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SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

FEE RATE ADVISORY #2

The continuing resolution funding the Securities and Exchange Commission for fiscal 2002 since October 1, 2001, has been extended through October 23, 2001. Therefore, the fee rate on filings made pursuant to Section 6(b) of the Securities Act of 1933 will remain at the current rate of \$250 per \$1,000,000.

The Commission will issue further notices as appropriate to keep filers and registrants informed of developments affecting the Section 6(b) fee rate. This information will be posted at the SEC's Internet web site at <http://www.sec.gov>.

Please contact the Filer Support Unit in the Office of Filings and Information Services at (202) 942-8900 if you have any questions. (Press Rel. 2001-114)

ENFORCEMENT PROCEEDINGS

COMMISSION MODIFIES SANCTIONS IMPOSED ON STONEGATE SECURITIES AND J.W. BARCLAY & CO. REGARDING LATE-FILED FORM BD-Y2K

The Commission has modified the sanctions imposed on Stonegate Securities, Inc. (Stonegate) and J.W. Barclay & Co., Inc. (Barclay). Stonegate and Barclay failed to submit Part II of their 1998 Form BD-Y2K to the Commission and the National Association of Securities Dealers (NASD) before the filing deadline. The Commission used Form BD-Y2K to gather information regarding broker-dealers' exposure to the Y2K Problem. The Administrative Law Judge found that, by failing to file Form BD-Y2K when required, Stonegate and Barclay violated Section 17(a) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-5(e)(5). The law judge censured Stonegate and Barclay, ordered them to cease and desist from further violations of Exchange Act Section 17(a) and Rule 17a-5 thereunder, and ordered each of them to pay a civil money penalty of \$50,000. Stonegate and Barclay appealed the sanctions.

The Commission censured both respondents and ordered them to cease and desist from further violations. The Commission reduced the civil money penalties imposed on Stonegate to \$15,000. The Commission reduced the civil money penalties imposed on Barclay to \$25,000. It found that Barclay's disciplinary history and the law judge's finding that Barclay's President had made repeated misstatements in his testimony at the administrative hearing supported a substantially higher money penalty than was imposed on Stonegate. (Rel. 34-44933; File No. 3-9759)

QUEST CAPITAL STRATEGIES AND DAVID CHEN YU SANCTIONED

The Commission has imposed sanctions on Quest Capital Strategies, Inc., a registered broker-dealer and investment adviser located in Laguna Hills, California, and David Chen Yu, Quest's president and sole owner. The Commission barred Quest from maintaining any branch office that is not supervised by an on-site registered principal and subjected to semi-annual surprise inspections. It further directed that Quest may not employ any securities salesman who is not in its main office or a branch office unless the salesman is subjected to an annual inspection, on a surprise basis if possible. In addition, the Commission barred Yu from association with any broker-dealer or investment adviser in a supervisory capacity with the proviso that, after one year, he may apply to become so associated, upon an appropriate showing. The Commission also imposed monetary penalties of \$50,000 each on Quest and Yu.

The sanctions were based on Commission findings that, during the period from about August 1992 through August 1993, respondents failed to exercise proper supervision over John Nakoski, who operated a Quest branch office in Kingston, New York. Nakoski defrauded some 36 investors of about \$450,000 in connection with his offer and sale of notes that he described as "fixed income loan agreements." In August 1992, at the outset of the relevant period, respondents learned that Nakoski had deliberately violated the firm's compliance policies in connection with his offer and sale of the notes. The Commission reiterated that, once a supervisor learns that a person in his employ has engaged in misconduct, that person cannot be retained unless he or she is subjected to enhanced supervision. No such supervision was accorded Nakoski. Instead, respondents were content to rely on Nakoski's false assurances that he would not repeat his misconduct, and ignored subsequent red flags indicating that Nakoski might still be engaging in violative activity.

In imposing sanctions, the Commission stated that respondents' supervisory failures were egregious. It pointed out that respondents' abdication of supervisory responsibility permitted Nakoski's fraudulent scheme to continue for an entire year, and resulted in substantial losses to investors. (Rels. 34-44935; IA-1990; File No. 3-8966)

CEASE AND DESIST PROCEEDINGS SETTLED AGAINST MICHAEL LAPP

On October 15, an Order was issued by the Commission ordering Michael Lapp to cease and desist from committing or causing any violations and any future violations of the

antifraud provisions of the federal securities laws and barring Lapp from participation in penny stock offerings. Lapp was not ordered to pay disgorgement based upon his payment of restitution in a related criminal proceeding.

In his Offer, Lapp, without admitting or denying the findings, consents to the issuance of an Order by the Commission which finds that on or about July 16, 1996, Lapp transferred 20,300 shares of Command Credit Corp. to a broker-dealer which was undisclosed compensation for a previous purchase of 58,000 shares of Command Credit Corp. at prices ranging from \$0.281 to \$0.34 per share. (Rels. 33-8024; 34-44936; File No. 3-9144)

MARK SNADER, D/B/A E-HIGHYIELDS.COM AND THE HIGH YIELD CLUB CHARGED WITH FRAUD AND BROKER REGISTRATION VIOLATIONS

The Commission filed a civil fraud suit in United States District Court in Dallas, Texas, against Mark Steven Snader, alleging that Snader violated Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(a) of the Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission's complaint alleged that Snader raised capital through unregistered brokerage activities on the Internet involving false and misleading statements made in the offer and sale of securities in "prime bank" and other trading programs. Snader misrepresented the scope, nature and expertise of his brokerage business, falsely claiming, among other things, that his recommendations were based on extensive, expert due diligence.

Simultaneously, with the filing of its action, the Commission accepted Snader's offer of settlement, in which he agreed, without admitting or denying the allegations in the Commission's complaint, to the entry of an order permanently enjoining him from further violations of the securities laws; to submit an accounting; to pay a civil money penalty and to pay disgorgement of illegal profits plus prejudgment interest in amounts yet to be determined. [SEC v. Mark Steven Snader d/b/a e-highyields.com and The High Yields Club, Defendant, Civil Action No. 3-01-CV-2062-X, USDC, NDTX] (LR-17187)

SEC OBTAINS JUDGMENT AGAINST 3 INDIVIDUALS FOR INVOLVEMENT IN WORLD VISION ENTERTAINMENT, INC. PONZI SCHEME

On June 13, 2001, the Commission obtained default judgments against Steven Brewer, A. Michael Jaillett and Richard Mann in a civil action involving a massive Ponzi scheme involving the sale of unregistered nine-month promissory notes issued by World Vision Entertainment, Inc. (World Vision), a company located in Altamonte Springs, Florida. The Honorable Terence P. Kemp, Magistrate Judge of the U.S. District Court for the Southern District of Ohio, found that Brewer, Jaillett and Mann violated the registration and antifraud provisions of the federal securities laws. Judge Kemp permanently enjoined Brewer, Jaillett and Mann from future violations and ordered them to pay disgorgement and civil penalties.

The Commission's complaint, filed on June 1, 2000, alleged that from June 1996 to August 1999, Jamie P. Piromalli, Brewer, Jaillett, Mann and Seth Miller (collectively, Defendants), through World Vision, raised at least \$64 million from approximately 1,200 investors in 33 states from the sale of promissory notes. The Defendants offered and sold securities in the form of nine-month promissory notes without registering them with the Commission. In furtherance of the scheme, the Defendants, directly and indirectly, through a nationwide sales network, made numerous false and misleading statements to investors about the World Vision notes. Through the offering materials and correspondence, the Defendants misrepresented that the notes were unconditionally guaranteed and insured and that all of the proceeds of the offering would be used to develop World Vision's products. In reality, the Defendants used the proceeds of the note offering to pay for the personal and business expenses of company officers and directors, to cover interest and principal payments to investors and to pay large, undisclosed commissions to the sales network.

The default judgments entered against Brewer, Jaillett and Mann find that each of them violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder and permanently enjoin them from engaging in future violations of those provisions. The Commission seeks disgorgement of their ill-gotten gains, including prejudgment interest, in the amount of \$689,560 from Brewer, \$332,148 from Jaillett and \$2,012,988 from Mann. In addition, the Commission seeks civil penalties of \$110,000 against Brewer, Jaillett and Mann. [SEC v. Jamie P. Piromalli, et al., Civil Action No. C2-00 622, SDOH] (LR-17188)

SEC CHARGES SIX FORMER SENIOR EXECUTIVES AND EMPLOYEES IN MASSIVE FINANCIAL REPORTING FRAUD SCHEME AT MCKESSON HBOC, INC.

On September 27, 2001, the Commission filed securities fraud charges against the former General Counsel, Senior Vice President of Finance, Chief Financial Officer, Senior Vice President in charge of Enterprise Sales, and two other former gatekeepers of the financials of HBO & Company (HBOC), later a subsidiary of McKesson HBOC, Inc. (now known as McKesson Corporation). The Commission alleges that each of the senior managers played integral roles in a scheme to "cook the books" of the company. The wrongdoing pervaded the top levels of HBOC's legal, finance, accounting, sales and other departments. This massive financial reporting fraud scheme began at Atlanta-based HBOC in 1997, and continued after its January 1999 merger with San Francisco-based McKesson Corporation. When the fraud was first disclosed in April 1999, McKesson HBOC shares tumbled from approximately \$65 to \$34, a decline that slashed the company's market value by more than \$9 billion.

These complaints follow the Commission's action on September 28, 2000, in which the Commission brought fraud charges against the former co-Presidents and the former head of sales of HBOC at the same time that the co-Presidents were indicted by the United

States Attorney's Office for their direction of the financial fraud scheme. Those actions are pending.

The complaints filed September 27, 2001 were filed in federal district court in San Francisco, and the Commission alleged that the six former top officers and employees of HBOC participated in the scheme by booking revenue on incomplete deals, backdating contracts, falsifying the company's financial records, and/or lying to the outside auditors to conceal the fraud. Four of the defendants simultaneously settled these charges. Named were the following:

Jay Lapine, former General Counsel of HBOC and later the HBOC division of McKesson HBOC, is alleged to have negotiated "side letters" to customer contracts so that software revenue could be booked prematurely. He also backdated documents on a fraudulent \$20 million software deal that was negotiated and signed in April 1999 to make it appear that it had been concluded in the previous quarter. Lapine lives in Alpharetta, Georgia.

Michael Smeraski, former Senior Vice President of Enterprise Sales of HBOC and later McKesson HBOC, closed deals with side letters that were hidden from the contract accounting department, backdated contract documents on deals closed after quarter-end, and directed his salespeople to do the same. Smeraski is a resident of Medford, New Jersey.

Timothy S. Heyerdahl, a Certified Public Accountant and former Senior Vice President of Finance and Treasury of HBOC, repeatedly made end-of-quarter entries in the company's books to fraudulently inflate the company's net income--including simply deleting significant expense amounts--and lied to the outside auditors to hide the fraud. Heyerdahl lives in Smyrna, Georgia.

Deborah Mattiford, former director of HBOC's Contract and Administration Department, violated her duty to be a gatekeeper and ensure that all software sales contracts were complete when forwarded to accounting for revenue recognition. She instructed her staff to separate from the contracts any side letters containing revenue-preventing contingencies before forwarding the contracts to accounting, and instructed her staff to alter the company's books and records to conceal the scheme. Mattiford lives in Marietta, Georgia.

Elaine Decker, a former Certified Public Accountant and former Manager of Contract Accounting at HBOC, also participated in the fraud by abdicating her gatekeeper role over the recording of software revenue when she repeatedly booked revenue on contracts where she knew it was improper to do so. Decker lives in Alpharetta, Georgia.

David Held, a Certified Public Accountant and former Chief Financial Officer of HBOC and later the HBOC division of McKesson HBOC, approved recognition of revenue on a \$20 million transaction for the March 1999 quarter despite knowing that the deal had

been negotiated and finalized in April, after quarter-end. Held resides in Alpharetta, Georgia.

As a result of the fraud, the financial statements of HBOC, and later McKesson HBOC, were materially false and misleading during at least the period January 1998 through April 1999. The Commission's complaints allege that all of the defendants violated the antifraud, internal controls, and books and records provisions of the federal securities laws (Sections 10(b) and 13(b)(5) of the Exchange Act of 1934 and Rule 13b2-1). One complaint also alleges that Smeraski, Heyerdahl, and Decker violated the antifraud provision in connection with the offer or sale of securities (Section 17(a) of the Securities Act of 1933). The complaints further allege that Lapine, Heyerdahl, Decker, Held and Mattiford aided and abetted the company's violations of the requirement to file accurate periodic reports with the Commission (Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder, except that Held is not alleged to have violated Section 13(b)(2) (A)). In addition, one complaint further alleges that Heyerdahl violated the rule against lying to auditors (Rule 13b2-2 under Section 13(b)(5) of the Exchange Act). The complaints also claim that Lapine, Smeraski, Heyerdahl, and Mattiford were unjustly enriched through significant bonuses tied to meeting earnings expectations, or through sales of HBOC stock while the price was inflated due to their fraud, and seeks to compel disgorgement of these sums. The complaints further seek to enjoin Smeraski, Lapine, and Heyerdahl from serving as officers or directors of public companies.

Simultaneous with the filing of the Commission's civil complaints, Heyerdahl, Mattiford, Decker, and Held consented, without admitting or denying the allegations in the complaints, to the entry of a permanent injunction against all of the alleged violations. Heyerdahl also agreed to disgorge \$521,492.18 in ill-gotten gains (including interest), to pay a civil penalty of \$100,000, and to be enjoined for five years from serving as an officer or director of a public company. Heyerdahl further agreed to an order in an administrative proceeding to be filed by the Commission denying him the privilege of practicing before the Commission as an accountant for five years. In addition to the injunctive relief, Mattiford also agreed to pay disgorgement and interest totaling \$27,438.72 and a civil penalty of \$55,000. Decker agreed to pay a civil penalty of \$35,000, and agreed to an order in an administrative proceeding to be filed by the Commission denying her the privilege of practicing before the Commission as an accountant for three years. Finally, Held agreed to pay a civil penalty of \$15,000 and an order in an administrative proceeding to be filed by the Commission denying him the privilege of practicing before the Commission as an accountant for three years. [SEC v. Jay Lapine, USDC, NDCA, Civil Action No. C-01-3650, VRW]; [SEC v. Michael Smeraski, Timothy Heyerdahl, Deborah Mattiford, Elaine Decker, and David Held, USDC, NDCA, Civil Action No. C-01-3651, MMC] LR-17189, AAE Rel. 1467)

FORMER INVESTMENT BANK EMPLOYEE SUSPENDED FROM THE SECURITIES INDUSTRY

On October 10, the U.S. District Court for the Southern District of New York entered a final judgment against Ryan Campbell Doersam, a former employee of a Canadian investment bank, based upon charges of insider trading. In its complaint filed on September 27, 2001, the Commission alleged that Michael Petrescu-Connene, who then worked as an analyst in the investment banking division of Salomon Smith Barney, Inc., tipped Doersam prior to the March 21, 2000 public announcement that Travelers Property Casualty Corp. (Travelers) would be acquired by Citigroup in a cash tender offer worth \$2.4 billion. Based on this tip, and while in possession of material, nonpublic information concerning the Travelers acquisition, Doersam purchased 15 Travelers call options on the morning of the announcement. When the merger was announced later that day, Travelers stock price increased approximately 21 percent. Two days later, Doersam sold his Travelers options, resulting in profits of \$7,875.

Doersam, without admitting or denying the allegations of the Commission's complaint, consented to the entry of the final judgment, which permanently enjoins him from violating the antifraud provisions contained within Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 10b-5 and 14e-3 promulgated thereunder. The Court also ordered Doersam to pay \$8,574.89, representing disgorgement of illegal profits and prejudgment interest. However, payment of this amount was waived and a civil penalty was not assessed against Doersam, based upon his demonstrated inability to pay.

Today, based on the entry of the Court's injunction, the Commission also instituted settled administrative proceedings against Doersam pursuant to Section 15(b)(6) of the Exchange Act. Without admitting or denying the Commission's findings, Doersam consented to the entry of the Commission's Order, which suspends him from associating with any broker or dealer for a period of 12 months. [SEC v. Brendan J. Strene, Kent Alexander Walker and Ryan Campbell Doersam, Civil Action No. 01 CV 8729, SDNY] (LR-17190); (Rel. 34-44939, File No. 3-10622)

SELF-REGULATORY ORGANIZATIONS

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change and Amendment Nos. 1 and 2 filed by the Philadelphia Stock Exchange (SR-Phlx-00-70) removing a numerical limitation on the number of component securities in TheStreet.com Internet Index. Publication of the proposal is expected in the Federal Register during the week of October 15. (Rel. 34-44921)

PROPOSED RULE CHANGE

The Pacific Exchange filed a proposed rule change (SR-PCX-2001-24) relating to synchronization of member organization business clocks. Publication of the proposal is expected in the Federal Register during the week of October 15. (Rel. 34-44922)

DELISTING GRANTED

An order has been issued granting the application of the Philadelphia Stock Exchange to strike from listing and registration certain underlying securities as option classes, effective at the opening of business on October 15, 2001. (Rel. 34-44932)

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

- S-8 RIO TINTO PLC, 6 ST JAMES SQ, LONDON SW1Y 4LD ENGL, X0 (011) 441-7193 -
6,527,416 (\$100,000,013.12) FOREIGN COMMON STOCK. (FILE 333-13988 - OCT. 05) (BR. 4)
- F-3 COLT TELECOM GROUP PLC, BISHOPSGATE COURT, 4 NORTON FOLGATE, LONDON E1 6DQ ENGLAN, X0 (171) 390-3900 - 339,869,823 (\$308,024,020.58) FOREIGN COMMON STOCK. (FILE 333-13990 - OCT. 05) (BR. 7)
- S-3 ISIS PHARMACEUTICALS INC, 2292 FARADAY AVE, CARLSBAD, CA 92008 (760) 931-9200 - 2,750,000 (\$15,771,250) COMMON STOCK. (FILE 333-71176 - OCT. 09) (BR. 1)
- S-8 STRAYER EDUCATION INC, 1025 15TH STREET NW, WASHINGTON, DC 20005 (202) 408-2400 - 1,000,000 (\$42,335,000) COMMON STOCK. (FILE 333-71182 - OCT. 09) (BR. 8)
- S-8 GLOBAL TELEPHONE COMMUNICATION INC /NV/, SUITE 1800 10 SOUTH RIVERSIDE PLAZA, CHICAGO, IL 60606 (877) 901-4824 - 4,470,000 (\$223,500) COMMON STOCK. (FILE 333-71194 - OCT. 09) (BR. 6)

S-8 HOUSEHOLD INTERNATIONAL INC, 2700 SANDERS RD, PROSPECT HEIGHTS, IL
60070 (847) 564-5000 - 345,705 (\$20,196,086.10) COMMON STOCK. (FILE 333-
71198 -
OCT. 09) (BR. 7)

S-8 SYNAPTIC PHARMACEUTICAL CORP, 215 COLLEGE RD, PARAMUS, NJ 07652
(201) 261-1331 - 1,500,000 (\$6,975,000) COMMON STOCK. (FILE 333-71214
-
OCT. 09) (BR. 1)

S-8 CHINA PREMIUM FOOD CORP, 11300 US HIGHWAY 1 SUITE 202, NORTH PALM
BEACH,
FL 33408 (561) 625-1411 - 275,000 (\$137,500) COMMON STOCK. (FILE
333-71216 - OCT. 05) (BR. 9)

S-8 ADVANCED TECHNICAL PRODUCTS INC, 200 MANSELL COURT EAST, STE 505,
ROSWELL, GA 30076 (770) 993-0291 - 600,000 (\$12,408,000) COMMON STOCK.
(FILE 333-71232 - OCT. 09) (BR. 6)

S-3 ONYX ACCEPTANCE CORP, 27051 TOWNE CENTRE DRIVE, FOOTHILL RANCH, CA
92610 (949) 465-3500 - 50,000,000 (\$50,000,000) STRAIGHT BONDS. (FILE 333-
71238
- OCT. 09) (BR. 7)

S-1 CENTENE CORP, 7711 CARONDELET AVE, ST LOUIS, MO 63105 (314) 725-4477
-
\$57,500,000 COMMON STOCK. (FILE 333-71258 - OCT. 09)

S-8 PHILIP MORRIS COMPANIES INC, 120 PARK AVE, NEW YORK, NY 10017
(917) 663-5000 - 11,000,000 (\$536,200,000) COMMON STOCK. (FILE 333-
71268 -
OCT. 09) (BR. 4)

S-8 CANADIAN NATIONAL RAILWAY CO, 935 DE LA GAUCHETIERE ST W,
MONTREAL QUEBEC, CANADA H3B 2M9, A8 00000 (514) 399-6569 - 978,114
(\$36,280,750) COMMON STOCK. (FILE 333-71270 - OCT. 09) (BR. 5)

S-4 DIVINE INC, 1301 N ELSTON AVENUE, CHICAGO, IL 60622 (773) 394-6600 -
24,975,637 (\$22,478,073) COMMON STOCK. (FILE 333-71272 - OCT. 09) (BR.
8)

S-8 DATATEC SYSTEMS INC, 23 MADISON RD, FAIRFIELD, NJ 07004 (973) 808-
4000
- 1,000,000 (\$680,000) COMMON STOCK. (FILE 333-71274 - OCT. 10) (BR.
3)

S-8 REDBACK NETWORKS INC, 250 HOLGER WAY, SAN JOSE, CA 95134 (408) 571-
5000
- 10,691,714 (\$17,940,356.85) COMMON STOCK. (FILE 333-71278 - OCT. 10)
(BR. 8)

S-4 VERISIGN INC/CA, 1350 CHARLESTON RD, MOUNTAIN VIEW, CA 94043
(650) 961-7500 - 36,539,863 (\$1,551,117,185) COMMON STOCK. (FILE
333-71280 - OCT. 10) (BR. 3)