

# SEC NEWS DIGEST

Issue 99-62

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## ENFORCEMENT PROCEEDINGS

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### JUDGMENT OF PERMANENT INJUNCTION ENTERED AGAINST JOHN TARTAGLIA

On March 8, a final judgment of permanent injunction was entered against John Tartaglia in SEC v. Norton et al, No. 95 Civ. 4451 (S.D.N.Y.), an action in which the Commission originally alleged that several defendants were involved in the purported purchase and sale of a prime bank note. The judgment permanently enjoins Tartaglia from future violations of Section 17(a) of the Securities Act of 1933, and Section 10(b) of the Exchange Act of 1934, and Rule 10b-5 thereunder. In connection with the settlement of this matter, Tartaglia agreed to pay a \$10,000 civil penalty. The final judgment did not order Tartaglia to pay disgorgement. During the litigation, Tartaglia filed a summary judgment motion which the court granted in part, dismissing the Commission's disgorgement claim because there was no evidence Tartaglia had ever received any ill-gotten gains. Tartaglia neither admitted nor denied the allegations of the Commission's complaint for purposes of the settlement.

The Commission has previously obtained judgments against Norton and Reynolds. A permanent injunction was entered against Norton, who was ordered to disgorge approximately \$824,000 in ill-gotten gains reflecting the funds that he had misappropriated from the victim. A civil penalty was not imposed based on Norton's financial inability to pay. A default judgment was also previously entered against Reynolds. [SEC v. Jeffrey S. Norton, Donald C. Reynolds, Edward T. Menster and John A. Tartaglia, 95 Civ 4451, SHS, SDNY] (LR-16100)

### FINAL JUDGMENT ENTERED AGAINST DAVID HUDSON III OF THE OSTRICH GROUP, INC. FOR FRAUD AND BROKER-DEALER REGISTRATION VIOLATIONS

The Commission announced that on March 23, 1999, the Honorable Gary L. Taylor of the United States District Court for the Central District of California entered a Final Judgment against defendant David Hudson III (Hudson). The Final Judgment permanently enjoins Hudson from future violations of the antifraud and broker-dealer registration provisions of the federal securities laws, and orders Hudson to pay disgorgement in the amount of \$819,108.61, plus prejudgment interest.

The complaint alleged that Hudson, through The Ostrich Group, Inc. (Ostrich Group), raised approximately \$800,000 from the offer and sale of investment contracts for the sale and boarding of ostrich breeder birds to about 83 investors in several states. The principals of Ostrich Group, including Hudson, misused investors' funds by transferring most of the funds to themselves and their family members instead of purchasing and boarding ostrich breeders. In addition, Hudson misrepresented the ostrich services provided by Ostrich Group and acted as an unregistered broker-dealer in offering and selling interests in the ostrich investment program. [SEC v. Patrick L. Antrim, David Hudson III, Loretta Antrim and Michael S. Whitney, Civil Action No. 98-535, GLT, EEx, C.D. Cal.] (LR-16101)

**PERMANENT INJUNCTION ENTERED AGAINST DEFENDANT GUIDO VOLANTE AND CIVIL MONEY PENALTIES NOT IMPOSED AGAINST DEFENDANTS VOLANTE AND MIRIAM MERCADO BASED UPON THEIR DEMONSTRATED FINANCIAL INABILITY TO PAY**

The Commission announced that on October 19, 1998 the Honorable Donald L. Graham, United States District Judge for the Southern District of Florida permanently enjoined Defendant Guido Volante by consent, from violating Sections 10(b), 13(a) and 13(b)(2)(A) and 13(b)(5) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 10b-5, 12b-20, 13a-1, 13a-13, 13b2-1 and 13b2-2, thereunder. Securities and Exchange Commission v. Guido Volante and Miriam Mercado, Case No. 97-9724-CIV-Graham. The Court also permanently barred Volante from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act. Based upon Defendant Volante's sworn representations in his Statement of Financial Condition submitted to the Commission, the Court did not order him to pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act.

On September 18, 1997 the Court permanently enjoined Defendant Miriam Mercado by consent, from violating Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2, thereunder. The Court also permanently barred Mercado from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act. The Court left the issue of civil money penalties open and on December 1, 1998, based upon Defendant Mercado's sworn representations in her Statement of Financial Condition, submitted to the Commission, entered an order that did not require her to pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act.

The complaint which had been filed on September 16, 1997 alleged that Volante and Mercado were former principal officers of Century Technologies, Inc., a Section 12(g) reporting company, which had filed false and misleading periodic reports, press releases and other public communications. The fraudulent representations related to Century's purported ownership of certain feature films and

feature film license rights and improper recording of feature films and license rights as assets on its balance sheet which resulted in the overstatement of the value of the Company's total assets by as much as 90%. Century also failed to maintain books and records which accurately reflected its financial condition and made misrepresentations to its auditors. Volante and Mercado, who were Century's president and secretary/treasurer respectively, were the persons responsible for Century's illegal activities. On September 16, 1997, the Commission instituted and simultaneously settled cease-and-desist proceedings against Century. Century consented to cease and desist from committing or causing any violations and future violations of Sections 10(b), 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder (EA Release No. 39081, AAER No. 961). [SEC v. Guido Volante and Miriam Mercado, Case No. 97-9724-CIV-Graham] (LR-16102; AAE Rel. 1119)

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

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##### **NATIONS FUNDS PORTFOLIOS, INC., ET AL.**

An order has been issued on an application filed by Nations Funds Portfolios, Inc. (Portfolios), et al. for an exemption from Section 17(a) of the Investment Company Act. The order permits one series of the Portfolios to acquire all of the assets and assume all of the liabilities of another series of the Portfolios. Because of certain affiliations, applicants may not rely on Rule 17a-8 under the Act. (Rel. IC-23768 - March 31)

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

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##### **AMEREN CORP., ET AL.**

A notice has been issued giving interested persons until April 20 to request a hearing on a proposal by Ameren Corporation (Ameren), a registered holding company, and certain of its subsidiaries. Ameren proposes, directly or through one of its nonutility subsidiaries, through December 31, 2003: (1) to organize and acquire intermediate subsidiaries; (2) to transfer to to-be-formed subsidiaries certain assets of Union Electric Development Corporation and CIPSCO Investment Company; (3) that certain of its nonutility subsidiaries issue guarantees in an aggregate principal amount at any one time outstanding not to exceed \$300 million; (4) that certain of its nonutility subsidiaries sell goods and services to other nonutility subsidiaries, at other than cost; (5) to pay dividends out of capital and unearned surplus; and (6) to engage in anticipatory interest-rate hedges through Ameren Development and its subsidiaries. (Rel. 35-26995)

## ALLEGHENY ENERGY, INC.

A notice has been issued giving interested persons until April 20 to request a hearing on a proposal by Allegheny Energy, Inc. (Allegheny), a registered holding company, to: 1) increase the amount of short-term debt that Allegheny may issue from \$400 million up to \$750 million; and 2) extend the period of authorization through December 31, 2007. (Rel. 35-26995)

## CONSOLIDATED EDISON, INC.

A notice has been issued giving interested persons until April 20, 1999 to request a hearing on a proposal by Consolidated Edison, Inc. (CEI), a New York electric and gas public utility holding company exempt from registration under Section 3(a)(1) of the Public Utility Holding Company Act (Act) under Rule 2, to acquire all of the issued and outstanding securities of Orange and Rockland Utilities, Inc., a New York electric and gas public utility holding company exempt from registration by order under Section 3(a)(2) of the Act. Following the consummation of the proposed transaction, CEI will continue its exemption under Section 3(a)(1) of the Act from all of the provisions of the Act, except Section 9(a)(2). (Rel. 35-26995)

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## SELF-REGULATORY ORGANIZATIONS

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### APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change submitted by the Chicago Board Options Exchange (SR-CBOE-99-04) to change the permissible range of Standard and Poor's 100 Index options under unusual market conditions. Publication of the order is expected in the Federal Register during the week of March 29. (Rel. 34-41215)

### IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

The Options Clearing Corporation filed a proposed rule change (SR-OCC-99-03), which became effective upon filing, eliminating the references to options on Government National Mortgage Association securities, options on certificates of deposit, Index Participations, and market baskets in OCC's rules and by-laws. Publication of the proposal is expected in the Federal Register during the week of April 5. (Rel. 34-41222)

The National Securities Clearing Corporation filed a proposed rule change (SR-NSCC-99-03), which became effective upon filing, reducing NSCC's fees for trade comparison, trade recording, flip trades, and Fund/SERV transactions. Publication of the proposal is expected in the Federal Register during the week of April 5. (Rel. 34-41223)

## DELISTING GRANTED

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration Showboat Marina Casino Partnership/Showboat Marina Finance Corporation, 13 1/2% Series B First Mortgage Notes, due March 15, 2003. (Rel. 34-41230)

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

- F-3 AEN AMRO HOLDING N V, FOPPINGADREEF 22, 1102 BS AMSTERDAM, NETHERLANDS,  
P7 - 30,000,000 (\$750,000,000) FOREIGN PREFERRED STOCK. (FILE 333-10144 -  
MAR. 23) (BR. 7)
- S-8 GILAT COMMUNICATIONS LTD, 21/D YAGIA KAPAIM ST, P O BOX 3675,  
PETACH TLKVA, L3 00000 - 950,000 (\$13,864,300) FOREIGN COMMON STOCK  
(FILE 333-10148 - MAR 23) (BR. 7)
- F-8 HOLLINGER INC, 1827 WEST 5TH AVE, VANCOUVER BRITISH COLUMBIA,  
CANADA V6J 1P5, A1 (416) 363-8721 - 6,162,156 (\$38,455,242.63)  
FOREIGN COMMON STOCK. (FILE 333-10150 - MAR 23) (BR 5)
- F-6 SK TELECOM CO LTD /ADR/, 111 WALL ST, CITIBANK NA, NEW YORK, NY 10043  
(212) 657-5100 - 500,000 (\$15,000,000)  
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-10152 - MAR. 24) (BR 99)
- F-6 ENERGIS PLC /ADR/, 60 WALL ST, C/O MORGAN GUARANTY TRUST CO OF NY,  
NEW YORK, NY 10260 (212) 648-3250 - 10,000,000 (\$500,000)  
DEPOSITARY RECEIPTS FOR COMMON STOCK (FILE 333-10160 - MAR 24) (BR. 99)
- S-8 CINTAS CORP, 6800 CINTAS BLVD, P O BOX 625737, CINCINNATI, OH 45262  
(513) 459-1200 - 191,627 (\$12,575,521.87) COMMON STOCK. (FILE 333-75015 -  
MAR. 24) (BR 2)