

SEC NEWS DIGEST

Issue 2001-14

January 22, 2001

ENFORCEMENT PROCEEDINGS

COMMISSION SANCTIONS KPMG LLP

In an opinion issued on January 19, 2001, the Commission found that KPMG LLP, formerly known as KPMG Peat Marwick LLP, compromised its independence in connection with its audit of the financial statements of a Commission registrant and ordered it to cease and desist from future violations. The Commission stressed that when, as in this case, accounting firms enter into complex relationships with other entities that in turn have relationships with audit clients, persons in charge of making independence determinations must exercise particular vigilance. In this case, the Commission found instead a lack of care at senior levels.

The Commission's decision is based on KPMG's 1995 "strategic alliance" with a newly formed financial services company, KPMG BayMark, LLC, and its subsidiaries. As part of this strategic alliance, KPMG granted each of the BayMark entities the right to use "KPMG" as part of their names and, in return, each BayMark entity agreed to pay Peat Marwick a license, or "royalty," fee of approximately five percent of its quarterly consolidated fee income. KPMG also agreed to lend each of BayMark's four individual owners \$100,000 to be used as equity contributions to BayMark and its subsidiaries.

In late 1995, one of the BayMark subsidiaries, KPMG BayMark Strategies, LLC, was hired by a Commission registrant to provide it with turnaround management. The executive managing director of Strategies, who was also an owner of BayMark, assumed the positions of President and Chief Operating Officer of the registrant and directed its turnaround effort in exchange for a management fee of \$250,000 and a "success fee" of certain percentages of the registrant's earnings, disposed inventory, and restructured debt. While Strategies was running the registrant, KPMG audited the registrant's 1995 year-end financial statements for inclusion in an upcoming annual report.

The Commission concluded that these relationships impaired Peat Marwick's independence from its audit client. Under the Commission's independence standards, as they existed at the time, and under generally accepted auditing standards ("GAAS"), auditors and their firms must avoid debtor/creditor relationships with officers of audit

clients. The Commission concluded that KPMG's loan to an officer of its audit client ran afoul of these standards. In addition, because the "success fee" arrangement between the registrant and Strategies, when considered together with the "royalty fee" arrangement between Strategies and KPMG, gave KPMG the right to receive a fee attributable, in part, to the registrant's financial success, the Commission determined that KPMG violated a GAAS prohibition against receiving a contingent fee from an audit client. The Commission concluded that KPMG violated a Commission rule requiring its audit report to accurately state that the audit was made in accordance with GAAS and that KPMG caused the registrant to violate the Commission's reporting requirements, because the financial statements included as part of the registrant's annual report, were not, as represented, audited by independent accountants.

The Commission determined that KPMG acted negligently with respect to maintaining its independence. The Commission found that, after the partner in charge of the audit engagement called KPMG's Department of Professional Practice to inquire about the propriety of KPMG auditing a registrant while a Strategies employee functioned as the registrant's president and COO, the head of that department did not take the steps necessary to resolve that inquiry. As a consequence, he may not have known some of the critical facts about KPMG's and Strategies' dual engagements with the registrant. As a result, although the department head consulted with Commission staff about the dual engagements, he failed to disclose many of the important facts about those engagements. The Commission therefore concluded that KPMG could not rely on the communications with Commission staff to minimize the seriousness of its negligence.

In determining whether to sanction KPMG for its conduct, the Commission stressed that it considered independence to be a keystone of the disclosure system. Given the lack of care at senior levels that pervaded KPMG's determination as to its independence, the Commission concluded that it was appropriate to issue a cease-and-desist order against KPMG. (Rel. 34-43862, AAE Rel. 1360, File No. 3-9500)

JON WILLIAMS ENJOINED IN SCHEME TO SELL STOCK REPURCHASE AGREEMENTS

The Commission announced that a federal judge in San Francisco entered judgment against Jon F. Williams of Los Angeles on December 8, 2000. Williams was the owner of GSG Financial, which owned Global Strategies Group, Inc., a now defunct small brokerage firm headquartered in San Francisco. The court ordered Williams to pay a \$100,000 civil penalty and refrain from future violations of the federal securities laws.

The Commission alleged in its complaint that Williams and others made false statements and withheld material information concerning the sale of \$2.1 million in unregistered stock repurchase agreements. Under these agreements, investors purchased shares in start-up companies and were promised that the stock would be repurchased within six months for a 20 percent or greater return. The Commission asserted that Williams and others misled investors concerning the actual use of their money, the likelihood of

repayment and the investors' ability to sell the underlying stocks Williams consented to the judgment without admitting or denying the Commission's allegations

In a separate action on December 21, 2000, the Commission barred Williams from association with any broker or dealer based upon the judgment entered by the federal court

The charges against Williams were brought under Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 [SEC v Jon F Williams, et al , Civil Action No C-00-594 SC, USDC, ND Cal] (LR-16864)

COURT ORDERS PERMANENT INJUNCTION AGAINST BERNADETTE STEVENS

The Commission announced today that on January 16, Judge Patricia A Seitz entered an order of permanent injunction and other relief against defendant Bernadette Stevens (Stevens) for her involvement as a sales manager at Amquest International, Ltd. (Amquest), a Fort Lauderdale, Florida "financial services" firm Stevens, Amquest, David Morgenstern (D. Morgenstern) and Fred Morgenstern (F. Morgenstern) engaged throughout 1996, in offering fraud and an attempted "pump and dump" scheme, which gave rise to violations of Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 The Court ordered that Stevens disgorge \$143,684 in ill-gotten gains but waived payment of disgorgement and pre-judgment interest in excess of \$10,000 and did not impose a civil penalty based upon Stevens' demonstrated inability to pay Stevens consented to the entry of the order without admitting or denying the allegations of the Commission's complaint The Court has previously enjoined Amquest and the Morgensterns and ordered those defendants to pay \$3,750,000 in disgorgement

The Commission alleged in its complaint that Amquest, D. Morgenstern, F. Morgenstern and Stevens engaged in securities fraud in connection with a private offering of common stock by Amquest, which resulted in approximately \$41 million in losses to investors In its complaint, the Commission alleged that, in the offer and sale of Amquest's securities, Amquest, D Morgenstern, F. Morgenstern and Stevens used fraudulent offering documents calculated to deceive prospective investors through misleading representations and omissions

The SEC further charged in its suit that the defendants misappropriated the bulk of the Amquest offering proceeds, including approximately \$700,000 in proceeds from a related offering of stock issued by SleepSource International, Ltd The complaint alleged D Morgenstern and F Morgenstern used the offering proceeds to fund an attempted scheme to inflate artificially the price of Amquest stock by engaging in pre-arranged trades in nominee brokerage accounts [SEC v David Morgenstern, Fred Morgenstern, Bernadette Stevens, and Amquest International, Ltd Civil Action No 98-7044-CIV-Seitz, S D Fla] (LR-16865)

INVESTMENT COMPANY ACT RELEASES

SCUDDER WEISEL CAPITAL ENTREPRENEURS FUND AND SCUDDER WEISEL CAPITAL LLC

An order has been issued on an application filed by Scudder Weisel Capital Entrepreneurs Fund and Scudder Weisel Capital LLC for an exemption from Sections 18(c) and 18(i) of the Investment Company Act of 1940, Rule 23c-3 under the Act, and pursuant to Section 17(d) of the Act and Rule 17d-1 under the Act. The order permits certain registered closed-end management investment companies to issue multiple classes of shares and to impose asset-based distribution fees and early withdrawal charges (Rel IC-24833- January 19)

HOLDING COMPANY ACT RELEASES

PINNACLE WEST CAPITAL CORPORATION

A notice has been issued giving interested persons until February 13, 2001, to request a hearing on a proposal by Pinnacle West Capital Corporation (Pinnacle West), a holding company exempt from registration under Section 3(a)(1) of the Act by Rule 2, to acquire Pinnacle West Energy Corporation, currently a wholly owned nonutility subsidiary of Pinnacle West, as a public utility subsidiary, in connection with a proposed corporate reorganization, as contemplated by Arizona law introducing retail electric competition (Rel 35-27339)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change (SR-ISE-00-10) submitted by the International Securities Exchange relating to payment for order flow. Publication of the order in the Federal Register was expected during the week of January 15 (Rel 34-43833)

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change (SR-NYSE-00-59) filed by the New York Stock Exchange amending the late filing fee requirements under NYSE Rule 416, Questionnaires and Reports has become effective under Section 19(b)(3)(a) of the Securities Exchange Act of 1934. Publication of the order in the Federal Register is expected during the week of January 22 (Rel 34-43847)

PROPOSED RULE CHANGE

The Government Securities Clearing Corporation filed a proposed rule change (SR-GSCC-00-13) that would allow GSCC to establish a cross-margining program with the Chicago Mercantile Exchange and to amend its rules to clarify that it will fulfill its obligations under any cross-margining agreement before crediting an insolvent member for any profit realized on the liquidation of the member's final net settlement positions. Publication of the order in the Federal Register is expected during the week of January 22 (Rel 34-43849)

WITHDRAWAL SOUGHT

A notice has been issued giving interested persons until February 9, 2001, to comment on the application of Massey Energy Company (formerly Fluor Corporation) to withdraw its Common Stock, \$625 par value, from listing and registration on the Pacific Stock Exchange. Notice of this application was previously issued by the Commission as Release 34-43820 on January 8, 2001. Such notice, however, failed to appear in the Federal Register, as required, and so is being reissued (Rel 34-43861)

RECENT 8K FILINGS

Form 8-K is used by companies to file current reports on the following events

- Item 1 Changes in Control of Registrant
- Item 2 Acquisition or Disposition of Assets
- Item 3 Bankruptcy or Receivership
- Item 4 Changes in Registrant's Certifying Accountant
- Item 5 Other Materially Important Events
- Item 6 Resignations of Registrant's Directors
- Item 7 Financial Statements and Exhibits
- Item 8 Change in Fiscal Year
- Item 9 Regulation FD Disclosure

The following companies have filed 8-K reports for the date indicated and/or amendments to 8-K reports previously filed, responding to the item(s) of the form specified. 8-K reports 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>

NAME OF ISSUER	STATE CODE	8K ITEM NO.									DATE	COMMENT
		1	2	3	4	5	6	7	8	9		
ADAMS OUTDOOR ADVERTISING INC	MN		X					X			01/09/01	
ADAMS OUTDOOR ADVERTISING LTD PARTN ERSHIP	MN		X					X			01/09/01	
ADC TELECOMMUNICATIONS INC	MN					X	X				01/19/01	
ADMIRALTY BANCORP INC	DE					X	X				01/10/01	
ALLETE	MN					X	X				01/18/01	

NAME OF ISSUER	STATE CODE	8K ITEM NO.									DATE	COMMENT
		1	2	3	4	5	6	7	8	9		
ALLIANCE FIBER OPTIC PRODUCTS INC	CA					X					01/19/01	
ALLIED WASTE INDUSTRIES INC	DE					X					01/18/01	
AMRESKO CAPITAL TRUST	TX					X	X				01/18/01	
ANICOM INC	DE		X				X				01/05/01	
ARTISAN COMPONENTS INC	DE		X				X				01/04/01	
AZTEC COMMUNICATIONS GROUP INC	UT						X				01/19/01	
BANYAN STRATEGIC REALTY TRUST	MA					X	X				01/19/01	
BEACON CAPITAL PARTNERS INC	MD					X	X				01/12/01	
BELLWETHER EXPLORATION CO	DE					X	X				01/17/00	
BOMBARDIER CAPITAL MORTGAGE SECURIT IZATION CORP	VT					X					01/17/01	
BOWLIN OUTDOOR ADVERTISING & TRAVEL CENTERS INC	NV							X	X		01/19/01	
CALENERGY MINERALS LLC	DE					X	X				01/17/01	
CALENERGY OPERATING CORP	DE					X	X				01/17/01	
CALIFORNIA COMMUNITY BANCSHARES INC	DE					X	X				01/17/01	
CANADA SOUTHERN PETROLEUM LTD	CT					X	X				01/12/01	
CAPITAL AUTOMOTIVE REIT	MD					X					02/26/99	AMEND
CAPITAL ONE FINANCIAL CORP	VA					X	X				01/18/01	
CAPSULE COMMUNICATIONS INC DE	DE					X					01/19/01	
CASTLE HOLDING CORP	NV	X									01/19/01	
CBL & ASSOCIATES PROPERTIES INC	DE					X	X				01/19/01	
CE CASECNAN WATER & ENERGY CO INC						X					01/18/01	
CE GENERATION LLC	DE					X	X				01/18/01	
CE SALTON SEA INC	DE					X	X				01/17/01	
CE TURBO LLC	DE					X	X				01/17/01	
CENDANT CORP	DE					X	X				10/25/00	AMEND
CENTILLIUM COMMUNICATIONS INC	DE		X				X				01/05/01	
CENTRAL COAL & COKE CORP	DE							X			01/19/01	
CENTURY BANCSHARES INC	DE					X	X				01/19/01	
CHELSEA PROPERTY GROUP INC	MD						X				12/22/00	AMEND
CHRONIMED INC	MN						X				01/05/01	
CINEMASTAR LUXURY THEATERS INC	CA				X		X				01/03/01	
CLEVELAND CLIFFS INC	OH							X			01/18/01	
CLICK2LEARN COM INC	DE					X	X				01/15/01	
CONEJO ENERGY CO	CA					X	X				01/17/01	
CONSECO FINANCE CORP	DE						X				01/18/01	
CONSECO FINANCE SECURITIZATIONS COR P	DE						X				01/18/01	
CONSOLIDATED GRAPHICS INC /TX/	TX					X	X				01/11/01	
CPS AUTO RECEIVABLES TRUST 1998-4	CA						X				12/30/00	
CYTOMEDIX INC	DE			X			X				01/12/01	
DEL RANCH LP	CA					X	X				01/17/01	
DIME BANCORP INC	DE					X	X				01/19/01	
DIME BANCORP INC	DE					X	X				01/19/01	AMEND
DONALDSON CO INC	DE					X	X				01/19/01	
DOVER DOWNS ENTERTAINMENT INC	DE							X			01/19/00	
DOWNEY FINANCIAL CORP	DE					X	X				01/18/01	
E TRADE GROUP INC	DE				X		X				01/19/01	
EBIZ ENTERPRISES INC	NV		X				X				01/04/01	
EDG CAPITAL INC	NY					X	X				01/19/01	
EDIETS COM INC	DE					X	X				01/17/01	
ELECTROSOURCE INC	DE					X					01/19/01	
ELINEAR INC	DE					X					11/13/01	

NAME OF ISSUER	STATE	BK ITEM NO.									DATE	COMMENT
	CODE	1	2	3	4	5	6	7	8	9		
ELMORE LP	CA					X		X			01/17/01	
EMERSON RADIO CORP	DE					X					01/17/01	
EUROKIOSK INC	DE	X									12/20/00	AMEND
EUROPA CRUISES CORP	DE				X			X			12/29/00	
FECHTOR DETWILER MITCHELL & CO	DE	X									01/19/01	
FIDELITY NATIONAL FINANCIAL INC /DE	DE					X		X			01/17/01	
/												
FIRST BANK CORPORATE CARD MASTER TR	NY					X		X			01/19/01	
UST												
FIRST INTERNATIONAL BANCORP INC	DE					X		X			01/15/01	
FIRST MIDWEST BANCORP INC	DE					X		X			01/18/01	
FIRST SIERRA RECEIVABLES II INC	DE	X						X			01/01/01	
FIRST SIERRA RECEIVABLES III INC	DE	X						X			01/01/01	
FISH LAKE POWER LLC	DE					X		X			01/17/01	
FORD MOTOR CREDIT CO	DE					X		X			01/18/01	
FRANKLIN RECEIVABLES LLC	DE					X		X			01/19/01	
FRANKLIN RESOURCES INC	DE					X		X			01/19/01	
FRITZ COMPANIES INC	DE		X								02/28/01	
GENESEE CORP	NY	X									01/18/01	
GLOBALTRON CORP	FL					X					01/19/01	
GOLDEN SOIL INC	NV	X	X			X		X			01/18/01	
GOLDEN STAR RESOURCES LTD						X					01/15/01	
GREATER BAY BANCORP	CA					X		X		X	01/17/01	
HAHN AUTOMOTIVE WAREHOUSE INC	NY					X					01/19/01	
HELLER FINANCIAL INC	DE					X		X			01/18/01	
HUNTINGTON BANCSHARES INC/MD	MD					X		X			01/18/01	
IBIZ TECHNOLOGY CORP	FL					X		X			01/19/01	
ILLUMINET HOLDINGS INC	DE							X		X	01/19/01	
IMAGING TECHNOLOGIES CORP/CA	DE					X		X			12/12/00	
IMPAC MORTGAGE HOLDINGS INC	MD									X	01/19/01	
INDIANTOWN COGENERATION LP	DE					X					01/19/01	
INTEGRATED HEALTH SERVICES INC	DE					X		X			01/12/01	
INTERCEPT GROUP INC	GA		X					X			01/04/01	
INTERNATIONAL LEASE FINANCE CORP	CA							X			01/19/01	
ITURF INC	DE					X		X			01/09/01	
IXL ENTERPRISES INC	DE									X	01/18/01	
IXYS CORP /DE/	DE					X					01/18/01	
JACKSONVILLE BANCORP INC	TX					X		X			01/18/00	
LABRANCHE & CO INC	DE					X		X			01/18/01	
LAHAINA ACQUISITIONS INC	CO		X								11/14/00	AMEND
LANGUAGEWARE NET CO LTD						X		X			01/16/01	
LASER PACIFIC MEDIA CORPORATION	DE	X									01/09/01	
LASV ENTERPRISES INC	AI				X	X		X			12/11/00	
LEAP WIRELESS INTERNATIONAL INC	DE					X		X			01/11/00	
LEATHERS L P	CA					X		X			01/17/01	
LYNCH INTERACTIVE CORP	DE					X					01/19/01	
MEGA MICRO TECHNOLOGIES GROUP	NV					X	X				01/05/01	
MERIDIAN USA HOLDINGS INC	FL					X					01/18/01	
MMCA AUTO OWNER TRUST 1999-2	DE					X		X			01/16/01	
MMCA AUTO OWNER TRUST 2000-1	DE					X		X			01/16/01	
MMCA AUTO OWNER TRUST 2000-2	DE					X		X			01/16/01	
NETWORK SYSTEMS INTERNATIONAL INC	NV	X						X			09/30/00	AMEND
NETWORK SYSTEMS INTERNATIONAL INC	NV	X						X			11/11/00	AMEND
NEVER MISS A CALL INC						X					12/31/00	

NAME OF ISSUER	STATE CODE	BK ITEM NO.									DATE	COMMENT
		1	2	3	4	5	6	7	8	9		
NIAGARA MOHAWK HOLDINGS INC/NY	NY					X	X				01/17/01	
NIAGARA MOHAWK POWER CORP /NY/	NY					X	X				01/17/01	
NIGUEL ENERGY CO	CA					X	X				01/17/01	
NORTH BANCSHARES INC	DE	X									12/31/00	
NOVAVAX INC	DE		X			X	X				01/08/01	
NS GROUP INC	KY								X		01/19/01	
NTL COMMUNICATIONS CORP	DE					X	X				01/17/01	
OFFICELAND INC						X	X				01/15/01	
OMNINET MEDIA COM INC	IN		X								11/30/00	
ONE WORLD ONLINE COM INC	NV					X					01/18/01	
ONEOK INC /NEW/	OK					X	X				01/19/01	
PENNRock FINANCIAL SERVICES CORP	PA		X								01/19/01	
PENNRock FINANCIAL SERVICES CORP	PA		X								01/19/01	AMEND
PEOPLES BANK CREDIT CARD MASTER TRU ST	CT					X					11/30/00	
PHARMACEUTICAL FORMULATIONS INC	DE					X					01/18/01	
POCAHONTAS BANCORP INC	DE						X				01/04/01	
POORE BROTHERS INC	DE					X					01/09/01	
POWERCERV CORP	FL					X					01/19/01	
PRIME RESPONSE INC/DE	DE					X					01/08/00	
PRODIGY COMMUNICATIONS CORP	DE					X	X	X			12/29/00	
PRUDENTIAL SECURITIES SECURED FINAN CING CORP	DE	X						X			01/01/01	
QUERYOBJECT SYSTEMS CORP	DE					X					01/19/01	
RESIDENTIAL FUNDING MORTGAGE SECURI TIES I INC	DE					X	X				01/19/01	
ROBERTS REALTY INVESTORS INC	GA		X				X				01/04/01	
SALTON SEA BRINE PROCESSING L P	CA					X	X				01/17/01	
SALTON SEA FUNDING CORP	DE					X	X				01/17/01	
SALTON SEA MINERALS CORP	DE					X	X				01/17/01	
SALTON SEA POWER GENERATION L P	CA					X	X				01/17/01	
SALTON SEA POWER LLC	DE					X	X				01/17/01	
SALTON SEA ROYALTY CO	DE					X	X				01/17/01	
SAN FELIPE ENERGY CO						X	X				01/17/01	
SIMMONS CO /GA/	DE					X	X				01/05/01	
SOUTHERN ENERGY INC	DE								X		01/19/01	
SOUTHWEST BANCORP OF TEXAS INC	TX					X	X				01/18/01	
SPEECHWORKS INTERNATIONAL INC	DE		X				X				01/05/01	
SPINROCKET COM INC	DE					X	X				01/10/01	
STAR RECEIVABLES FUNDING INC	DE						X				11/15/00	AMEND
STAR RECEIVABLES FUNDING INC	DE						X				12/15/00	AMEND
STAR RECEIVABLES FUNDING INC	DE						X				01/16/01	
SUBURBAN PROPANE PARTNERS LP	DE					X	X				01/16/01	
SUNDOG TECHNOLOGIES INC	DE								X		01/18/01	
SUPERVALU INC	DE					X	X				01/19/01	
TANOX INC	DE					X					01/19/01	
TELECORP PCS INC /VA/						X	X				01/18/01	
TELECORP PCS INC /VA/						X	X				01/18/01	
TIVO INC	DE					X	X				01/09/01	AMEND
TRICORD SYSTEMS INC /DE/	DE								X		01/19/01	
TRIDENT MEDIA GROUP INC	NV				X						01/19/01	
TRIMOL GROUP INC	DE		X								01/19/01	AMEND
TRITEL PCS INC	DE					X	X				01/18/01	
TRITEL PCS INC	DE					X	X				01/18/01	

NAME OF ISSUER	STATE	BK ITEM NO.									DATE	COMMENT	
	CODE	1	2	3	4	5	6	7	8	9			
UNITED HERITAGE CORP	UT										X	01/18/01	
VA LINUX SYSTEMS INC	DE				X	X						01/16/01	
VENCOR INC /NEW/	DE				X	X						01/18/01	
VIRTUALFUND COM INC	MN				X	X						01/18/01	
VISTEON CORP	DE				X	X						01/19/01	
VPC GEOTHERMAL LLC	DE				X	X						01/17/01	
VULCAN POWER CO /NV	NV				X	X						01/17/01	
VULCAN/BN GEOTHERMAL POWER CO	NV				X	X						01/17/01	
WAYNE BANCORP INC /OH/	OH				X							12/26/00	AMEND
WEBTRENDS CORP	OR				X	X						01/16/01	
WELLS FARGO ASSET SECURITIES CORP	DE				X	X						01/19/01	
WHOLESALE AUTO RECEIVABLES CORP	DE				X	X						01/19/01	
WKI HOLDING CO INC	DE				X	X						01/18/01	
WORLDS COM INC	NJ				X	X						01/22/01	
X RITE INC	MI				X							01/19/01	