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SEC NEWS DIGEST

Issue 2001-204

October 23, 2001

COMMISSION ANNOUNCEMENTS

COMMISSION MEETINGS

CHANGE IN THE MEETING: CANCELLATION

The closed meeting scheduled for Tuesday, October 23, 2001, at 9:30 a.m. was cancelled.

CLOSED MEETINGS - MONDAY, OCTOBER 29, 2001 AND TUESDAY, OCTOBER 30, 2001 - 10:00 A.M.

The subject matter of the closed meetings scheduled for Monday, October 29, 2001, and Tuesday, October 30, 2001, will be: Institution and settlement of injunctive actions; Institution and settlement of administrative proceedings of an enforcement nature; and Formal orders.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

SEC ISSUES REPORT OF INVESTIGATION AND STATEMENT SETTING FORTH FRAMEWORK FOR EVALUATING COOPERATION IN EXERCISING PROSECUTORIAL DISCRETION

The Commission today issued a Report of Investigation and Statement explaining its decision not to take enforcement action against a company it had investigated for financial statement irregularities. In so doing, the Commission articulated a framework for evaluating cooperation in determining whether and how to charge violations of the federal securities laws.

The Report identifies four broad measures of a company's cooperation:

- *Self-policing* prior to the discovery of the misconduct, including establishing effective compliance procedures and an appropriate tone at the top;
- *Self-reporting* of misconduct when it is discovered, including conducting a thorough review of the nature, extent, origins and consequences of the misconduct, and promptly, completely, and effectively disclosing the misconduct to the public, to regulators, and to self-regulators;
- *Remediation*, including dismissing or appropriately disciplining wrongdoers, modifying and improving internal controls and procedures to prevent recurrence of the misconduct, and appropriately compensating those adversely affected; and
- *Cooperation with law enforcement authorities*, including providing the Commission staff with all information relevant to the underlying violations and the company's remedial efforts.

The criteria are set forth in greater detail in the Report. Credit for cooperative behavior may range from the extraordinary step of taking no enforcement action at all to bringing reduced charges, seeking tighter sanctions, or including mitigating language in documents the Commission uses to announce and resolve enforcement actions.

Stephen M. Cutler, Acting Director of Enforcement, said: "Crediting those who seek out, self-report and rectify illegal conduct is critical to achieving the Commission's goal of 'real-time enforcement.' We hope that, by setting forth a framework for exercising its prosecutorial discretion, the Commission will encourage companies to address unlawful conduct swiftly and meaningfully and to cooperate with law enforcement authorities. The result will be more efficient and effective enforcement of the federal securities laws."

The Commission welcomes the constructive input of all interested persons, who may direct their suggestions to the Division of Enforcement.

For further information, call Stephen M. Cutler at 202-942-4500. (Press Rel. 2001-117)

FEE RATE ADVISORY #3

The continuing resolution funding the Securities and Exchange Commission for fiscal 2002 since October 1, 2001 has been extended further through October 31, 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. 2001-118)

RULES AND RELATED MATTERS

AMENDMENT OF COMMISSION DEBT COLLECTION REGULATIONS

On October 22, the Commission issued a release adopting regulatory amendments that conform its debt collection rules to the Debt Collection Act, as amended, and the Federal Claims Collection Standards, as amended. The rule amendments facilitate offset of unpaid debts against amounts owed by the government to the debtor by authorizing collection through the Treasury Offset Program (TOP). TOP centralizes collection by administrative offset, which applies to most amounts potentially payable by the government to a debtor, as well as by offset against federal employee salaries and federal income tax refunds. The release also adopts new regulations that permit administrative garnishment of up to 15% of a debtor's non-federal wages; the Department of the Treasury is authorized to conduct wage garnishment on the Commission's behalf. The amendments will be effective thirty days after publication in the Federal Register. For further information contact: Kenneth H. Hall, Division of Enforcement at (202) 942-4635. (Rel. 34-44965)

ENFORCEMENT PROCEEDINGS

COMMISSION ISSUES REPORT OF INVESTIGATION AND STATEMENT REGARDING THE RELATIONSHIP OF COOPERATION TO COMMISSION ENFORCEMENT DECISIONS

On October 23, the Commission issued a Report of Investigation and Statement, in which it articulated a framework for evaluating cooperation in determining whether and how to charge violations of the federal securities laws. The Report identifies four broad measures of a company's cooperation: self-policing prior to the discovery of the misconduct; self-reporting of the misconduct; the remedial steps taken upon learning of the misconduct; and cooperation with law enforcement authorities. The criteria are set forth in greater detail in the Report. Credit for cooperative behavior may range from taking no enforcement action at all to bringing reduced charges, seeking lighter sanctions, or including mitigating language in documents the Commission uses to announce and resolve enforcement actions.

In issuing the Report, the Commission explained its recent decision not to take enforcement action against a company it had investigated for financial statement irregularities. The Commission noted, among other things, the prompt remedial actions voluntarily undertaken by the company and the company's cooperation with the Commission's staff. (Rel. 34-44969; AAE Rel. 1470)

COMMISSION SETTLES FINANCIAL REPORTING CASE AGAINST FORMER CONTROLLER

On October 23, the Commission instituted cease and desist proceedings against Gisela de Leon-Meredith and simultaneously accepted her offer of settlement in which she agreed to cease and desist from future violations of the false accounting records provisions, and from causing future violations of the reporting, books and records, and internal control provisions of the federal securities laws. Meredith is the former controller of a subsidiary of Seaboard Corporation, a Kansas-based diversified international company primarily engaged in commodity brokering and produce farming. Meredith, without admitting or denying the allegations, consented to findings that, over a five year period, she booked improper entries in the subsidiary's books and records that overstated the deferred farming cost asset and understated farming expenses on the subsidiary's financial statements. The Commission further found that Meredith deliberately undertook to conceal the errors through other improper entries and adjustments. In August 2000, after uncovering the misstatements, Seaboard restated its financial statements from 1995 through the first quarter of 2000, reducing total assets by approximately \$7.5 million and retained earnings by approximately \$5.3 million. (Rel. 34-44970; AAE Rel. 1471; File No. 3-10626)

SALES AGENT AND PRINCIPAL ENJOINED AND ORDERED TO PAY \$1.1 MILLION DISGORGEMENT

The Commission announced that on October 15 the Honorable David O. Carter, United States District Judge for the Central District of California, entered an Order Granting Plaintiff's Motion for Summary Judgment against Cloud & Associates Consulting, Inc., a TLC Entities' sales agent, and its CEO, Thomas G. Cloud. The Court found that these two defendants recklessly repeated TLC's fraudulent representations concerning an investment's security and profit potential over Cloud & Associates' website. Further, the Court found that these defendants made independent fraudulent representations concerning Cloud's due diligence and trustworthiness, the securities' soundness, and the issuer's track record and failed to disclose Cloud's tax fraud conviction. The Court determined that these misrepresentations and omission violated the antifraud provisions of the securities laws: Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Act of 1934, and Rule 10b-5 thereunder. The Court also found that these defendants sold unregistered securities in violation of the registration provisions of the securities laws: Sections 5(a) and 5(c) of the Securities Act. Accordingly, the Court issued permanent injunctions and ordered Cloud and Cloud & Associates to pay

disgorgement in excess of \$1.1 million, prejudgment interest, and civil penalties. [SEC v. TLC Investments & Trade Co., et al., Civil Action No. SACV-00-960 DOC, MLGx, USDC, CDCA] (LR-17199)

EMERGENCY CIVIL RELIEF ENTERED AGAINST VESTRON FINANCIAL CORP., SALMAN SHARIFF, VESTRON INVESTMENT CLUB, CRESCENT CAPITAL PARTNERS LP, CRESCENT CAPITAL OFFSHORE FUND, NORTH COAST HOLDINGS, LTD AND RAINBOW BRIDGE INVESTMENTS, LLC INCLUDING, AMONG OTHER THINGS, A TEMPORARY ASSET FREEZE

The Commission announced that on October 16 the SEC filed a complaint against Vestron Financial Corporation (Vestron Financial), a company with principal offices in Miami, alleging that Vestron Financial had raised more than \$11.6 million from about 350 investors across the nation and overseas through the sale of unregistered securities. That same day, the Honorable Patricia A. Seitz, United States District Judge for the Southern District of Florida, entered an emergency Order to temporarily freeze the assets of Vestron Financial and that of its founder and president, Salman Shariff (Shariff), who was last known to reside in Miami Beach, Florida. Vestron was purportedly in the business of trading stocks and commodities.

In its complaint and application to the Court for a temporary asset freeze order, which the Court granted, the SEC also alleged that Vestron Financial had lured investors into investing with the company through false promises of high returns and under the false pretense that their money would be used to engage in stock and commodities trading. More specifically, according to the SEC's complaint, of the \$11.6 million raised from investors, only 14% of these funds were actually used for stock and commodities trading. Instead, the complaint alleges that defendant Shariff has misappropriated at least \$2.082 million in investor funds for his own personal use, including the purchase of a condominium, a boat, cars and other personal items. In addition, the SEC alleges that defendants were engaged in a Ponzi scheme, whereby investors who chose to receive their purported monthly gains in cash were paid out of new investor funds, as the little trading that was done was far from profitable.

Named as defendants in the SEC's complaint in addition to Vestron Financial and Shariff were:

- Vestron Investment Club, a North Carolina general partnership that sold securities to investors and was managed by Vestron Financial.
- Crescent Capital Partners, LP, a Florida limited partnership that sold securities to investors and was managed by Vestron Financial as a U.S.-based hedge fund.
- Crescent Capital Offshore Fund, a Bahamas limited partnership that sold securities to investors and was managed by Vestron Financial as an offshore-based hedge fund.

Named as relief defendants in the SEC's complaint were:

- North Coast Holdings, Ltd., a Bahamas corporation that received at least \$1.3 million in investor funds from Vestron Financial's offering.
- Rainbow Bridge Investments, LLC, a Florida limited liability corporation that received at least \$200,000 in investor funds from Vestron Financial's offering.

The Commission charges Vestron Financial and Shariff with violations of Sections 5(a), 5(c) and 17(a) of the Securities Act, Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisors Act. The Commission also charges Vestron Investment Club and Crescent Capital Partners, LP with violations of Sections 5(a) and 5(c) of the Securities Act and Section 7(a) of the Investment Company Act, and Crescent Capital Offshore Fund with violations of Sections 5(a) and 5(c) of the Securities Act and Section 7(d) of the Investment Company Act. The SEC is also seeking in this lawsuit a preliminary order, which would continue the asset freeze pending the outcome of the case on the merits, as well as permanent injunctions, disgorgement of ill-gotten profits and money penalties. [SEC v. Vestron Financial Corp., et al., Case No. 01-4269-CIV-SEITZ, USDC/SDFL] (LR-17200)

INVESTMENT COMPANY ACT RELEASES

PUTNAM AMERICAN GOVERNMENT INCOME FUND, ET AL.

A notice has been issued giving interested persons until November 15, 2001, to request a hearing on an application filed by Putnam American Government Income Fund, et al. for an order under Section 17(d) of the Investment Company Act and Rule 17d-1 under the Act to permit certain joint transactions. The order would permit certain registered management investment companies to pay to an affiliated lending agent, and the lending agent to accept, fees based on a share of the revenues generated from securities lending transactions. (Rel. IC-25218 – October 22)

GREAT AMERICAN LIFE INSURANCE COMPANY OF NEW YORK, ET AL.

A notice has been issued giving interested persons until November 16, 2001, to request a hearing on an application filed by Great American Life Insurance Company of New York, Annuity Investors Life Insurance Company (collectively, the Insurance Companies), GALIC of New York Separate Account I, Annuity Investors Variable Account A, Annuity Investors Variable Account B, and Great American Advisors, Inc. Applicants seek an order pursuant to Section 6(c) of the Investment Company Act granting exemptions from Sections 2(a)(32), 22(c) and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder, to permit, under specified circumstances, the recapture of certain bonuses applied to purchase payments made under certain deferred variable annuity

contracts. Applicants also request that the order extend to any other National Association of Securities Dealers, Inc. member broker-dealer controlling or controlled by, or under common control with the Insurance Companies, whether existing or created in the future, that serves as a distributor or principal underwriter of the contracts. (Rel. IC-25219 – October 22)

PIMCO FUNDS, ET AL.

A notice has been issued giving interested persons until November 16, 2001, to request a hearing on an application filed by PIMCO Funds, et al. for an order granting an exemption from Sections 12(d)(1), 17(a), 18(f), and 21(b) of the Investment Company Act, and under Section 17(d) of the Act and Rule 17d-1 under the Act to permit certain joint arrangements. The order would permit certain registered management investment companies to invest uninvested cash in affiliated money market funds and to participate in a joint lending and borrowing facility. The order would supersede an existing order. (Rel. IC-25220 – October 22)

HOLDING COMPANY ACT RELEASES

NATIONAL GRID GROUP PLC, ET AL.

An order has been issued authorizing (1) National Grid Group plc (National Grid), a registered holding company, to increase the aggregate amount of convertible bonds that it may issue to \$2 billion; (2) National Grid and certain of its nonutility subsidiaries to enter into intrasystem loans; and (3) certain registered holding company subsidiaries of National Grid to enter into currency derivatives with National Grid and certain associated companies. (Rel. 35-27455)

SELF-REGULATORY ORGANIZATIONS

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGES

A proposed rule change (SR-Amex-2001-71) filed by the American Stock Exchange relating to priority on multiple price transactions 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 October 22. (Rel. 34-44958)

A proposed rule change (SR-Phlx-2001-84) filed by the Philadelphia Stock Exchange adopting a fee for installing and maintaining tethers on the options floor 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 October 22. (Rel. 34-44963)

PROPOSED RULE CHANGE

The New York Stock Exchange filed a proposed rule change (SR-NYSE-2001-34) deleting an unused measure of specialist performance. Publication of the proposal is expected in the Federal Register during the week of October 22. (Rel. 34-44961)

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 LUXOTTICA GROUP SPA, 44 HARBOR PARK DR, PORT WASHINGTON, NY 11050
(516) 434-3800 - 11,000,000 (\$156,750,000) FOREIGN COMMON STOCK. (FILE
333-14006 - OCT. 15) (BR. 5)

S-4 INGERSOLL RAND CO LTD, 200 CHESTNUT RIDGE RD, WOODCLIFF LAKE, NJ
07677
(201) 573-0123 - 168,374,485 (\$6,037,067,159.67) COMMON STOCK. (FILE
333-71642 - OCT. 16) (NEW ISSUE)

S-4 GREAT WESTERN LAND & RECREATION INC, 5115 N. SCOTTSDALE ROAD, SUITE
101,
SCOTTSDALE, AZ 85250 (480) 949-6007 - 18,163,291 (\$3,905,107.57)
COMMON STOCK. (FILE 333-71644 - OCT. 16) (NEW ISSUE)

S-8 NUCLEAR SOLUTIONS INC, 1530 EAST COMMERCIAL ST., SUITE 109,
MERIDIAN, ID
83642 (208) 846-7868 - 200,000 (\$490,000) COMMON STOCK. (FILE 333-
71646 -
OCT. 15) (BR. 9)

S-8 HOME LOAN FINANCIAL CORP, 401 MAIN ST, COSHOCTON, OH 43812 - 224,825
(\$1,829,170.30) COMMON STOCK. (FILE 333-71648 - OCT. 16) (BR. 7)

- S-3 CEL SCI CORP, 8229 BOONE BLVD STE 802, VIENNA, VA 22182 (703) 506-9460
- 6,619,175 (\$976,995.50) COMMON STOCK. (FILE 333-71650 - OCT. 16) (BR. 1)
- S-2 FIRST PREFERRED CAPITAL TRUST III, 600 JAMES S MCDONNELL BLVD, MS 014,
HAZELWOOD, MS 53042 (314) 592-6618 - 1,840,000 (\$46,000,000)
PREFERRED STOCK. (FILE 333-71652 - OCT. 16) (NEW ISSUE)
- S-8 MCDONALDS CORP, ONE MCDONALD'S PLZ, OAK BROOK, IL 60523 (630) 623-3000
- 90,000,000 (\$2,561,400,000) COMMON STOCK. (FILE 333-71656 - OCT. 16) (BR. 5)
- S-8 INTERNATIONAL AUTOMATED SYSTEMS INC, 512 SOUTH 660 EAST, AMERICAN FORK,
UT 84003 (801) 763-996 - 150,000 (\$216,000) COMMON STOCK. (FILE 333-71658 - OCT. 16) (BR. 3)
- S-8 NIKE INC, ONE BOWERMAN DR, BEAVERTON, OR 97005 (503) 641-6453 - 50,000,000 (\$50,000,000) COMMON STOCK. (FILE 333-71660 - OCT. 16) (BR. 6)
- S-8 VIEW SYSTEMS INC, 825 W KENYON AV, SUITE 15, ENGLEWOOD, CO 80110 (303) 295-7200 - 845,000 (\$701,350) COMMON STOCK. (FILE 333-71662 - OCT. 16) (BR. 8)
- S-8 CAMBRIDGE ENERGY CORP, 215 R RIVERSIDE DR, COCOA, FL 32922 (407) 636-6165 - 1,000,000 (\$500,000) COMMON STOCK. (FILE 333-71664 - OCT. 16) (BR. 4)
- S-8 WILLIAMS ENERGY PARTNERS L P, ONE WILLIAMS CENTER, TULSA, OK 74172 (918) 573-2000 - 700,000 (\$28,175,000) COMMON STOCK. (FILE 333-71670 - OCT. 16) (BR. 4)
- S-3 MEDAMICUS INC, 15301 HGHWY 55 W, PLYMOUTH, MN 55447 (763) 559-2613 - 444,422 (\$8,021,817.10) COMMON STOCK. (FILE 333-71676 - OCT. 16) (BR. 5)
- S-3 ACTIVISION INC /NY, 3100 OCEAN PARK BLVD, STE 1000, SANTA MONICA, CA 90405 (310) 255-2000 - 770,051 (\$24,433,718.23) COMMON STOCK. (FILE 333-71682 - OCT. 16) (BR. 3)
- S-4 COGENT COMMUNICATIONS GROUP INC, 1015 31ST STREET, WASHINGTON, DC 20007 (202) 295-4200 - 2,192,219 (\$5,350,464) COMMON STOCK. (FILE 333-71684 - OCT. 16) (NEW ISSUE)
- S-3 INTERSIL CORP/DE, 7585 IRVINE CENTER DR, STE 100, IRVINE, CA 92618 (321) 729-5639 - 161,100,000 (\$515,441,500) COMMON STOCK. (FILE 333-71686 - OCT. 16) (BR. 5)

S-8 TELEPHONE & DATA SYSTEMS INC /DE/, 30 NORTH LASALLE STREET,
8401 GREENWAY BLVD, CHICAGO, IL 60602 (312) 630-1900 - 12,000
(\$531,840)
COMMON STOCK. (FILE 333-71688 - OCT. 16) (BR. 7)

S-3 INTERNET PICTURES CORP, 1009 COMMERCE PARK DR, OAK RIDGE, TN 37830
(865) 482-3000 - 13,650,800 (\$29,212,712) COMMON STOCK. (FILE 333-
71690 -
OCT. 16) (BR. 8)

S-4 RETURN ASSURED INC, 1901 AVENUE OF THE STARS, SUITE 1710, LOS
ANGELES,
CA 90067 (888) 884-8809 - 21,748,925 (\$456,727.43) COMMON STOCK. (FILE
333-71692 - OCT. 16) (BR. 6)

SB-2 CHESTATEE BANCSHARES INC, 6639 HIGHWAY 53 EAST, DAWSONVILLE, GA
30534
(706) 216-2265 - 600,000 (\$6,000,000) COMMON STOCK. (FILE 333-71694 -
OCT. 16) (BR. 9)