

SEC NEWS DIGEST

Issue 2000-24

February 8, 2000

COMMISSION ANNOUNCEMENTS

ORDER OF SUSPENSION OF TRADING ENTERED AGAINST LIFEKEEPERS INTERNATIONAL, INC.

The Commission announced the temporary suspension, pursuant to Section 12(k) of the Securities Exchange Act of 1934 (Exchange Act), of the securities of Lifekeepers International, Inc. (Lifekeepers) of Florida at 9:30 a.m. EST on February 8, 2000, and termination at 11:59 p.m. EST on February 22, 2000. The Commission temporarily suspended trading in the securities of Lifekeepers because of questions about the accuracy and adequacy of publicly disseminated information concerning Lifekeepers' financial condition, projected financial condition and the status of Lifekeeper's securities registration statements. (Rel. 34-42398)

ENFORCEMENT PROCEEDINGS

INJUNCTION ENTERED AGAINST ROY MATLOCK AND ALAN ROOT

An Order of Permanent Injunction and other Equitable Relief (Order) was entered against Roy E. Matlock (Matlock) and Alan Root (Root). SEC v. Roy E. Matlock and Alan Root, 99 CV 7399 (N.D.ILL.). Matlock and Root consented to the entry of the order without admitting or denying the allegations of the complaint. The complaint alleged that from November 1992 through May 1993, Matlock and Root, through their companies Legacy Trust and Legacy Management Group, Inc., raised \$3.6 million from 8 investors, including \$3.2 million from the Chicago Housing Authority pension plans. The complaint alleged that Matlock and Root made misstatements and omitted to state material facts to investors regarding the true use of proceeds, the rate of return and the risk of the investment. The complaint alleged that investors were told that their funds would be pooled with other investors' funds to buy and sell prime bank instruments, specifically, letters of credit, standby letters of credit, and notes issued by the top 100 world banks. Prime bank instruments do not exist. Instead of investing the money as represented, the complaint alleged that Matlock and Root used the investor funds to pay personal and business expenses and to operate a Ponzi scheme by paying interest and principal to prior investors. The complaint

further alleged that Matlock and Root told investors to expect a high rate of return on their investment, and their principal investment was guaranteed. Finally, the complaint alleged that investors suffered losses of over \$2.6 million dollars.

The Honorable Judge Joan Gotschall of the U.S. District Court for the Northern District of Illinois entered the Order enjoining Matlock and Root from 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 promulgated thereunder. (Rel. 34-42391; File No. 3-10138)

THREE-YEAR BAR FROM AUDITING PUBLIC COMPANIES ORDERED AGAINST ACCOUNTANT WILLIAM CLANCY, CPA

On February 7, the Commission instituted a settled administrative proceeding pursuant to Rule 102(e) of the Commission's Rules of Practice against Arizona-based CPA William L. Clancy. The Commission's Order finds that Clancy engaged in improper professional conduct in auditing the 1996 and 1997 financial statements of C.E.C. Industries Corporation (CEC), a Nevada corporation whose securities trade in the over-the-counter market. Clancy's audit programs reveal insufficient consideration of the enhanced audit risks posed by CEC's inexperienced accounting personnel and its hard-to-value principal assets. For example, in verifying the value of material assets consisting of artwork and coal and timber reserves, Clancy relied upon management-provided appraisals for which he did not sufficiently inquire as to the appraisers' qualifications, methods, or assumptions. His verification of approximately 140,000 shares of contractually restricted stock of Synfuel Technologies, alone representing almost 40 percent of CEC's 1997 assets, consisted of obtaining "pink sheet" quotes and calling one market-maker for Synfuel stock despite the fact that typical market volume for publicly-traded Synfuel shares at this time was less than 500 shares per month. In addition, Clancy's audit failures allowed CEC to report substantial increasing revenues throughout fiscal 1996 and 1997 from these transactions.

Without admitting or denying the allegations, Clancy consented to the Commission's Order immediately denying him the privilege of appearing or practicing before the Commission as an accountant for a period of 3 years. In a previous related proceeding, the Commission charged CEC and its executives, Gerald and Marie Levine, with securities fraud alleging that the company overstated its assets and revenue by millions of dollars in the years Clancy audited its financial statements (SEC v. CEC Industries Corp., et al., No. 1:99CV02568, JLG, D.D.C., filed September 29, 1999). (Rel. 34-42392; AAE Rel. 1220; File No. 3-10139)

COMMISSION STAFF ALLEGES THAT H.J. MEYERS & CO., INC. MANIPULATED PRICE OF MICROCAP STOCK

The Commission entered an Order Instituting Public Administrative and Cease and Desist Proceedings (Order) against H.J. Meyers & Co.,

Inc. (H.J. Meyers), Robert Setteducati (Setteducati), William Masucci (Masucci), Michael Vanechanos (Vanechanos), and James A. Villa (Villa). In the Order, the Division of Enforcement alleges that in June 1996, H.J. Meyers, a national broker-dealer, generated approximately \$877,000 in profits by manipulating the price of the common stock of Borealis Technology Corporation (Borealis). H.J. Meyers was the underwriter for the Borealis initial public offering. The manipulation occurred within the first week of Borealis aftermarket trading. The Order alleges that the manipulative scheme was primarily orchestrated by Setteducati, H.J. Meyers' Executive Vice President, and Masucci, H.J. Meyers' Senior Vice President in charge of retail sales, and that Vanechanos, the firm's head trader, played a central role in the manipulative scheme while simultaneously charging undisclosed excessive markups on retail sales of Borealis stock. Finally, the Order alleges that Villa, the owner of H.J. Meyers, failed reasonably to supervise Vanechanos and Setteducati.

A hearing will be held before an Administrative Law Judge to determine whether the Division of Enforcement's allegations are true, and, if so, to determine what remedial sanctions are appropriate and in the public interest. (Rel. 33-7795; 34-42393; File No. 3-10140)

COMMISSION STAFF ALLEGES THAT H.J. MEYERS & CO. AND SENIOR MANAGEMENT VIOLATED NET CAPITAL RULES

The Commission issued an Order Instituting Public Administrative Proceedings I which the Division of Enforcement alleges that between June and September 1998, H.J. Meyers & Co., Inc. (H.J. Meyers), its President, James A. Villa, and its Chief Financial Officer, James C. Witzel, failed to disclose net capital deficiencies ranging from \$360,000 to \$4.5 million. During this time period, H.J. Meyers illegally conducted business as a broker and dealer without sufficient net capital. Villa and Witzel are charged with causing H.J. Meyers to hide its net capital deficiencies through a series of fabricated journal entries, which concealed a liability arising from a \$2.5 million loan received from an outside investor. The Order also alleges that H.J. Meyers falsely backdated documents to record the receipt of funds before they were actually received. The Order further alleges that H.J. Meyers improperly counted certain shares of stock towards the firm's net capital even though the shares had been transferred and were no longer controlled by H.J. Meyers.

A hearing will be held before an Administrative Law Judge to determine whether the Division of Enforcement's allegations are true, and, if so, to determine what remedial sanctions are appropriate and in the public interest. (Rel. 34-42394; AAE Rel. 1221; File No. 3-10141)

SEC SUES UPSTATE ADVISER FOR FRAUD

The SEC today instituted public administrative proceedings against Waltzer and Associates (Waltzer), a registered investment adviser located in upstate New York, and Lewis N. Waltzer and Karney E.

Waltzer, for a variety of fraudulent conduct.

Waltzer, which was located in Monticello, New York from 1985 until 1994 and in Newburgh, New York thereafter, managed approximately \$38.8 million in assets for over three hundred clients during the relevant period.

The order instituting proceedings alleges that, from at least January 1994 through August 1996, Waltzer, acting through Lewis and Karney Waltzer, engaged in the following fraudulent conduct:

First, Waltzer defrauded existing and prospective clients by making false performance claims. Specifically, Lewis and Karney Waltzer told prospective and existing clients they would almost certainly earn at least a twelve percent annual return. Lewis and Karney Waltzer falsely told clients that they were earning at least one percent returns per month and were on track to earn at least twelve percent per year. In fact, for much of the relevant period, Waltzer's clients generally earned less than one percent per month or twelve percent per year.

The Respondents further defrauded clients by concealing and lying about the fact that they received transaction-based fees and commissions on investments they recommended to clients, and failing to disclose a prior SEC disciplinary action against Waltzer and Lewis Waltzer for fraudulent performance claims. Finally, Respondents failed to provide prospective clients with a written disclosure statement as required by the Investment Advisers Act and entered into unlawful performance fee arrangements.

A hearing will be scheduled to determine whether the allegations against Waltzer and Lewis and Karney Waltzer are true, and, if so, what remedial action, if any, is appropriate. (Rels. 33-7796; 34-42395; IA-1854; IC-24279; File No. 3-10142)

SEC SETTLES INSIDER TRADING ACTION WITH THREE DEFENDANTS

On February 7, the SEC filed an action in federal district court in Richmond, Virginia, alleging that in October 1996 a former employee of CSX Corp., his father and a friend engaged in insider trading in the securities of Conrail, Inc., prior to the public announcement of its acquisition by CSX Corporation. The Commission's complaint alleges that:

- * On October 9, 1996, CSX employee Thomas Moncure was told by his supervisors to design an internet Web Page announcing the impending acquisition of Conrail by CSX, which was material nonpublic information. Thomas Moncure then tipped his father, John Moncure, who is 80 years old, and his friend Edward Remington about the acquisition agreement.
- * Thomas Moncure and Edward Remington purchased 1,000 and 500 shares of Conrail stock, respectively, and John Moncure purchased 10 short term Conrail option contracts.

- * Both Edward Remington and John Moncure sold their Conrail securities shortly after the October 15, 1996 public announcement of the acquisition agreement. They realized profits from their insider trading of \$8,125 and 12,812.50, respectively. Thomas Moncure did not immediately sell his Conrail stock. His imputed profit, based on the increase in the price of Conrail stock after the public announcement, was \$16,200.
- * Through the above conduct, the defendants violated Sections 10(b) and 14(e) of the Securities Exchange Act of 1934, and Rules 10b-5 and 14e-3 thereunder.

The three defendants consented, without admitting or denying the allegations of the complaint, to the issuance of an injunction restraining them from future violations of the provisions of the federal securities laws that each is alleged to have violated. Each defendant also consented to disgorge his trading profits, with prejudgment interest, in the amount of \$19,730.39 (Thomas Moncure), \$16,328.71 (John Moncure), and \$9,717.59 (Edward Remington). Thomas Moncure and Edward Remington agreed to pay a civil penalty equal to their respective trading profits of \$16,200 and \$8,125.

The Commission acknowledges the assistance of the New York Stock Exchange in this matter. [SEC v. Thomas Moncure, John Moncure, and Edward Remington, Civil Action No. 3:00CV64] (LR-16427)

SEC SUES TAC INTERNATIONAL LIMITED AND FOUR SENIOR OFFICERS FOR "PRIME BANK" FRAUD

On February 7, the Commission filed a civil injunctive action in the United States District Court for the Western District of North Carolina, alleging that from the summer of 1996 until August of 1997, TAC International Ltd., a Bahamas corporation, and its senior officers sold fraudulent "prime bank" securities which duped U.S. investors out of millions of dollars. Charged in the action, along with TAC, are Douglas R. Walker, TAC's former president and owner, Craig Southwood, TAC's current president and owner, Larry B. Richardson and Jan Harry "Jack" Wilde, TAC's national vice presidents.

According to the complaint, the defendants represented that by buying a Bahamian International Business Corporation, investors could participate in certain securities trading programs not available in the United States. These trading programs supposedly enabled investors to obtain phenomenal returns, at no risk to principal, by participating in purported trading in high yield debentures between and among banks. The complaint alleges that the defendants did not engage in any trading, but instead used the money they procured from investors to pay for their lifestyles and personal expenses. According to the complaint, thousands of United States residents entrusted the defendants with investments of at least \$1,500 each, and the enterprise took in over \$12 million.

Simultaneous with the filing of the complaint, Richardson consented, without admitting or denying the allegations of the complaint, to the entry of a final judgment permanently enjoining him from his violative conduct, waiving disgorgement and declining to impose a civil monetary penalty based on his demonstrated inability to pay.

Also on February 7 the United States Attorney for the Western District of North Carolina announced the indictment of Walker and Southwood for 17 felony counts each, for federal conspiracy, mail fraud, wire fraud and money laundering. The Commission wishes to thank the United States Attorney's office and the Federal Bureau of Investigation for their cooperation in this matter. [SEC v. TAC International Limited, et al., 3:00CV54MU, GCM, WDNC] (LR-16428)

INVESTMENT COMPANY ACT RELEASES

ARK FUNDS, ET AL.

A notice has been issued giving interested persons until February 24 to request a hearing on an application filed by ARK Funds, et al. for an order under Section 17(b) of the Investment Company Act seeking an exemption from Section 17(a) of the Act. The order would permit a pension plan to transfer its assets to certain registered open-end management investment companies in exchange for shares of the companies. (Rel. IC-24275 - February 2)

HOLDING COMPANY ACT RELEASES

EASTERN UTILITIES ASSOCIATES, ET AL.

An order has been issued authorizing a proposal by Eastern Utilities Associates (EUA), a registered holding company, Eastern Edison Company (Eastern Edison), an electric utility subsidiary of EUA, and Montaup Electric Company (Montaup), a utility subsidiary of Eastern Edison. Eastern Edison has been authorized to transfer all of its interests in Montaup's securities to EUA (Montaup Transfer), either by one or more special dividend payments to EUA out of Eastern Edison's retained earnings, capital and/or unearned surplus, or by a redemption of Eastern Edison's common stock that would be paid for with Montaup's securities. In addition, the Commission has reserved jurisdiction over a request by Eastern Edison to pay dividends to EUA following the Montaup Transfer in amounts aggregating up to \$15 million, through April 30, 2000. (Rel. 35-27131)

ALLIANT ENERGY CORPORATION, ET AL.

A notice has been issued giving interested persons until February 28 to request a hearing on a proposal by Alliant Energy Corporation, a registered holding company, and its wholly owned utility subsidiary,

IES Utilities, Inc. to provide personnel and services to affiliate and nonaffiliate companies. (Rel. 35-27132)

ALLIANT ENERGY CORPORATION, ET AL.

A notice has been issued giving interested persons until February 28 to request a hearing on a proposal by Alliant Energy Corporation, a registered holding company, and its wholly owned non-utility subsidiary, Alliant Energy Resources, Inc. to purchase preferred stock of Capstone Turbine Corporation, a manufacturer of microturbines. (Rel. 35-27132)

SELF-REGULATORY ORGANIZATIONS

PROPOSED RULE CHANGES

A proposed rule change (SR-PCX-99-10) has been filed by the Pacific Exchange amending its disciplinary procedures. Publication of the proposal is expected in the Federal Register during the week of February 7. (Rel. 34-42384)

The MBS Clearing Corporation filed a proposed rule change (SR-MBSCC-99-8) to amend MBSCC's rules to clarify MBSCC's procedures when there is a disruption in the Electronic Pool Notification (EPN) service. The proposed rule change will also allow MBSCC members to terminate their EPN service by providing MBSCC with written notice ten days prior to termination instead of thirty days prior to termination. Publication of the proposal is expected in the Federal Register during the week of February 14. (Rel. 34-42390)

APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change submitted by the Philadelphia Stock Exchange (SR-Phlx-98-55) to triple position and exercise limits on the Value Line Composite Index, the US Top 100 Index, and the National Over-the-Counter Index. (Rel. 34-42386)

The Commission approved a proposed rule change (SR-Phlx-99-30), and granted accelerated approval of Amendment No. 2 to that proposed rule change, filed by the Philadelphia Stock Exchange relating to the amendment of margin levels for non-customized cross-rate foreign currency options. Publication of the proposal is expected in the Federal Register during the week of February 7. (Rel. 34-42388)

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 ARGENTARIA CAJA POSTAL Y BANCO HIPOTECARIO SA /ADR/,
PASEO DE RECOLETOS 10, MADRID SPAIN, U3 28001 (212) 648-3200 - 10,000,000
(\$500,000) DEPOSITARY RECEIPTS FOR COMMON STOCK (FILE 333-11394 -
JAN 27) (BR 99)

- F-1 OPTIBASE LTD, 2 GAV YAM CENTER, 7 SHENKAR ST, HERZLIYA 46725 ISRAEL, L3
- 2,300,000 (\$69,506,000) FOREIGN COMMON STOCK (FILE 333-11396 - JAN 28)
(BR 3)

- F-10 BALLARD POWER SYSTEMS INC, 107 980 WEST 1ST ST, NORTH VANCOUVER,
BRITISH COLUMBIA CANADA, A1 - 3,731,750 (\$230,000,000)
FOREIGN COMMON STOCK (FILE 333-11400 - JAN 28) (BR. 5)

- S-8 ST ASSEMBLY TEST SERVICES LTD, 5 YISHUN ST 23, SINGAPORE, U0 76844
(657: 555-885 - 10,000,000 (\$15,769,827.50) FOREIGN COMMON STOCK (FILE
333-11402 - JAN 28) (BR. 5)

- S-6 LML PAYMENT SYSTEMS INC, 1140 WEST PENDER ST, SUITE 1680,
VANCOUVER BC CANADA V6E 4G1, A1 (604) 689-4440 - 2,605,000
(\$18,645,687 50) FOREIGN COMMON STOCK (FILE 333-11404 - JAN 31) (BR 2)

- F-3 THRILLTIME ENTERTAINMENT INTERNATIONAL INC, 322 4585 CANADA WAY,
BURNABY BC, A1 - 5,351,352 (\$1,043,513 64) FOREIGN COMMON STOCK (FILE
333-11406 - JAN 31) (BR. 6)