

# SEC NEWS DIGEST

Issue 99-158

August 17, 1999

---

## COMMISSION ANNOUNCEMENTS

---

### SEC CHIEF ACCOUNTANT SOLICITS ACADEMIC RESEARCH ON KEY ACCOUNTING ISSUES FACING THE COMMISSION AND THE PROFESSION

Securities and Exchange Commission Chief Accountant Lynn E. Turner has issued a call to academic accountants throughout the country to conduct research on a variety of important and timely accounting issues that face the Commission and the accounting profession. The research papers will be considered for presentation at a conference the Commission's Office of the Chief Accountant is considering hosting that would bring together members of standard-setting groups, regulators, preparers, users, and academics.

In an August 15, 1999 letter to leaders of the American Accounting Association, Mr. Turner wrote, "Members of the American Accounting Association have long been instrumental in accounting standards setting and regulation by providing useful perspectives for consideration of evolving issues. A number of important issues that can influence the usefulness and integrity of financial reporting now demand the concerted efforts of our best minds. Proper resolution of these issues can ensure that our capital markets continue to function efficiently and remain the envy of the world."

Mike Diamond, President of the American Accounting Association, said, "The Association looks forward to participating with the SEC in this effort to improve world wide financial reporting."

The Chief Accountant seeks research on the following topics: audit effectiveness, auditor independence, accounting and financial disclosure, and international accounting and auditing.

The SEC reviewing committee will provide first consideration to papers received by March 1, 2000, but will also consider papers received after that date. Research papers should be sent to: Academic Fellow, Office of the Chief Accountant, Securities and Exchange Commission, Washington, DC 20549-1103.

For a copy of the letter and the list of research topics, please call 202.942.0020. For additional information, please contact Dick Dietrich at 202.942.4400. (Press Rel. 99-100)

---

## **ENFORCEMENT PROCEEDINGS**

---

### **COMMISSION ENTERS ORDER SANCTIONING MICHAEL USHER AND GILBERT MARSHALL & CO., INC.**

On August 16, the Commission entered an order sanctioning Michael A. Usher (Usher) and Gilbert Marshall & Co., Inc. (Gilbert Marshall). Usher is a resident of Greeley, Colorado. Gilbert Marshall was formerly a broker-dealer with its headquarters office in Greeley, Colorado. The order, which was entered pursuant to an offer of settlement by Usher and Gilbert Marshall entered the following sanctions: Usher was barred from association with any broker or dealer; the broker-dealer registration of Gilbert Marshall was revoked; and Usher and Gilbert Marshall were ordered to cease and desist future violations of the registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933 and the anti-fraud provisions of Section 17(a) of the Securities Act 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934. In the Order the Commission determined that it was appropriate that Usher and Gilbert Marshall pay disgorgement of \$5,435,183 plus prejudgment interest. However, all but \$10,000 of such amount was waived and the Commission declined to impose a penalty based on the demonstrated inability of Usher and Gilbert Marshall to pay additional amounts.

The Commission's order found that from March 1994 through November 1994 a branch office of Gilbert Marshall sold \$5.4 million of Sky Scientific Inc. (Sky) stock to retail customers in 862 transactions. That branch office employed high pressure fraudulent sales practices to sell Sky stock. Usher, without performing appropriate investigation, authorized that branch office to sell Sky stock to the public and thereby furthered the fraudulent sale of Sky stock to the public. The Order also found that from March through July 1994 Gilbert Marshall sold Sky common stock in 338 transactions to customers of Gilbert Marshall at excessive undisclosed markups.

On March 5, 1999, an Administrative Law Judge had entered an initial decision making findings and imposing sanctions on Usher and Gilbert Marshall. (Rels. 33-7724; 34-41744; File No. 3-9201)

### **MEDA BELLE MCKINNEY SANCTIONED**

On August 16, the Commission issued an Order Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Order (Order) against Meda Belle McKinney (McKinney). The Order bars McKinney from association with any broker or dealer, with the right to reapply for association after two years, and orders her to cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Order also requires McKinney to pay disgorgement of \$42,000 plus prejudgment interest but waives payment

of those amounts, and does not impose a civil penalty, due to McKinney's inability to pay. McKinney consented to the entry of the Order without admitting or denying the findings therein.

The Order finds that from 1993 through 1996 McKinney, as a registered representative of Innovative Consulting Services, Inc., participated in raising more than \$16 million from hundreds of investors by fraudulently offering to the public and selling approximately 43 limited partnerships, none of which were registered with the Commission.

The Order further alleges that McKinney made material misrepresentations concerning the degree of risk and use of proceeds associated with the investments, and personally benefitted from their sale. (Rels. 33-7725; 34-41745; File No. 3-9711)

#### **STEVEN TRAPP AND RAYMOND KRIPAITIS BARRED**

On August 17, the Commission instituted administrative proceedings against two former registered representatives, Steven Gale Trapp (Trapp) and Raymond R. Kripaitis (Kripaitis). In these two enforcement actions, the SEC alleges that Trapp and Kripaitis participated in secret arrangements with the former president of Teletek, Inc. (Teletek), under which they were to receive undisclosed compensation if they sold Teletek stock to their customers. At the time, Teletek had its principal office in Las Vegas, Nevada, and was engaged in the business of marketing international telephone calling services. The SEC alleges that Trapp and Kripaitis sold Teletek stock to their customers without disclosing their arrangements with the company's president or the compensation that they received.

The Commission found that Trapp and Kripaitis willfully 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. Without admitting or denying the allegations in the Orders, Trapp and Kripaitis have each consented to be barred from association with any broker or dealer. Based on their demonstrated inability to pay, Trapp and Kripaitis will not be required to disgorge the undisclosed compensation that they received, nor will civil monetary penalties be assessed against them.

Trapp and Kripaitis were indicted in U.S. v. Damon Cozzolino, et al., CR-S-96-287, a factually-related criminal prosecution in the United States District Court for the District of Nevada. Both individuals subsequently pleaded guilty to one count of conspiracy. (Rels. 34-41749; 34-41750; File Nos. 3-9974; 3-9975)

#### **COMMISSION SETTLES ACCOUNTING FRAUD CHARGES AGAINST INAMED CORPORATION**

On August 17, the Commission issued a settled Order Instituting Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings and Imposing a Cease-and-Desist Order as to Inamed Corporation (Inamed), a Nevada-based medical products company. The Commission found that Inamed failed to properly

account for numerous transactions between 1996 and 1997, resulting in material misstatements and omissions in Inamed's financial statements contained in periodic reports filed with the Commission on Form 10-K for the period ended December 31, 1996 and on Forms 10-Q for the periods ended June 30, 1996, September 30, 1996, March 31, 1997, June 30, 1997 and September 30, 1997. The misstatements and omissions caused Inamed's books and records to be inaccurate. In addition, on April 15 and May 15, 1997, Inamed issued materially misleading press releases concerning the reasons for the company's failure to timely file its Annual Report on Form 10-K and its results of operations for the period ended December 31, 1996.

The Commission found that these material misstatements and omissions violated the antifraud provisions of the Securities Exchange Act of 1934. The Commission also found that during 1996 and 1997, Inamed failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected its transactions and dispositions of assets and further failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in violation of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. Without admitting or denying the Commission's findings, Inamed consented to the Commission's order, which orders Inamed to cease and desist from committing or causing any violations and any future violations of Sections 10(b), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rule 10b-5 thereunder. (Rel. 34-41751; File No. 3-9976; AAER-1154)

---

## SELF-REGULATORY ORGANIZATIONS

---

### PROPOSED RULE CHANGES

The Options Clearing Corporation filed a proposed rule change (SR-OCC-99-8) under Section 19(b)(3)(A) of the Exchange Act. The proposed rule change, which became effective upon filing, reduces OCC clearing fees for established products in the second half of 1999. Publication of the proposal is expected in the Federal Register during the week of August 16. (Rel. 34-41736)

The Chicago Board Options Exchange filed a proposed rule change under Rule 19b-4 (SR-CBOE-99-35) relating to crossing index options orders. Publication of the proposal is expected in the Federal Register during the week of August 16. (Rel. 34-41742)

### FILING AND IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

The American Stock Exchange filed with the Securities and Exchange Commission a notice of filing and immediate effectiveness of a proposed rule change under Rule 19b-4 (SR-Amex-99-24) to amend Commentary .01 to Exchange Rule 340 and amend Exchange Rule 590.

Publication of the proposal is expected in the Federal Register during the week of August 16. (Rel. 34-41735)

A proposed rule change filed by the Philadelphia Stock Exchange to adopt Commentary .17 to Phlx Rule 1014 (SR-Phlx-99-25) has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of August 16. (Rel. 34-41737)

#### WITHDRAWAL

An order has been issued granting the application of IAT Resources Corporation (formerly The Producers Entertainment Group Ltd.) to withdraw its Common Stock, par value \$.001, its Redeemable Common Stock Purchase Warrants expiring June 11, 2001, and its Series A 8-1/2% Convertible Preferred Stock from listing and registration on the Boston Stock Exchange. (Rel. 34-41743)

---

#### 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>.

- S-3 WASTE SYSTEMS INTERNATIONAL INC, 420 BEDFORD STREET, SUITE 300, LEXINGTON, MA 02173 (781) 862-3000 - 22,500,000 (\$22,500,000) STRAIGHT BONDS. (FILE 333-84855 - AUG. 10) (BR. 4)
- S-4 SPECTRASITE HOLDINGS INC, 8000 REGENCY PARKWAY, SUITE 570, CARY, NC 27511 (919) 468-0112 - 10,220,994 (\$227,417,127) COMMON STOCK. (FILE 333-84857 - AUG. 10) (BR. 7)
- S-3 CIT GROUP INC, 1211 AVE OF THE AMERICAS, NEW YORK, NY 10036 (212) 536-1390 - 5,000,000,000 (\$5,000,000,000) STRAIGHT BONDS. (FILE 333-84859 - AUG. 10) (BR. 7)
- S-3 PILGRIMS PRIDE CORP, 110 S TEXAS ST, PO BOX 93, PITTSBURG, TX 75686 (903) 855-4208 (FILE 333-84861 - AUG. 10) (BR. 4)
- S-8 TRIMEDYNE INC, 2801 BARRANCA ROAD, P O BOX 57001, IRVINE, CA 92619 (714) 559-5300 - 500,000 (\$1,006,875) COMMON STOCK. (FILE 333-84863 - AUG. 10) (BR. 5)
- S-4 ZIONS BANCORPORATION /UT/, ONE SOUTH MAIN STREET, SUITE 1380, SALT LAKE CITY, UT 84111 (801) 524-4787 - 5,710,504 (\$306,081,798) COMMON STOCK. (FILE 333-84865 - AUG. 10) (BR. 7)
- S-8 PIONEER BANCORPORATION, 10 STATE ST, RENO, NV 89505 (702) 734-5709 -

745,187 (\$22,635,055) COMMON STOCK. (FILE 333-84867 - AUG. 10) (BR. 7)

S-8 UROLOGIX INC, 14405 21ST AVE N, MINNEAPOLIS, MN 55447 (612) 475-1400 - 925,000 (\$2,960,937.50) COMMON STOCK. (FILE 333-84869 - AUG. 10) (BR. 5)

S-8 ITT EDUCATIONAL SERVICES INC, 5975 CASTLE CREEK PKWY N DR, PO BOX 50466, INDIANAPOLIS, IN 46250 (317) 594-9499 - 250,000 (\$5,421,875) COMMON STOCK (FILE 333-84871 - AUG. 10) (BR. 8)

S-8 ATLANTIC INTERNATIONAL ENTERTAINMENT LTD, 200 E PALMETTO PARK RD, STE 200, BOCA RATON, FL 33432 (561) 393-6685 - 250,000 (\$687,500) COMMON STOCK. (FILE 333-84873 - AUG. 10) (BR. 3)

S-4 CARDIA INC, 501 EAST HIGHWAY 13, BURNSVILLE, MN 55337 (612) 890-1123 - 200,000 (\$544,881) COMMON STOCK (FILE 333-84875 - AUG. 10) (BR. 9)

S-3 AVIS RENT A CAR INC, 900 OLD COUNTRY ROAD, GARDEN CITY, NY 11530 (516) 222-3000 - 5,885,800 (\$158,180,875) COMMON STOCK. (FILE 333-84881 - AUG. 10) (BR. 5)

S-4 QUANTUM CORP /DE/, 500 MCCARTHY BLVD, MILPITAS, CA 95035 (408) 894-4000 - 10,596,472 (\$94,372,180) COMMON STOCK. (FILE 333-84883 - AUG. 10) (BR. 3)

S-8 SWISSRAY INTERNATIONAL INC, 200 EAST 32ND ST, STE 34 B, NEW YORK, NY 10016 (212) 545-0095 - 3,000,000 (\$7,311,000) COMMON STOCK (FILE 333-84887 - AUG 10) (BR. 5)

S-3 US FOODSERVICE/MD/, 9755 PATUXENT WOODS DR, COLUMBIA, MD 21046 (410) 312-7100 - 60,838 (\$1,266,039) COMMON STOCK. (FILE 333-84889 - AUG. 10) (BR. 4)

S-8 VALUE AMERICA INC /VA, 1560 INSURANCE LANE, 804-970-7880, CHARLOTTESVILLE, VA 22911 (804) 817-7700 - 6,250,000 (\$46,937,500) COMMON STOCK. (FILE 333-84891 - AUG. 10) (BR. 2)

S-4 HUDSON UNITED BANCORP, 1000 MACARTHUR BLVD, MAHWAH, NJ 07430 (201) 236-2600 - 1,516,486 (\$46,186,654) COMMON STOCK. (FILE 333-84893 - AUG. 10) (BR. 7)

S-8 CHERRY CORP, 3600 SUNSET AVE, WAUKEGAN, IL 60087 (708) 662-9200 - 400,000 (\$5,600,000) COMMON STOCK. (FILE 333-84895 - AUG 10) (BR 5)

S-8 RUSHMORE FINANCIAL GROUP INC, 13355 NOEL RD, STE 650, DALLAS, TX 75240 (972) 450-6000 - 250,000 (\$1,187,500) COMMON STOCK. (FILE 333-84897 - AUG. 10) (BR 9)

S-8 RUSHMORE FINANCIAL GROUP INC, 13355 NOEL RD, STE 650, DALLAS, TX 75240 (972) 450-6000 - 500,000 (\$2,375,000) COMMON STOCK. (FILE 333-84899 - AUG. 10) (BR. 9)

S-8 RUSHMORE FINANCIAL GROUP INC, 13355 NOEL RD, STE 650, DALLAS, TX 75240 (972) 450-6000 - 100,000 (\$475,000) COMMON STOCK. (FILE 333-84901 - AUG. 10) (BR. 9)

S-4 JL FRENCH AUTOMOTIVE CASTING INC, 3101SOUTH TAYLOR, P.O. BOX 1024, SHEBOYGAN, WI 53082 (920) 458-7724 - \$175,000,000 STRAIGHT BONDS. (FILE 333-84903 - AUG. 11) (NEW ISSUE)

S-1 SIBUN RIVER GROUP INC, 580 HORNS BY STREET, SUITE 210, VANCOUVER, B.C. V6C 3B6, ALUIN, TX 77512 (604) 687-6991 - 2,500,000 (\$125,000) COMMON STOCK. (FILE 333-84905 - AUG. 10)

S-3 ENTREMED INC, 9610 MEDICAL CENTER DR STE 200, ROCKVILLE, MD 20850 (301) 217-9858 - 1,478,118 (\$30,393,801.38) COMMON STOCK. (FILE 333-84907 - AUG. 10) (BR. 1)

S-4 FIFTH THIRD BANCORP, 38 FOUNTAIN SQ PLZ, FIFTH THIRD CENTER, CINCINNATI, OH 45263 (513) 579-5300 - 3,850,000 (\$195,549,683 52) COMMON STOCK. (FILE 333-84911 - AUG. 11) (BR 7)