

SEC NEWS DIGEST

Issue 2001-22

February 1, 2001

COMMISSION ANNOUNCEMENTS

PUBLIC APPEARANCES OF SENIOR COMMISSION OFFICIALS – FEBRUARY 2001

The following is a schedule for February 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, February 7

Who: David Becker, General Counsel, Office of the General Counsel

What: SEC Regulation FD – The New Disclosure Requirement

Where: Palo Alto, CA

Contact: Kathy Whalen, (973) 890-0008 ext. 116

When: Monday, February 12

Who: David Becker, General Counsel, Office of the General Counsel

What: Fordham University

Where: New York, NY

Contact: Jill Fisch, (212) 636-6865

When: Thursday, February 15 – Friday, February 16

Who: Paul Roye, Director, Division of Investment Management

What: Financial Services Modernization 2001

Where: Washington, D.C.

Contact: Kevin O'Connor, (215) 243-1637

When: Thursday, February 22

Who: David Martin, Director, Division of Corporation Finance

What: Orange County Public Company Forum

Where: Costa Mesa, CA

Contact: Kitty Curto, (714) 668-6200

When Friday, February 23
Who Annette Nazareth, Director, Division of Market Regulation
What Glasser LegalWorks Securities Regulation Seminar
Where New York, NY
Contact Stephen Seemer, 973-890-0008

When Tuesday, February 27
Who Annette Nazareth, Director, Division of Market Regulation
What SIA Financial Services Conference
Where New York, NY
Contact Stuart Kaswell (202) 296-9410

ENFORCEMENT PROCEEDINGS

CHARLES MORRISON, CPA, SETTLES FINANCIAL FRAUD DISTRICT COURT ACTION AND RULE 102(e) PROCEEDING

The Commission announced that on January 31, 2001, the United States District Court for the Eastern District of Pennsylvania entered an Order enjoining Charles P. Morrison, the former CFO of the Delaware Valley region of Allegheny Health Education and Research Foundation (AHERF), and an AHERF senior vice president, from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Order also required Morrison to pay a civil money penalty in the amount of \$25,000. Morrison consented to the entry of the Order, without admitting or denying the allegations in the Commission's complaint.

Also on January 31, 2001, the Commission instituted and simultaneously settled a Rule 102(e) proceeding against Morrison based upon the entry of the injunction. Morrison consented to the entry of an Order suspending him from appearing or practicing before the Commission as an accountant with the right to apply for reinstatement in three years.

The Commission's district court complaint alleged that Morrison created, reviewed and approved the false financial statements of AHERF and a group of its subsidiaries known as the Delaware Valley Obligated Group (Delaware Valley), thereby masking, from at least December 1996 through July 1998, AHERF's severely deteriorating financial condition. The financial statements overstated (a) the 1996 income of Delaware Valley by approximately \$40 million, (b) the 1997 income of AHERF by approximately \$59.6 million, and (c) the 1997 income of Delaware Valley by approximately \$59.6 million, in documents issued to the public in December 1996 and February 1998 (Rel. 34-43910, AAE Rel. 1364, File No. 3-10415), [SEC v. David W. McConnell and Charles P. Morrison, USDC, EDPA, Civil Action No. 00 CV 2261] (LR-16885, AAE Rel. 1365).

CIVIL INJUNCTIVE ACTION FILED AGAINST FORMER MERRILL LYNCH INVESTMENT BANKING ASSOCIATE FOR ILLEGAL INSIDER TRADING

The Commission announced today that it filed a civil injunctive action in federal court in Manhattan, charging a former investment banking associate at Merrill Lynch, Pierce, Fenner & Smith, Incorporated (Merrill Lynch) with illegal insider trading in June 1998

The Commission's complaint alleges that Bonrouhi sold stock in IWL Communications, Inc (IWL), a Merrill Lynch client, while in possession of material, nonpublic information concerning IWL's disappointing quarterly financial performance and unfavorable developments in a prospective merger involving IWL. By selling his IWL stock prior to a public announcement of that information, Bonrouhi illegally avoided losses of \$4,160

Simultaneous with the filing of the complaint, Bonrouhi consented, without admitting or denying the allegations in the complaint, to the entry of a final judgment: (1) enjoining him from committing future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5, (2) ordering him to disgorge \$4,160 in the trading losses that he illegally avoided, and to pay prejudgment interest on that amount, and (3) ordering him to pay a civil penalty of \$4,160 [SEC v. David M. Bonrouhi, 01 Civ. 0770, MBM, SDNY] (LR-16880)

SEC SUES WELL-KNOWN PENNY STOCK TRADER AND ACCOMPLICES FOR FRAUD FOR ROLE IN SYSTEMS OF EXCELLENCE MANIPULATION; SEVEN OTHERS CHARGED WITH REGISTRATION VIOLATIONS; AMOUNT RECOVERED FOR VICTIMS NOW APPROACHES \$15 MILLION

The Commission announced that it filed two lawsuits on January 30, 2001, against a total of ten defendants to recover ill-gotten gains arising from the manipulation of Systems of Excellence, Inc (SOE) stock.

The Complaint Against Rosen, Diversified, Radcliffe, and Calvo

The Commission filed its first complaint against Jerome "Jerry" Rosen (Rosen), a well-known penny stock trader working from the Florida branch of J. Alexander Securities, Inc., Joseph D. Radcliffe (Radcliffe), William A. Calvo III (Calvo), and Diversified Corporate Consulting Group (Diversified), a company controlled by Radcliffe and Calvo, in the United States District Court for the Southern District of Florida. The complaint seeks permanent injunctions, disgorgement of all ill-gotten gains, prejudgment interest, and civil penalties. The complaint alleges that Rosen accepted a bribe in the form of SOE stock from Charles Huttoe (Huttoe), then the President of SOE, to manipulate the price of SOE stock. According to the complaint, Rosen conspired with Huttoe, Sheldon Kraft (Kraft), a promoter previously charged in this scheme, and defendants Radcliffe and Diversified to obtain an exclusive supply of SOE stock, at favorable prices, to support his fraudulent and manipulative trading activity. Rosen, the trader at J. Alexander exclusively responsible for the firm's market making activity in SOE, sold stock short to other market makers, only to cover his sales at no risk with stock supplied at various times by Kraft, Huttoe, Radcliffe and

Diversified The complaint alleges that Rosen earned \$112,468 in compensation from his fraudulent SOE market-making activities at J Alexander, and that Rosen also received ill-gotten gains of \$503,496 from the unregistered resale of the SOE stock he received as bribes from Huttoe The complaint further alleges that Radcliffe, Diversified and Calvo also resold SOE stock through unregistered, non-exempt transactions for unlawful profits of at least \$2,457,118

Without admitting or denying the Commission's allegations, defendant Radcliffe consented to the entry of an order permanently enjoining him from future violations of the antifraud and securities registration provisions of the federal securities laws, and requiring him to (i) disgorge \$383,586 plus prejudgment interest thereon of \$156,133, (ii) surrender various worthless securities, (iii) disgorge the appraised fair market value of a limousine currently in his possession, and (iv) pay a \$75,000 civil penalty

The Complaint Against WSMG, Ciofalo, Moore, Clines, DeConde, and Connell

The Commission's second complaint, filed in the United States District Court for the Southern District of New York, alleges that Defendants Wall Street Management Group (WSMG), Robert Ciofalo (Ciofalo), Calvin Moore (Moore), Thomas Clines (Clines), Heidi DeConde Clines (DeConde), and Kathleen Connell (Connell) unlawfully resold SOE securities in violation of the registration provisions of the federal securities laws The complaint alleges that, collectively, defendants reaped approximately \$860,077 in ill-gotten gains (i.e., net trading profits) when they resold these securities into an artificially inflated market that was being manipulated by others

The Commission's complaint alleges that in multiple transactions from January through March 1996, defendants WSMG, Ciofalo, Moore, Clines, DeConde, and Connell acquired a total of 920,000 newly-issued, facially-unrestricted shares of SOE common stock by allegedly exchanging services for the shares In addition, defendant Connell also acquired another 209,484 newly-issued shares of SOE common stock in a so-called "private placement" in early 1996

Because none of the shares acquired in these various transactions were registered or exempt from registration, defendants violated the strict liability registration provisions of the federal securities laws when they resold their shares or, in the case of Moore, when he directed the resale of shares held by a nominee In its complaint, the Commission seeks a permanent injunction against future violations of the securities registration provisions, disgorgement with prejudgment interest, and a civil penalty against each defendant. [SEC v Jerome E Rosen, Diversified Corporate Consulting Group, Joseph D Radcliffe, and William A Calvo III, Civil Action No 01-0369-CIV-Middlebrooks, S D Fla]; [SEC v Wall Street Management Group, Robert Ciofalo, Calvin Moore, Thomas Clines, Heidi DeConde Clines, and Kathleen Connell, Civil Action No 01-Civ-0726, GD, SDNY] (LR-16881)

FRAUDULENT OFFERING OF UNREGISTERED NOTES PERMANENTLY ENJOINED

On January 31, 2001, the Commission filed suit in the United States District Court for the Northern District of Texas against Benny L. Judah and Excel Lease Fund, Inc. The SEC's Complaint alleges that, for more than 13 years, these Lubbock, Texas-based defendants fraudulently offered and sold unregistered securities to hundreds of investors nationwide. The SEC's complaint requests permanent injunctive relief and a \$50,000 civil penalty.

The SEC's complaint alleges that, from 1987 to 2000, Judah largely funded Excel's commercial equipment leasing activities by selling unregistered one-year promissory notes, called "Participating Lease Notes" (PLNs), to hundreds of investors across the country. Judah and Excel were extremely successful in selling PLNs, with over \$32 million in PLNs outstanding as of May 2000. However, according to the complaint, Judah and Excel raised these funds by fraudulent means. The complaint alleges, for example, Judah and Excel misrepresented that PLNs were guaranteed and secured by Excel's leases (they were not), that an insurance policy on Judah's life backed the entire amount of PLNs outstanding (it did not), and that PLN proceeds would be used only to fund allegedly low-risk commercial equipment leasing (they were used for other, riskier purposes as well, including loans to other companies Judah controlled). The complaint further alleges that Judah and Excel failed to provide prospective investors any financial disclosures, and omitted the fact that millions of dollars of leases were pledged to secure Excel's credit line with a bank in which Judah had ownership interests. The SEC further contends that, despite knowing of these critical misrepresentations and omissions, Judah and Excel continued selling PLNs into May 2000.

In addition, the SEC alleges that Judah, who is not a registered broker, violated the broker registration requirements of the federal securities laws by selling the PLNs.

Simultaneous with the filing of the complaint, Judah and Excel consented, without admitting or denying the allegations of the complaint, to the entry of a final judgment that (1) permanently enjoins each of them from violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, (2) further permanently enjoins Judah from violating Section 15(a) of the Securities Exchange Act of 1934, and (3) orders Judah to pay a civil money penalty of \$50,000. Because Judah and Excel have now repaid all non-accredited investors and completed a rescission offer to the remaining PLN holders, thus retaining no ill-gotten gains, the SEC does not seek disgorgement in this case. [SEC v Benny L. Judah and Excel Lease Fund, Inc., Civil Action No. 01-CV-045, N.D. Texas, Lubbock Division] (LR-16882)

INVESTMENT COMPANY ACT RELEASES

FRANK RUSSELL INVESTMENT COMPANY, ET AL.

An order has been issued on an application filed by Frank Russell Investment Company, et al for an exemption from Sections 10(f), 17(a), and 17(e) of the Investment Company Act and from Rule 17e-1 under the Act. The order permits certain registered management investment companies advised by several investment advisers to engage in principal and brokerage transactions with a broker-dealer affiliated with one of the investment advisers and to purchase securities in offerings underwritten by a principal underwriter of which one of the investment advisers is an affiliated person. The transactions would be between a broker-dealer or principal underwriter and a portion of the investment company's portfolio not advised by the adviser affiliated with the broker-dealer or principal underwriter. The order also permits these investment companies not to aggregate certain purchases from an underwriting syndicate. (Rel IC-24847 – January 30)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGES

The Commission approved proposed rule changes (SR-CBOE-00-58 and SR-ISE-00-15) submitted by the Chicago Board Options Exchange and the International Securities Exchange providing for the implementation of interim linkages with other options exchanges. Publication of the proposal is expected in the Federal Register during the week of February 5. (Rel 34-43904)

DELISTING GRANTED

An order has been issued granting the application of the American Stock Exchange to strike from listing and registration the Common Stock, \$ 10 par value, Series A Preferred Stock, \$ 01 par value, and Common Stock Purchase Warrants of Empire of Carolina, Inc., effective at the opening of business on January 31, 2001. (Rel 34-43905)

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

- F-6 AQUARIUS PLATINUM LTD /ADR/, ONE WALL STREET, NEW YORK, NY 10286
(212) 495-1784 - 10,000,000 (\$500,000)
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-13086 - JAN. 22) (BR.
99
- NEW ISSUE)
- S-8 TELEFONICA S A, GRAN VIA 28, 28013 MADRID SPAIN, U3 - 32,702,124
(\$154,893,610.33) FOREIGN COMMON STOCK. (FILE 333-13092 - JAN. 23)
(BR. 7)
- S-8 FRAXI. PHARMACEUTICALS INC CN, #600-595 HORNBY STREET, SUITE 430,
VANVOUVEV BC V6B 2X1, CA (604) 646-5614 - 1,698,330 (\$254,749.50)
COMMON STOCK. (FILE 333-54264 - JAN. 24) (BR. 9)
- S-8 SURMODICS INC, 9924 W 74TH ST, EDEN PRAIRIE, MN 55344 (612) 829-2700
-
200,000 (\$6,031,200) COMMON STOCK. (FILE 333-54266 - JAN. 25) (BR. 9)
- S-8 SHELDAHL INC, 115 SHELDAHL RD, NORTHFIELD, MN 55057 (507) 663-8000
-
2,193,412 (\$7,402,705.50) COMMON STOCK. (FILE 333-54268 - JAN. 25)
(BR. 5)
- S-3 HUMPHREY HOSPITALITY TRUST INC, 12301 OLD COLUMBIA PIKE, SILVER
SPRING,
MD 20904 (301) 680-4343 - 886,816 (\$6,263,138) COMMON STOCK. (FILE
333-54270 - JAN. 25) (BR. 8)
- S-8 VINA TECHNOLOGIES INC, 39745 EUREKA DRIVE, NEWARK, CA 94560
(510) 492-0800 - 10,000,000 (\$31,406,500) COMMON STOCK. (FILE 333-
54272 -
JAN. 25) (BR. 7)
- S-8 ONEOK INC /NEW/, 100 WEST 5TH ST, TULSA, OK 74103 (918) 588-7000 -
350,000 (\$16,208,500) COMMON STOCK. (FILE 333-54274 - JAN. 25) (BR. 2)
- S-8 EXTREME NETWORKS INC, 3585 MONROE STREET, SANTA CLARA, CA 95051
(408) 579-2800 - 11,293,480 (\$479,654,532) COMMON STOCK. (FILE 333-
54278 -
JAN. 25) (BR. 3)
- S-8 GREAT BASIN WATER CO, 2950 E. FLAMINGO RD, SUITE F, LAS VEGAS, NV
89121
(702) 734-1223 - 2,300,000 (\$880,440) COMMON STOCK. (FILE 333-54280 -
JAN. 25) (BR. 9)
- S-8 NTELOS INC, 401 SPING LN PO BOX 1990, STE 300, WAYNESBORO, VA 22980
(703) 946-3500 - 75,000 (\$1,633,500) COMMON STOCK. (FILE 333-54288 -
JAN. 25) (BR. 7)

SB-2 INTERNATIONAL TRAVEL CD S INC, 2 N CASCADE AVE, SUITE 1100,
 COLORADO SPRINGS, CO 80903 (719) 381-1928 - 200,000 (\$200,000)
 COMMON STOCK. (FILE 333-54292 - JAN. 25) (BR. 9 - NEW ISSUE)

S-3 HA LO INDUSTRIES INC, 5980 W TOUHY AVE, NILES, IL 60714 (708) 647-
 2300
 - (708) 645,378 (\$20,454,306.25) COMMON STOCK. (FILE 333-54294 - JAN. 25)
 BR. 2

S-3 TRACK DATA CORP, 50 PINE STREET, NEW YORK, NY 10005 (212) 422-4300 -
 3,000,000 (\$3,000,000) COMMON STOCK. (FILE 333-54296 - JAN. 25) (BR.
 7)

S-8 TRIMFAST GROUP INC, 777 S HARBOUR ISLAND BLVD 260, TAMPA, FL 33602
 (813) 275-0050 - 180,000 (\$84,600) COMMON STOCK. (FILE 333-54298 -
 JAN. 25) (BR. 1)

S-3 ALBERTO CULVER CO, 2525 ARMITAGE AVE, MELROSE PARK, IL 60160
 (708) 450-3039 - 300,000,000 (\$300,000,000) STRAIGHT BONDS. (FILE
 333-54302 - JAN. 25) (BR. 2)

S-3 TICKETMASTER ONLINE CITYSEARCH INC, 790 E COLORADO BLVD, STE 200,
 PASADENA, CA 91101 (626) 405-0050 - 299,954 (\$3,215,507) COMMON STOCK.
 (FILE 333-54304 - JAN. 25) (BR. 3)

S-8 DIME BANCORP INC, 589 5TH AVE, NEW YORK, NY 10017 (212) 326-6170 -
 1,314,000 (\$33,959,016) COMMON STOCK. (FILE 333-54306 - JAN. 25) (BR.
 7)

S-8 CLIN CORP, 501 MERRITT 7, P O BOX 4500, NORWALK, CT 06856 (203) 750-
 3000
 - 500,000 (\$9,970,000) COMMON STOCK. (FILE 333-54308 - JAN. 25) (BR.
 4)

S-3 QUEST DIAGNOSTICS INC, ONE MALCOLM AVE, TETERBORO, NJ 07608
 (201) 393-5000 - 750,000,000 (\$750,000,000) COMMON STOCK. (FILE 333-
 54310
 - JAN. 25) (BR. 1)

S-4 PICCADILLY CAFETERIAS INC, P O BOX 2467, BATON ROUGE, LA 70821
 (225) 293-9440 - 75,500,000 (\$75,500,000) STRAIGHT BONDS. (FILE 333-
 54312
 - JAN. 25) (BR. 5)

S-8 AQUA CLARA BOTTLING & DISTRIBUTION INC, 1315 CLEVELAND STREET,
 CLEARWATER, FL 33755 (813) 548-7105 - 6,000,000 (\$840,000) COMMON
 STOCK.
 (FILE 333-54314 - JAN. 25) (BR. 9)

S-2 CALYPTE BIOMEDICAL CORP, 1265 HARBOR BAY PARKWAY, ALAMEDA, CA 94502
 (510) 749-5100 - 6,085,018 (\$7,612,358) COMMON STOCK. (FILE 333-54316
 -
 JAN. 25) (BR. 5)

S-8 WATER PIK TECHNOLOGIES INC, 23 CORPORATE PLAZA, STE 246, NEWPORT BEACH, CA 92660 (949) 719-3700 - 600,000 (\$4,537,500) COMMON STOCK. (FILE 333-54318 - JAN. 25) (BR. 2)

S-8 WATER PIK TECHNOLOGIES INC, 23 CORPORATE PLAZA, STE 246, NEWPORT BEACH, CA 92660 (949) 719-3700 - 250,000 (\$1,890,625) COMMON STOCK (FILE 333-54320 - JAN. 25) (BR. 2)

S-8 4-D NEUROIMAGING, 9727 PACIFIC HEIGHTS BLVD, SAN DIEGO, CA 92121 (858) 453-6300 - 2,000,000 (\$454,000) COMMON STOCK. (FILE 333-54322 - JAN. 25) (BR. 5)

S-8 ELECTRONIC IDENTIFICATION INC, 1200 W PENDER ST SUITE 411, VANCOUVER BRITISH COLUMBIA, CANADA V6E 2S9, A1 00000 (310) 229-5722 - 475,000 (\$110,000) COMMON STOCK (FILE 333-54324 - JAN. 25) (BR. 9)

S-3 FEGENERON PHARMACEUTICALS INC, 777 OLD SAW MILL RIVER RD, TARRYTOWN, NY 10591 (914) 347-7000 - 4,600,000 (\$158,594,200) COMMON STOCK. (FILE 333-54326 - JAN. 25) (BR. 1)

S-8 PER. INTERCONNECT INC, 1601 ALTON PARKWAY, IRVINE, CA 92606 (949) 562-3131 - 9,400,000 (\$848,000) COMMON STOCK. (FILE 333-54328 - JAN. 25) (BR. 3)

S-3 ALLETE, 30 W SUPERIOR ST, DULUTH, MN 55802 (218) 722-2641 - 591,292 (\$12,324,743) COMMON STOCK. (FILE 333-54330 - JAN. 25) (BR. 2)

S-3 TELIGENT INC, 8065 LEESBURG PIKE, VIENNA, VA 22182 (703) 762-5100 - 136,551,317 (\$431,502,162) COMMON STOCK. (FILE 333-54332 - JAN. 25) (BR. 7)

SB-2 TELEHUBLINK CORP, 24 NEW ENGLAND EXECUTIVE PARK, BURLINGTON, MA 01803 (781) 234-1102 - 22,044,466 (\$63,134,765) COMMON STOCK. (FILE 333-54334 - JAN. 25) (BR. 2)

S-3 APPLIED IMAGING CORP, 2380 WALSH AVE BLDG B, SANTA CLARA, CA 95051 (408) 562-0250 - 3,088,979 (\$11,157,067) COMMON STOCK. (FILE 333-54336 - JAN. 25) (BR. 5)

S-1 PICCADILLY CAFETERIAS INC, P O BOX 2467, BATON ROUGE, LA 70821 (225) 293-9440 - 81,000 (\$994,680) COMMON STOCK. (FILE 333-54340 - JAN. 25) (BR. 5)

S-1 PRAECIS PHARMACEUTICALS INC, ONE HAMPSHIRE ST, CAMBRIDGE, MA 02139 (617) 494-8400 - 6,325,000 (\$159,516,500) COMMON STOCK. (FILE 333-54342 - JAN. 25) (BR. 1)