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SEC NEWS DIGEST

Issue 2001-211

November 1, 2001

COMMISSION ANNOUNCEMENTS

PUBLIC APPEARANCES OF SENIOR COMMISSION OFFICIALS – NOVEMBER 2001

The following is a schedule for November 2001 of the public appearances of SEC officials, including the Chairman, Commissioners, and senior staff members. For additional information on events hosted by groups other than the Commission, please call the contact numbers listed. As events are subject to change, please confirm them with the SEC's Office of Public Affairs or the sponsoring organizations.

When: Wednesday, November 7
Who: Stephen Cutler, Director, Division of Enforcement
What: Practising Law Institute
Counseling Client in Turbulent Markets & Uncertain Times: Disclosure
& Financing Issues
Where: New York City
Contact: Sandra Geller, (212) 824-5796

When: Thursday, November 8
Who: Chairman Pitt
What: Practising Law Institute 33rd Annual Institute on Securities Regulation
Where: New York City
Contact: Sandra R. Geller, (212) 824-5796

When: Thursday, November 8 – Friday, November 9
Who: David Martin, Director, Division of Corporation Finance
What: Practising Law Institute
Where: New York City
Contact: Sandra Geller, (212) 824-5796

When: Friday, November 9
Who: Chairman Pitt
What: Securities Industry Association Annual Meeting
Where: Boca Raton, FL
Contact: Jim Spellman, (202) 296-9410

When: Tuesday, November 13
Who: Robert K. Herdman, Chief Accountant, Office of the Chief Accountant
What: "Update on SEC Developments" at the 2001 Financial Executives Institute
Current Financial Reporting Issues (CFRI) Conference
Where: New York City
Contact: Chris Allen, (973) 898-4658

When: Wednesday, November 14
Who: Chairman Pitt; Commissioner Hunt; Paul Roye, Director, Division of Investment
Management; Annette Nazareth, Director, Division of Market Regulation;
Stephen Cutler, Director, Division of Enforcement
What: SEC Historical Society - A Major Issues Conference: Securities Regulation
in the Global Internet Economy
Where: Washington, DC
Contact: Pete Wentz, (312) 503-1828

When: Thursday, November 15
Who: David Martin, Director, Division of Corporation Finance; Felice Friedman,
Acting Director, Office of International Affairs
What: SEC Historical Society - A Major Issues Conference: Securities Regulation
in the Global Internet Economy
Where: Washington, DC
Contact: Pete Wentz, (312) 503-1828

When: Friday, November 16
Who: Chairman Pitt
What: American Bar Association
Where: Washington, DC
Contact: Kimberly Falk, (312) 988-5669

When: Monday, November 19 – Tuesday, November 20
Who: Commissioner Hunt
What: Remarks to University of Toledo Law School
Where: Toledo, Ohio
Contact: Professor Friedman, (419) 530 2911

**SEC RELEASES FULL AGENDA AND PANELISTS FOR THIRD ANNUAL
MUNICIPAL MARKET ROUNDTABLE "SECONDARY MARKET DISCLOSURE FOR
THE 21st CENTURY"**

The Commission today released the full agenda and names of panelists for the Third Annual Municipal Market Roundtable that its Office of Municipal Securities will host on Wednesday, November 14, 2001 beginning at 9:00 a.m. The Roundtable will take place at the Association of the Bar of the City of New York, 42 West 44th Street, New York, New York, 10036. The event is open to the public and free of charge. Seating will be on

a first come, first served basis. For additional information, please call the Office of Municipal Securities at (202) 942-7300.

The Roundtable will provide a forum for a wide variety of municipal market participants to present their observations and opinions on the status of the secondary market disclosure system under Rule 15c2-12 and discuss possible changes to the current system.

AGENDA

8:30 - 9:00 a.m. ARRIVAL

9:00 - 9:10 a.m. OPENING REMARKS:

Stephen J. Weinstein, Esq.
Attorney-Fellow
SEC Office of Municipal Securities

9:10 - 10:10 a.m. PANEL I -- NRMSIRs AND SIDs: Repository representatives identify problems which they experience with the current system and suggest possible solutions.

Moderator:

Margaret "Peg" Henry, Esq.
Attorney-Fellow
SEC Office of Municipal Securities

Panelists:

Peter Schmitt
President
DPC Data Inc.

Arthur Brasch
Director of Municipal Products
FT Interactive Data

Maryrose Carosia
Director of Information Services
Standard & Poors/J.J. Kenny Repository

Doug Kemp, Esq.
Attorney
Bloomberg Municipal Repository

Dan Black
Executive Director

Municipal Advisory Counsel

10:10 - 11:10 p.m. PANEL II -- CONTINUING DISCLOSURE UNDER RULE 15c2-12:

A discussion of the benefits and drawbacks to the current continuing disclosure system.

Moderator:

Mary N. Simpkins, Esq.
Senior Special Counsel
SEC Office of Municipal Securities

Panelists:

Alan Polsky
First Vice President & Director of Research
Dougherty & Company LLC

Leslie Richards-Yellen, Esq.
Principal
The Vanguard Group

Walter K. Knorr
Chief Financial Officer
City of Chicago

Charles Brass
Executive Vice President
New York City Housing Development Corporation

Relmond P. VanDaniker
Executive Director
National Association of State Auditors, Comptrollers & Treasurers

Frank Chin
Managing Director
Salomon Smith Barney

Diane McNabb
Managing Director
A.G. Edwards & Sons, Inc.

Patrick K. Arey, Esq.
Abramoff, Neuberger & Linder LLP

11:10 - 11:30 a.m. BREAK

11:30 a.m. - 12:50 p.m. PANEL III -- BRAINSTORMING IMPROVEMENTS IN
SECONDARY MARKET DISCLOSURE

Moderator:

Martha Mahan Haines, Esq.
Chief, SEC Office of Municipal Securities

Panelists:

Terry Atkinson
Managing Director, Municipal Securities Group
UBS Paine Webber

Robert A. Estrada, Esq.
Chairman and Chief Executive Officer
Estrada Hinojosa & Company, L.L.C.

Jeffrey Pohl, Esq.
General Counsel
New York Dormitory Authority

Frank Hoadley
Capital Finance Director
State of Wisconsin

Paul M. Maco, Esq.
Vinson & Elkins

M. Jane Dickey, Esq.
Rose Law Firm

Roger L. Davis, Esq.
Orrick, Herrington & Sutcliffe, LLP

12:50 - 1:00 p.m. CLOSING REMARKS

Martha Mahan Haines, Esq.
Chief, SEC Office of Municipal Securities
(Press Rel. 2001-127)

ENFORCEMENT PROCEEDINGS

EAJA RULING – CLARENCE WURTS OF PHILADELPHIA, PA

Clarence Z. Wurts's application for fees and expenses incurred in defending against charges in an administrative proceeding was denied in a second proceeding before an administrative law judge. Wurts sought reimbursement under the Equal Access to Justice Act (EAJA), which allows small businesses and individuals of moderate means to recover expenses of defending against unjustified or excessive charges brought by the U.S. Government. The purpose of the EAJA is to eliminate for the average person the financial disincentive to challenge unreasonable government action.

The Commission had imposed a six-month suspension from acting in a supervisory capacity on Wurts, the owner of a small brokerage firm in Philadelphia, for supervisory failures involving an employee who engaged in fraud. The Division of Enforcement had sought to bar Wurts from ownership of a brokerage firm for an extended period, which he argued was an excessive demand that would have put his firm out of business. Thus, he argued, he should be reimbursed for the cost of his defense.

In ruling on Wurts's EAJA claim, the law judge concluded that the Division's demand for sanctions had not been unreasonable, considering the facts in his case and Commission decisions in similar past cases. (Initial Decision No. 194; File No. 3-9114)

SEC CHARGES HENRY SALZHAUER, MICHAEL SALZHAUER AND VITO VALENTINI FOR FRAUD IN CONNECTION WITH BANK CONVERSIONS

On October 31, 2001, the Commission ordered Henry Salzhauer and Michael Salzhauer to cease and desist from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. This order was based on findings that Henry Salzhauer and Michael Salzhauer orchestrated a scheme to defraud Staten Island Savings Bank (SISB), Richmond County Savings Bank (RCSB), Independence Savings Bank (ISB), and these banks' depositors, in connection with the purchase of stock that was issued when these banks converted from mutually-owned institutions to publicly-traded corporations between October 1997 and March 1998. Henry and Michael Salzhauer consented to the entry of these cease and desist orders, and agreed to disgorge \$1,207,019, and pay prejudgment interest of \$312,425, without admitting or denying the Commission's findings.

The Commission's Order named the following respondents:

- * Henry Salzhauer, age 65, resides in Sands Point, New York. Henry Salzhauer controls his family's real estate and investment businesses, including a hedge fund, the assets of which are invested almost exclusively in bank stocks.

- * Michael Salzhauer, age 38, resides in New York, New York. Michael Salzhauer is Henry Salzhauer's son and he works along with his father managing the family's real estate and securities investments.

The Order made the following findings. Under applicable federal and state banking regulations, when a savings bank converts from a mutually-owned to a stock-owned financial institution, depositors have a priority "subscription" right to purchase the bank's stock before the bank sells the stock to the general public. To ensure that only depositors benefit from their priority stock subscription rights, federal and state regulations prohibit depositors from transferring ownership of those rights, or of the stock itself, prior to completion of the conversion. Typically, the price of the stock that a bank offers when the bank converts to stock ownership rises significantly after conversion, thus affording depositors the opportunity to obtain a significant profit on resale of their stock after conversion.

SISB (which maintained its headquarters in Staten Island), RCSB (which had branches in Brooklyn and Staten Island), and ISB (which had branches throughout the New York metropolitan area), were mutually owned institutions that converted to stock-ownership between October 1997 and March 1998. The Salzhauers and Vito Valentini learned about these conversions, and they were well aware of the profit opportunity associated with the SISB, RCSB and ISB depositors' subscription rights. The Salzhauers and Valentini also knew that only the depositors lawfully could exercise those subscription rights. Despite this knowledge, to attempt both to profit from the depositors' subscription rights and to avoid the legal bar on transferring those rights, the Salzhauers and Valentini devised and executed a scheme to defraud the converting banks. Valentini located approximately 15 SISB depositors, 30 RCSB depositors and 20 ISB depositors willing to execute written agreements with the Salzhauers under which (1) the Salzhauers provided the funds to purchase the banks' conversion stock; (2) the depositors transferred their stock to a Salzhauer "custodial" account; (3) the Salzhauers then had sole discretion to sell the stock; (4) to the extent that the proceeds from the stock sales were not sufficient to cover the Salzhauers' purchase cost, the Salzhauers agreed to look only to the value of the stock for their "repayment"; (5) the Salzhauers received the proceeds of the stock sales up to the amount of the original purchase cost (plus an "interest" charge); (6) the Salzhauers also received 50% of any proceeds of the sales above the original purchase cost (i.e., 50% of the profit); and (7) the depositors received the remainder of the sale proceeds.

As the Salzhauers and Valentini knew, converting banks required the depositors to sign subscription agreements that contained a written certification that the depositors were purchasing the banks' conversion stock "for their own account" and that the depositors had entered into "no agreement or understanding regarding the sale or transfer of" their shares. The certifications that the SISB, RCSB and ISB depositors signed were false. In fact, the depositors were not purchasing the stock solely for their own account, and they had entered into the agreement with the Salzhauers described above.

After SISB's, RCSB's and ISB's conversion stock was issued to the depositors, Henry Salzhauer sold the stock at a significant profit, which he and Michael Salzhauer split evenly with the depositors. Each depositor, in turn, paid between 10 and 50 percent of their profit to Valentini, pursuant to separate written agreements between the depositors and Valentini. The Salzhauers obtained approximately \$1,207,019 in illicit profits from the SISB, RCSB, and ISB transactions. Valentini also obtained illicit profits from these transactions.

The Commission found that Henry Salzhauer and Michael Salzhauer violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The Commission entered cease and desist orders against them, and ordered them to pay \$1,207,019 in disgorgement, and \$312,425 in prejudgment interest.

In a related injunctive action filed against Vito Valentini, age 42, the Securities and Exchange Commission alleged that Valentini violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. In this action, the Commission is seeking a permanent injunction, disgorgement and civil penalties. [SEC v. Vito Valentini, 01 Civ. 7295, NG, USDC, EDNY] (LR-17215); Administrative Proceeding – (Rel. 34-45005, File No. 3-10629)

COMMISSION BARS ROGER WALSTRA, FORMER REGISTERED REPRESENTATIVE AND REGISTERED INVESTMENT ADVISER REPRESENTATIVE, FROM ASSOCIATION WITH ANY BROKER, DEALER OR INVESTMENT ADVISER

On October 31, 2001, the Commission barred Roger J. Walstra of Demotte, Indiana from association with any broker, dealer or investment adviser. The action was based on Walstra's conviction of one count of mail fraud in violation of 18 U.S.C. § 1341. Walstra was sentenced to thirty-three (33) months imprisonment and restitution of \$1,064,000. The restitution order is in accordance with the total losses of Walstra's aggrieved investors. Walstra is currently incarcerated.

Walstra, without admitting or denying the allegations, consented to findings that in 1982, he opened an investment business named Walstra Financial Services, Inc., which he operated as a sole proprietorship in Demotte, Indiana. From June 1997 through June 2000 Walstra was a registered representative of a broker-dealer registered with the Commission. Also, from September 1998 through January 2001 Walstra was an investment adviser representative of an investment adviser registered with the State of Indiana. From 1986 through 2000 Walstra advised certain investors that he would invest their money and pay them interest on their investments at various rates. Rather than making the requested investments, Walstra used investor funds for personal purposes and to reimburse investors who requested to withdraw their funds.

The Order finds that pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Walstra is barred from association

with any broker, dealer or investment adviser. (Rels. 34-45006; IA-1992; File No. 3-10630)

DALLAS STOCK BROKER SENTENCED FOR DEFRAUDING CUSTOMERS

On October 26, 2001, Judge Paul Brown, United States District Court for the Eastern District of Texas, Sherman Division, sentenced Frank L. Harris, III (Harris) to serve 46 months in federal prison, to three years of supervised release and to pay restitution of \$1,619,847.70. Harris was a registered representative of the Addison, Texas branch of Josephthal & Co., Inc.'s, a broker-dealer registered with the Commission.

On June 29, 2001, Harris pleaded to one count of federal securities fraud resulting from a criminal information brought by the U.S. Attorney's Office in which he admitted to stealing funds from 19 customers. From January 2000 until March 2001, Harris diverted money from his customers using three schemes: 1) by falsely representing that their funds would be used to purchase a particular security; 2) by borrowing against securities in the customers' margin accounts without their authorization; and 3) by liquidating their securities without their authorization. Harris' schemes were uncovered when he failed to report to work and fled to Cancun, Mexico.

Harris' plea was based upon the same conduct alleged in the Commission's complaint filed on April 6, 2001 that charged him with violating the antifraud provisions found in Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint sought preliminary and permanent injunctions, disgorgement with judgment interest and a civil money penalty against Harris, as well orders for an asset freeze, an accounting, the prohibition of the movement, alteration and destruction of books and records and expedited discovery. In the Commission's action, Judge Brown issued *Ex Parte* Orders against Harris Freezing Assets, Directing the Repatriation of Funds and Surrender of Passport, Requiring an Accounting, Requiring Preservation of Documents and Authorizing Expedited Discovery. The Commission's action is still pending. The Commission acknowledges the assistance of the Federal Bureau of Investigation in this matter. [SEC v. Frank L. Harris, III, Case No. CA 4:01CV117, USDC, EDTX (Sherman Division)]; [U.S. v. Frank L. Harris, III, 4:01CR, USDC, EDTX (Sherman Division)] (LR-17214)

INVESTMENT COMPANY ACT RELEASES

GOLDEN AMERICAN LIFE INSURANCE COMPANY, ET AL.

A notice has been issued giving interested persons until November 23 to request a hearing on an application filed by Golden American Life Insurance Company (Company), Separate Account B of Golden American Life Insurance Company (Account) and Directed Services, Inc. (DSI). Applicants seek an order under Section 6

(c) of the Investment Company Act granting exemptions from the provisions of Sections 2(a)(32); and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder, to the extent necessary to permit the recapture, under specified circumstances, of credits applied to purchase payments made under certain deferred variable annuity contracts that the Company will issue through the Account (Contract), as well as other Contracts that the Company may issue in the future through their existing or future separate accounts that are substantially similar to the Contracts in all material respects (Future Contracts). Applicants also request that the order extend to any other National Association of Securities Dealers, Inc. member broker-dealer controlling or controlled by, or under common control or affiliated with DSI, whether existing or created in the future, that serves as distributor or principal underwriter for the Contracts or Future Contracts. (Rel. IC-25247 - October 30)

FIRSTMARK CORP.

An order has been issued on an application filed by Firstmark Corp. under Section 6(c) of the Investment Company Act exempting applicant from all provisions of the Act until the earlier of one year from October 31, 2001 or the date applicant no longer may be deemed to be an investment company. (Rel. IC-25248 - October 31)

RUSSIAN TELECOMMUNICATIONS DEVELOPMENT CORPORATION

A notice has been issued giving interested persons until November 23 to request a hearing on an application filed by Russian Telecommunications Development Corporation (RTDC) for an order under Section 3(b)(2) of the Investment Company Act declaring applicant to be primarily engaged in a business other than that of investing, reinvesting, owning, holding or trading in securities. RTDC also seeks an order under Section 45(a) of the Act granting confidential treatment with respect to certain asset valuation information. (Rel. IC-25249 - October 31)

HOLDING COMPANY ACT RELEASES

ENERGY EAST CORPORATION, ET AL.

An order has been issued authorizing a proposal by Energy East Corporation and its public utility subsidiary, New York State Electric & Gas Company (NYSEG), to sell NYSEG's eighteen percent interest in Nine Mile Point Unit No. 2 nuclear generating station. (Rel. 35-27461)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change submitted by the New York Stock Exchange amending Exchange Rule 387 to apply to all member and member organizations (SR-NYSE-2001-31). (Rel. 24-45003)

SECURITIES ACT REGISTRATIONS

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.gov>. In most cases, this information is also available on the Commission's website: <www.sec.gov>.

- F-6 MMO2 PLC /ADR/, 60 WALL ST, NEW YORK, NY 10011 (212) 894-8600 -
100,000,000 (\$5,000,000) DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE
333-14030 - OCT. 23) (NEW ISSUE)
- F-6 BT GROUP PLC /ADR/, 60 WALL ST, NEW YORK, NY 10260 (212) 648-3250 -
100,000,000 (\$5,000,000) DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE
333-14032 - OCT. 23) (NEW ISSUE)
- F-6 RENTOKIL INITIAL PLC /ADR/, 48 WALL ST, C/O BANK OF NEW YORK, NEW
YORK,
NY 10286 (212) 495-1727 - 50,000,000 (\$2,500,000)
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-14034 - OCT. 23) (BR.
99)
- S-8 HARDIE JAMES INDUSTRIES NV, WORL TRADE CENTER STRAWINSKYLAAN 1725,
1077 JE AMSTERDAM NE, P7 00000 - 46,901,100 (\$104,589,453)
FOREIGN COMMON STOCK. (FILE 333-14036 - OCT. 24) (NEW ISSUE)
- S-8 MERCK & CO INC, ONE MERCK DR, P O BOX 100, WHITEHOUSE STATION, NJ
08889
(908) 423-4044 - 450,000 (\$29,488,500) COMMON STOCK. (FILE 333-72206 -
OCT. 25) (BR. 1)
- S-8 SEAVIEW UNDERWATER RESEARCH INC, 200 MADONNA BLVD, SUITE 460,
ST PETERSBURG, FL 33715 (727) 866-3660 - 106,000 (\$79,500) COMMON
STOCK.

(FILE 333-72214 - OCT. 25) (BR. 9)

S-3 LTX CORP, LTX PARK AT UNIVERSITY AVE, WESTWOOD, MA 02090 (781) 461-
1000
- 150,000,000 (\$150,000,000) CONVERTIBLE DEBENTURES AND NOTES. (FILE
333-72216 - OCT. 25) (BR. 5)

S-8 SIEBEL SYSTEMS INC, 1855 SOUTH GRANT STREET, SAN MATEO, CA 94402
(650) 295-5000 - 80,000,000 (\$1,353,600,000) COMMON STOCK. (FILE
333-72218 - OCT. 25) (BR. 3)

S-3 VERISIGN INC/CA, 1350 CHARLESTON RD, MOUNTAIN VIEW, CA 94043
(650) 961-7500 - \$750,000,000 COMMON STOCK. (FILE 333-72222 - OCT. 25)
(BR. 3)