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SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

COMMISSION MEETINGS

CLOSED MEETING – TUESDAY, OCTOBER 9, 2001 – 10:00 A.M.

The subject matter of the closed meeting scheduled for Tuesday, October 9, 2001, will be: Institution of an administrative proceeding of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

ENFORCEMENT PROCEEDINGS

SEC SUES MARK SENDO AND INTERNET MONEY.COM, INC.

On September 28, the Commission filed a lawsuit in federal district court in Detroit, Michigan charging Internet Money.com, Inc. (iMC) and its largest shareholder and former CEO, Mark Sendo, a resident of Ann Arbor, Michigan, with fraud in the offer and sale of iMC stock. iMC is an Ann Arbor based start-up company that purportedly is developing a secure Internet payment device. The Commission's Complaint alleges that, from at least December 1999 until March 2001, iMC and Sendo raised at least \$440,500 through the sale of common stock to at least 23 investors. The Complaint alleges that iMC and Sendo made false and misleading statements in business plans provided to potential investors. First, iMC falsely represented that various high profile figures in the Internet and "payment systems" industries had invested in iMC, served on iMC's Board of Directors or were a part of iMC's management team. Second, iMC's offering materials present a misleading portrayal of Sendo because they do not disclose that Sendo had previously pled guilty to federal criminal wire fraud charges and was enjoined in a related Commission enforcement action for his role in a securities fraud.

The Commission seeks injunctive relief against iMC and Sendo, and civil penalties against Sendo. [SEC v. Mark Sendo and Internet Money.com, Inc., Civ. Action No. 01-73698, E.D. Mich.] (LR-17166)

COMPLAINT FILED AGAINST TELNETGO2000, INC. AND WAYNE MULLINS

A complaint has been filed against TELnetgo2000, Inc. and Wayne E. Mullins, TELnet's chief executive officer, seeking permanent injunctions against TELnet and Mullins and the imposition of civil money penalties against Mullins. The complaint alleges that TELnet and Mullins, made unreasonable projections of revenues and earnings in a series of quarterly and annual filings with the Commission and in a private placement memorandum through which the company raised approximately \$1 million from investors. TELnet repeatedly stated in these documents that the company would realize annual revenues of over \$80 million and gross earnings of more than \$50 million from the marketing of its proprietary pull tab bingo gaming table to Indian casinos throughout the country. TELnet and Mullins also misrepresented the number of bingo tables that would be placed in Indian casinos and failed to disclose that TELnet had not received a required license from the National Indian Gaming Commission to place the bingo tables in Indian casinos.

It is alleged that through such conduct TELnet and Mullins violated Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and that Mullins aided and abetted TELnet in violating Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. [SEC v. TELnetgo2000, Inc. and Wayne E. Mullins, Docket No. CIV 01-1822PHXSRB, USDC D Ariz.] (LR-17160)

SEC CHARGES INSIDER TRADING IN ACQUISITION OF CLARIFY, INC. BY NORTEL NETWORKS

On July 2, 2001, the Commission filed an insider trading case alleging that the spouse of a San Francisco public relations executive obtained nonpublic information about the acquisition of Clarify, Inc. by Nortel Networks Corporation. The Commission alleged that George F. Brandt of San Francisco used the information he had gotten from his wife to buy Clarify stock before the information became public.

In the complaint, filed in the United States District Court for the Northern District of California, the Commission alleged that Brandt's spouse was an executive of a San Francisco public relations agency specializing in the representation of high technology companies. Clarify had asked her firm to assist in coordinating media contacts in preparation for the acquisition announcement. She told Brandt about the acquisition in confidence and Brandt used the confidential information to buy Clarify stock.

Without admitting or denying the Commission's allegations, Brandt consented to a permanent injunction prohibiting future violations of Section 10(b) of the Securities

Exchange Act of 1934 and Rule 10b-5 thereunder. Brandt also agreed to pay a total of \$29,419.41, including \$14,246.26 in disgorgement of profits, prejudgment interest of \$926.89, and a civil penalty of \$14,246.26.

The Commission acknowledges the assistance of NASD Regulation, Inc., in this matter. [SEC v. George F. Brandt, USDC, NDCA, Civil Action No. C 01-02518 (JL)] (LR-17161)

SEC FILES INSIDER TRADING CASE AGAINST ALAN WESA

On October 1, the Commission filed an injunctive action in the United States District Court for the Northern District of Georgia (Atlanta Division) against Alan E. Wesa in *SEC v. Alan E. Wesa*, 01 Civ Action No. 2613. The complaint alleges that in May 1997, Alan E. Wesa engaged in insider trading in the securities of Inbrand Corporation. At the time of the trading, Wesa was an Inbrand employee.

The complaint alleges during 1996 and 1997, Alan E. Wesa was the Manager of Financial Planning and Analysis for Inbrand Corporation, then a Georgia corporation engaged in the business of manufacturing and selling adult incontinence products. In his capacity as Manager of Financial Planning and Analysis, Wesa reported to Inbrand's Chief Financial Officer, James Johnson.

On Friday, May 9, 1997 at approximately 5:00 p.m., Johnson informed Wesa that Tyco International Ltd. would acquire Inbrand in a transaction that would be publicly announced the following week. Johnson also told Wesa that as a result of the acquisition he would be happy to be an Inbrand shareholder.

On Monday morning, May 12, 1997, while in possession of the aforementioned material non-public information, Wesa made two separate purchases of Inbrand common stock totaling 1,370 shares. As a result of this trading, Wesa made profits of \$14,556.

According to the Commission's complaint, through this conduct, Wesa violated the antifraud provisions of the federal securities laws, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission seeks a permanent injunction against future violations of this provision, disgorgement and civil penalties. [SEC v. Alan E. Wesa, 01 Civ. Action No. 2613] (LR-17168)

SEC FILES SETTLED ACTION FOR SECURITIES FRAUD AGAINST MAGAZINE PUBLISHER AND ITS PRESIDENT

On October 1, the Commission (SEC) filed a complaint in the U.S. District Court for South Carolina against Millionaire.com (Millionaire), the publisher of OPULENCE Magazine, and its president, Robert L. White. The SEC alleges in its complaint that Millionaire violated the antifraud, reporting, record keeping and internal controls provisions of the federal securities laws, and that White aided and abetted Millionaire's violations.

The SEC alleges that in a press release issued December 21, 1998, Millionaire falsely claimed that it had sold \$8 million of advertising space in its magazine. The SEC further alleges that in a press release issued December 24, 1998, Millionaire falsely claimed that it had entered into a definitive agreement to purchase an established regional auction house. In addition, the SEC alleges that on October 5, 2000, Millionaire filed with the Commission a quarterly report for the period ended June 30, 2000, that failed to disclose that Millionaire had lost its contractual right to exclusive use of the Millionaire and Billionaire trademarks. Finally, the SEC alleges that Millionaire failed to comply with the record keeping and internal controls provisions of the federal securities laws. The complaint charges White with aiding and abetting Millionaire's violations.

Millionaire and White have consented, without admitting or denying the SEC's allegations, to the entry by the Court of a permanent injunction, enjoining future violations by Millionaire and White of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20 and 13a-13, thereunder. White has also agreed to pay a \$25,000 civil penalty. [SEC v. Millionaire.com and Robert L. White, Civil Action No. 9:01-3897-23, S.C., Beaufort Division] (LR-17167; AAE Rel. 1462)

INVESTMENT COMPANY ACT RELEASES

TEMPLETON VARIABLE ANNUITY FUND

An order has been issued under Section 8(f) of the Investment Company Act declaring that Templeton Variable Annuity Fund has ceased to be an investment company. (Rel. IC-25194 – September 27)

AMERICAN GENERAL LIFE INSURANCE COMPANY OF NEW YORK SEPARATE ACCOUNT E

An order has been issued under Section 8(f) of the Investment Company Act declaring that American General Life Insurance Company of New York Separate Account E has ceased to be an investment company. (Rel. IC-25196 – September 27)

BHF FINANCE (DELAWARE) INC.

An order has been issued on an application filed by BHF Finance (Delaware) Inc. (BHF Finance) for an order under Section 6(c) of the Investment Company Act granting an exemption from all provisions of the Act. The order permits BHF Finance to sell securities and use the proceeds to finance the business activities of its parent company, Deutsche Postbank AG (Postbank), and certain companies controlled by Postbank. (Rel. IC-25202 – September 28)

HOLDING COMPANY ACT RELEASES

EMERA INC., ET AL.

An order has been issued authorizing a proposal by Emera Incorporated (Emera), a Nova Scotia holding company exempt from registration by rule 5, its wholly owned electric utility subsidiary, Nova Scotia Power Inc. (NSPI), Bangor Hydro-Electric Company (BHE), a Maine electric utility company and a holding company, and BHE's holding company subsidiary, Bangor Var Co., Inc. (Bangor Var). Both BHE and Bangor Var are exempt from registration by order under section 3(a)(1). Emera proposes to acquire BHE. Following the acquisition, Emera and certain intermediate holding company subsidiaries formed for tax purposes will register under section 5 of the Act. NSPI will qualify for an exemption as a foreign utility company (FUCO) within the meaning of section 33 of the Act. The order authorizes related financing transactions and approves other related requests, and reserves jurisdiction over certain matters, pending completion of the record. (Rel. 35-27445; International Series Rel. 1251)

SELF-REGULATORY ORGANIZATIONS

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change (SR-DTC-2001-12) filed by The Depository Trust Company under Section 19(b)(1) of the Exchange Act. The proposed rule change amends DTC's Rules to provide that any notice from DTC to a Participant shall be sufficiently served if the notice is in writing and electronically transmitted. Publication of the proposal is expected in the Federal Register during the week of October 1. (Rel. 34-44884)