IC-24054 - September 27)

#### **ALLMERICA FINANCIAL LIFE INSURANCE AND ANNUITY COMPANY, ET AL.**

An order has been issued pursuant to Section 6(c) of the Investment Company Act exempting Allmerica Financial Life Insurance and Annuity Company (Allmerica), Separate Account VA-K of Allmerica, Separate Account VA-P of Allmerica, Separate Account KG of Allmerica, Allmerica Select Separate Account of Allmerica (together with the other Applicant separate accounts, the Separate Accounts), and Allmerica Investments, Inc. (collectively Applicants) from the provisions of Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder. The exemptive order permits the recapture of credits of up to 5% applied to contributions made under certain deferred variable annuity contracts and under contracts that Allmerica may in the future issue through the Separate Accounts or any future Separate Account of Allmerica, which contracts are substantially similar in all material respects to the contracts (future contracts), when an owner returns a contract for a refund during the free look period. The order also extends to any other National Association of Securities Dealers, Inc. member broker-dealer controlling or controlled by, or under common control with, Allmerica that serves as a distributor or principal underwriter for the contracts or future contracts. (Rel. IC-24055 - September 27)

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#### **HOLDING COMPANY ACT RELEASES**

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#### **NORTHEAST UTILITIES**

A notice has been issued giving interested persons until October 19, 1999, to request a hearing on a proposal by Northeast Utilities, a registered holding company, to issue guarantees, through December 31, 2002, in an aggregate amount not to exceed \$500 million. (Rel. 35-27078)



## **LG&E ENERGY CORP., ET AL.**

A notice has been issued giving interested persons until October 19, 1999, to request a hearing on a proposal by LG&E Energy Corp. (LG&E Corp.), a Kentucky public utility holding company exempt under Section 3(a)(1) from all provisions of the Act except Section 9(a)(2). LG&E Corp. requests authorization to acquire Western Kentucky Energy Corp. (WKEC), presently an indirect nonutility subsidiary of LG&E Corp., in connection with a consolidation among WKEC and two other nonutility subsidiaries of LG&E Corp. As a result of the consolidation, WKEC will become an electric utility company under the Act. LG&E Corp. also requests an order under Section 3(a)(1) exempting it from all provisions of the Act except Section 9(a)(2), following the proposed transaction. LG&E Corp. will own WKEC through LG&E Capital Corp., which requests an order under Section 3(a)(1) exempting it from all provisions of the Act except Section 9(a)(2), following the proposed transaction. In addition, LG&E Corp.'s electric utility subsidiary, Kentucky Utilities Company, requests an order under Section 3(a)(2) for an exemption from all provisions of the Act except Section 9(a)(2), following the proposed transaction. (Rel. 35-27078)

## **OHIO VALLEY ELECTRIC CORPORATION**

A notice has been issued giving interested persons until October 19, 1999, to request a hearing on a proposal by Ohio Valley Electric Corporation (Ohio Valley), an electric utility subsidiary company of American Electric Power Company, Inc. (AEP), a registered holding company, for Ohio Valley to incur \$100 million of short-term debt through December 31, 2003, provided that no notes mature later than June 30, 2004. (Rel. 35-27078)

## **NORTHEAST UTILITIES, ET AL.**

A notice has been issued giving interested persons until October 19, 1999, to request a hearing on a proposal by Northeast Utilities (Northeast), a registered holding company, and Northeast's electric utility and nonutility subsidiary companies to replace existing short-term debt facilities with new short-term debt instruments and facilities and increase the borrowing limits for Western Massachusetts Electric Company, an electric utility subsidiary of Northeast, and Northeast to \$250 million and \$400 million, respectively, through December 31, 2000. (Rel. 35-27078)

## **CONECTIV, ET AL.**

An order has been issued authorizing a proposal by Conectiv (Conectiv), a registered public utility holding company, to pay dividends for the third quarter of 1999 out of capital or unearned surplus. The Commission has reserved jurisdiction over proposals by Conectiv to pay dividends out of capital or unearned surplus for subsequent quarters, and Conectiv's utility subsidiaries, Atlantic City Electric Company and Delmarva Power & Light Company, to pay dividends out of capital or unearned surplus. (Rel. 35-27079)

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## SECURITIES ACT REGISTRATIONS

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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.

Registration statements may be obtained in person or by writing to the Commission's Public Reference Branch at 450 Fifth Street, N.W., Washington, D.C. 20549 or at the following e-mail box address: <publicinfo@sec>. In most cases, this information is also available on the Commission's website: <www.sec.gov>.

- F-10 BIOVAIL CORPORATION INTERNATIONAL, 2488 DUNWIN DR, MISSISSAUGA, ONTARIO, A6 (416) 285-6000 - 5,060,000 (\$288,116,400) FOREIGN COMMON STOCK (FILE 333-10854 - SEP. 21) (BR. 1)
- S-8 TRANS GLOBAL SERVICES INC, 1393 VETERANS MEMORIAL HWY, SUITE 307, HAUPPAUGE, NY 11788 (516) 724-0006 - 802,661 (\$2,313,811) COMMON STOCK. (FILE 333-87451 - SEP. 21) (BR. 2)
- S-1 SYMYX TECHNOLOGIES INC, 3100 CENTRAL EXPRESS WAY, SANTA CLARA, CA 95051 (408) 754-2000 - \$69,000,000 COMMON STOCK. (FILE 333-87453 - SEP. 21) (BR. 1 - NEW ISSUE)
- S-3 ADVANCED ENERGY INDUSTRIES INC, 1625 SHARP POINT DR, FT COLLINS, CO 80525 (970) 221-4670 - 115,000,000 (\$115,000,000) COMMON STOCK (FILE 333-87455 - SEP. 21) (BR. 5)
- SB-1 ISW INTERNATIONAL INC, 363 ATLANTIC BLVD, STE 6, ATLANTIC BEACH, FL 32233 (801) 222-9414 - 1,500,000 (\$1,500,000) COMMON STOCK. (FILE 333-87457 - SEP. 21) (BR. 9 - NEW ISSUE)
- S-3 ADVANCED ENERGY INDUSTRIES INC, 1625 SHARP POINT DR, FT COLLINS, CO 80525 (970) 221-4670 - 3,450,000 (\$132,285,938) COMMON STOCK. (FILE 333-87459 - SEP. 21) (BR. 5)
- S-8 TORO CO, 8111 LYNDAL AVE SOUTH, BLOOMINGTON, MN 55420 (612) 888-8801 - 500,000 (\$18,735,000) COMMON STOCK. (FILE 333-87461 - SEP. 21) (BR. 5)
- S-8 ASTRONICS CORP, 1801 ELMWOOD AVE, P O BOX 587, BUFFALO, NY 14207 (716) 447-9013 - 250,000 (\$2,359,375) COMMON STOCK. (FILE 333-87463 - SEP. 21) (BR. 4)
- S-8 CRAWFORD & CO, 5620 GLENRIDGE DR NE, ATLANTA, GA 30342 (404) 256-0830 - 500,000 (\$4,887,500) COMMON STOCK. (FILE 333-87465 - SEP. 21) (BR. 1)
- S-8 LS CAPITAL CORP, 15915 KATY FREEWAY, STE 250, HOUSTON, TX 77094 (713) 398-5588 - 1,000,000 (\$21,500) COMMON STOCK. (FILE 333-87469 - SEP. 21) (BR. 5)
- S-4 STERLING CHEMICAL INC, 1200 SMITH STREET, SUITE 1900, HOUSTON, TX 77002 (713) 650-3700 - 295,000,000 (\$295,000,000) STRAIGHT BONDS. (FILE 333-87471 - SEP. 21) (BR. 2)
- S-3 KESTREL ENERGY INC, 999 18TH ST #2490, DENVER, CO 80202 (303) 295-1939 - 1,880,000 (\$3,408,440) COMMON STOCK. (FILE 333-87473 - SEP. 21) (BR. 4)

S-1 ESPEED INC, ONE WORLD TRADE CENTER, 105TH FLOOR, NEW YORK, NY 10048  
(212) 938-5000 - \$253,000,000 COMMON STOCK. (FILE 333-87475 - SEP. 21)  
(BR. 8 - NEW ISSUE)

S-3 GOOD GUYS INC, 7000 MARINA BLVD, BRISBANE, CA 94005 (415) 615-5000 -  
3,250,000 (\$17,468,750) COMMON STOCK. 1,625,000 (\$9,953,125)  
WARRANTS, OPTIONS OR RIGHTS. (FILE 333-87477 - SEP. 21) (BR. 2)

S-8 CORONADO INDUSTRIES INC, 16929 EAST ENTERPRISE DRIVE, SUITE 202,  
FOUNTAIN HILLS, AZ 85268 (602) 837-6810 - 200,000 (\$36,000) COMMON STOCK.  
(FILE 333-87479 - SEP. 21) (BR. 1)

S-4 CALIFORNIA COMMUNITY BANCSHARES INC, ONE MARITIME PLAZA, SUITE 825,  
SAN FRANCISCO, CA 94111 (415) 434-1236 - 6,904,690 (\$39,507,000)  
COMMON STOCK. (FILE 333-87481 - SEP. 21) (BR. 7 - NEW ISSUE)

S-8 APPLIED GRAPHICS TECHNOLOGIES INC, 450 W 33RD ST, 11TH FLOOR, NEW YORK,  
NY 10001 (212) 716-6600 - 3,000,000 (\$24,562,500) COMMON STOCK (FILE  
333-87483 - SEP. 21) (BR. 2)

S-8 SL GREEN REALTY CORP, 420 LEXINGTON AVENUE, NEW YORK, NY 10170  
(212) 594-2700 - 1,275,000 (\$26,214,000) COMMON STOCK. (FILE 333-87485 -  
SEP. 21) (BR. 8)

S-3 MANATRON INC, 2970 S 9TH ST, KALAMAZOO, MI 49009 (616) 375-5300 -  
200,000 (\$1,250,000) COMMON STOCK. (FILE 333-87487 - SEP. 21) (BR. 3)

S-3 IMCLONE SYSTEMS INC/DE, 180 VARICK ST, NEW YORK, NY 10014 (212) 645-1405  
- 2,875,000 (\$101,085,000) COMMON STOCK. (FILE 333-87489 - SEP. 21)  
(BR. 1)

S-8 AMETEK INC/, STATION SQ, PAOLI, PA 19301 (610) 647-2121 - 1,500,000  
(\$31,455,000) COMMON STOCK (FILE 333-87491 - SEP. 21) (BR. 5)

S-8 NCO GROUP INC, 515 PENNSYLVANIA AVE, FT WASHINGTON, PA 19034  
(215) 793-9300 - 1,000,000 (\$45,500,000) COMMON STOCK (FILE 333-87493 -  
SEP. 21) (BR. 2)

S-8 MISSION CRITICAL SOFTWARE INC, 720 NORTH POST OAK RD SUITE 505, HOUSTON,  
TX 77024 (713) 545-1700 - 8,496,135 (\$350,210,685) COMMON STOCK. (FILE  
333-87495 - SEP. 21) (BR. 3)

S-1 GRIC COMMUNICATIONS INC, 1421 MCCARTHY BLVD, MILPITAS, CA 95035  
(408) 955-1920 - \$50,000,000 COMMON STOCK. (FILE 333-87497 - SEP. 21)

S-3 BALLY TOTAL FITNESS HOLDING CORP, 8700 WEST BRYN MAWR AVENUE, CHICAGO,  
IL 60631 (773) 380-3000 - 275,312 (\$8,724,637) COMMON STOCK. (FILE  
333-87499 - SEP. 21) (BR. 5)

S-1 DIGIMARC CORP, ONE CENTERPOINE DR, STE 500, LAKE OSWEGO, OR 97035  
(503) 968-2908 - \$35,000,000 COMMON STOCK. (FILE 333-87501 - SEP. 21)

SB-2 FIRST NATIONAL BANCSHARES INC /SC/, 248 NORTH CHURCH STREET,  
SPARTANBURG, SC 29306 (864) 948-9001 - 1,200,000 (\$12,000,000)  
COMMON STOCK. (FILE 333-87503 - SEP. 21) (NEW ISSUE)

S-8 KANA COMMUNICATIONS INC, 87 ENCINA AVENUE, PALO ALTO, CA 94301  
(650) 325-9850 - 5,200,000 (\$93,600,000) COMMON STOCK (FILE 333-87505 -  
SEP. 21) (BR. 8)

S-8 EDWARDS A G INC, ONE N JEFFERSON AVE, ST LOUIS, MO 63103 (314) 289-3000  
- 15,000,000 (\$371,250,000) COMMON STOCK (FILE 333-87507 - SEP. 21)  
(BR. 7)

S-3 WHITTMAN HART INC, 311 SOUTH WACKER DR, STE 3500, CHICAGO, IL 60606  
(312) 922-9200 - 687,476 (\$21,786,114.44) COMMON STOCK. (FILE 333-87509 -  
SEP. 21) (BR. 8)

S-8 INPUT SOFTWARE INC, 1710 FORTUNE DR, SAN JOSE, CA 95131 (408) 435-8900  
- 300,000 (\$1,434,390) COMMON STOCK. (FILE 333-87511 - SEP. 21) (BR. 3)

S-8 ASSOCIATED MEDICAL DEVICES INC, 211 WEST WALL, MIDLAND, TX 79701  
(915) 682-1761 - 389,350 (\$194,675) COMMON STOCK. (FILE 333-87513 -  
SEP. 21) (BR. 8)

SB-2 OMNIS TECHNOLOGY CORP, 981 INDUSTRIAL WAY, BUILDING B, SAN CARLOS, CA  
94070 ((65) 0)6-32-7 - \$28,749,007 COMMON STOCK. (FILE 333-87519 -  
SEP. 21) (BR. 3)

S-3 VIROPHARMA INC, 405 EAGLEVIEW BLVD, PO BOX 5000, EXTON, PA 19341  
(610) 458-7300 - 3,450,000 (\$88,078,500) COMMON STOCK (FILE 333-87523 -  
SEP. 22) (BR. 1)