

SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

MEDIA ADVISORY — SEC TO HOLD FAIR DISCLOSURE ROUNDTABLE

- What:** The SEC will hold a public roundtable moderated by Acting Chairman Laura S. Unger to discuss the initial experiences of issuers, analysts and investors with Regulation Fair Disclosure.
- When:** April 24, 2001, 10:00 a.m. to 4:00 p.m.
- Where:** Alexander Hamilton U.S. Customs House Auditorium
One Bowling Green
New York, New York 10004

The agenda and participant list will be released at a later date. (Press Rel 2001-33)

ENFORCEMENT PROCEEDINGS

SEC CHARGES FIVE INDIVIDUALS WITH SECURITIES FRAUD IN KICKBACK SCHEME

The Commission today filed an enforcement action in the United States District Court for the Southern District of New York charging five individuals with securities fraud. The Commission alleges that Anthony Dong-Yin Shen and Srinivas Anumolu, two former employees of New York Life Insurance Company, Inc. (New York Life), who traded mortgage-backed securities for the insurance company's proprietary accounts, obtained kickbacks and other improper gifts and gratuities from salespersons at three brokerage firms.

According to the Commission's complaint Ronald W. Pinto, formerly with Nomura Securities, paid at least \$411,000 in kickbacks and other cash payments to Shen and

Anumolu and gave them other gifts and gratuities; Deborah J. Breckenridge, formerly with Suncoast Capital Group, Ltd., paid Shen at least \$50,800 in kickbacks and other cash and arranged for him to receive at least \$6,400 in improper gifts and gratuities; and Dominick J. Savino, formerly with Greenwich Capital Markets, Inc., gave Shen at least \$3,400 in cash and \$7,600 in improper gifts and gratuities.

The Commission alleges that in return, the New York Life traders directed securities transactions to the salespersons, often at prices that were favorable to the brokerage firms but detrimental to New York Life. The salespersons earned significant compensation on these transactions.

Today, the United States Attorney's Office for the Southern District of New York announced criminal charges against Shen, Anumolu, Pinto and Breckenridge, arising from the same conduct charged in the Commission's complaint. [SEC v. Anthony Dong-Yin Shen, Srinivas Anumolu, Ronald W. Pinto, Deborah J. Breckenridge, and Dominick J. Savino, 01 Civ. 2438, GBD, SDNY] (LR-16937)

COMMISSION FREEZES ASSETS OF THREE HEARTLAND GROUP MUTUAL FUNDS

The Commission moved yesterday evening to shut down Heartland Group, Inc.'s High-Yield Municipal Bond Fund, Short Duration High-Yield Municipal Fund and Taxable Short Duration Municipal Fund (collectively, the Funds). An order was entered in the United States District Court for the Northern District of Illinois enjoining Heartland Group, Inc., a Milwaukee company that issued the Funds, from violating certain reporting provisions requiring them to send reports with audited financial statements to shareholders of the Funds and file them with the Commission (Order). The Order also freezes the assets held in the Funds and provides for the appointment of a receiver to take control of the assets of the Funds, manage the funds, suspend redemptions in the Funds and, if appropriate, liquidate the Funds. Heartland Group consented to entry of the Order without admitting or denying any of the allegations the Commission's complaint. This action does not involve Heartland's Select Value Fund, Value Plus Fund, Value Fund or Wisconsin Tax Free Fund. The Commission's investigation continues in this matter. [SEC v. Heartland Group, Inc., Civil Action No. 01 C 1984, Judge Joan H. Lefkow, ND Ill.] (LR-16938)

NEW YORK ATTORNEY AGREES TO PAY \$50,000 TO SETTLE SEC COMPLAINT ARISING FROM SCHEME TO OBTAIN CONFIDENTIAL INFORMATION ON CORPORATE TAKEOVERS

The Commission has agreed to settle a pending civil action against Robert C. Schuster, a White Plains attorney, who was charged by the SEC with securities fraud for attempting to bribe a paralegal at Skadden, Arps, Slate, Meagher & Flom to give him confidential information about upcoming mergers involving Skadden's clients. In its complaint, the SEC alleged that Schuster sought to profit by buying stock in the acquisition targets before public announcement of the merger.

Under the terms of the settlement, Schuster has consented, without admitting or denying the allegations of the complaint, to the entry of a permanent injunction enjoining him from future violations of the antifraud provisions of the securities laws and ordering Schuster to pay a civil penalty of \$50,000

Schuster is an attorney with a solo practice in White Plains. He was formerly an assistant district attorney in Cayuga County, New York. Skadden is a prominent New York based law firm that is known for specializing in representing large corporations involved in mergers and acquisitions. Schuster had been representing the paralegal in connection with a personal legal matter when he learned that the paralegal worked at Skadden.

The Commission's complaint alleges that, in September of this year, Schuster offered the Skadden paralegal up to \$15,000 to provide him with confidential information about upcoming mergers involving Skadden clients. In a subsequent meeting in October, which was recorded by the FBI, Schuster told the paralegal that they could "mutually benefit" from the confidential information because he would give the paralegal a "cut" of his profits. Schuster explained that "[t]he whole strategy has to be to know something before anyone else does."

On October 26, 2000, under the supervision of an FBI agent, the paralegal gave Schuster a fictitious tip – the name of a company that would purportedly be acquired and whose stock price would rise substantially when publicly announced. Schuster immediately bought 3,000 shares in the company for \$153,750, nearly two-thirds of his entire brokerage account. Based on the fictitious tip, Schuster purchased stock and stock options in the company that was the purported acquisition target.

After Schuster paid the paralegal \$500 cash as an initial installment for the tip, the FBI arrested him and charged him with securities fraud, wire fraud and commercial bribery. The Commission charged Schuster with committing securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder and sought a permanent injunction and civil penalties against Schuster. [SEC v. Robert C. Schuster, Civil Action No. 00 Civ. 8822] (LR-16939)

COMPLAINT FILED AGAINST EARL ABBOTT, RICHARD STALVEY, GLENN PURDUE, ROBERT GERWIN, KENNETH NUNN AND THOMAS O'KEEFFE IN CONNECTION WITH PRIME BANK OFFERING

The Commission announced the filing of a complaint in the United States District Court for the Middle District of Florida against Earl A. Abbott (Abbott), a Titusville, Florida businessman and three of his sales agents, Richard L. Stalvey (Stalvey), an Albany, Georgia accountant, Glenn Purdue, of Indianapolis, Indiana and Robert E. Gerwin, of Cincinnati, Ohio. The complaint alleges that the defendants sold \$3.55 million of non-existent prime bank securities which were purportedly supplied by defendant Kenneth C. Nunn (Nunn), a resident of England. The Commission alleges that the defendants violated the securities registration, antifraud and broker-dealer registration provisions of

the federal securities laws in connection with their offer and sale of these securities. Thomas J. O'Keeffe (O'Keeffe), of Ireland, is alleged to have received over \$1 million of these funds, supposedly to trade the securities. O'Keeffe is named as a relief defendant.

Between May and October 1998, the defendants offered and sold the bogus prime bank securities to investors in at least five different states. Approximately \$3.3 million of those investor funds, according to the Commission's complaint, were wired to an off-shore account on Guernsey in the Channel Islands controlled by defendant Nunn. According to the Commission, as a result of the defendants' actions, U.S. investors lost approximately \$3.1 million. The Commission seeks a permanent injunction prohibiting the defendants from violating the securities registration, antifraud and broker-dealer registration provisions of the Securities Act and the Exchange Act. In addition, the Commission seeks disgorgement of ill-gotten gains from Abbott, Stalvey and Nunn, and the imposition of civil monetary penalties against all the primary defendants. [SEC v. Earl A. Abbott, et al., Civil Action No. 6:01cvORL31KRS, USDC, MD FL] (LR-16940)

COMMISSION SEEKS EMERGENCY RELIEF IN CONNECTION WITH \$276 MILLION OFFERING FRAUD

On March 21, the Honorable Marilyn L. Huff, United States District Judge for the Southern District of California, issued a temporary restraining order regarding an ongoing securities fraud by Michael J. Fanghella (Fanghella), James L. Hillman (Hillman), PinnFund USA, Inc. (PinnFund) and entities controlled by Fanghella and Hillman (Funding Entities). The Court: (1) scheduled a hearing on the Commission's application for a temporary restraining order and receiver for March 22, 2001, at 10:30 a.m.; (2) prohibited the destruction of documents by the defendants; (3) prohibited the transfer of assets or property by the defendants to a foreign location; and (4) granted expedited discovery.

The Commission's complaint alleges that since 1993, the Funding Entities have raised at least \$276 million from at least 166 investors, purportedly for the purpose of funding PinnFund's business of writing residential home mortgages. In fact, Fanghella, Hillman, PinnFund and the Funding Entities are misappropriating the funds raised by the Funding Entities and using the funds to finance Fanghella's lavish lifestyle. In addition, Fanghella, Hillman, PinnFund and the Funding Entities have circulated altered financial statements of PinnFund and forged auditors' reports, which contain numerous fraudulent misrepresentations and omissions, conceal more than \$95 million in losses incurred by PinnFund since 1997 and conceal the transfer of more than \$107 million to Fanghella since 1997.

The Commission applied to the Court for an order temporarily restraining Fanghella, Hillman, PinnFund and the Funding Entities from committing securities fraud in violation of Section 17(a) of the Securities Act of 1933 (Securities Act), Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder. The Commission also requested that Hillman and the Funding Entities be temporarily restrained from committing violations of the securities registration provisions of Sections

5(a) and 5(c) of the Securities Act. In addition to the interim relief granted today and the relief sought through the Commission's application, the Commission seeks a final judgment against Fanghella, Hillman, PinnFund and the Funding Entities enjoining them from future violations of the foregoing registration and antifraud provisions, ordering them to disgorge all ill-gotten gains, and assessing civil penalties against them.

In addition, the Commission seeks an order temporarily freezing the assets of relief defendants Reliance Holdings, LLC (Reliance) and Kelly Cook aka Kelly Jaye aka Kelly Spagnola (Cook), who together received more than \$10 million from Fanghella during the period in which he was misappropriating funds from the Funding Entities' investors. The Commission also seeks a final judgment against Reliance and Cook, ordering them to disgorge all ill-gotten gains. [SEC v. PinnFund USA, Inc., et al., Civil Action No. 01 CV 0496 H, LAB, S.D. Cal.] (LR-16841)

INVESTMENT COMPANY ACT RELEASES

ORDERS OF DEREGISTRATION UNDER THE INVESTMENT COMPANY ACT

Orders have been issued under Section 8(f) of the Investment Company Act declaring that each of the following has ceased to be an investment company:

- Federated Master Trust [File No. 811-2784]
(Release No. IC -24896 / March 21, 2001)
- Money Market Obligations Trust II [File No. 811-7364]
(Release No. IC - 24897/ March 21, 2001)
- Federated Tax-Free Trust [File No. 811-2891]
(Release No. IC - 24898/ March 21, 2001)
- Liberty U.S. Government Money Market Trust
[File No. 811-2956]
(Release No. IC - 24899/ March 21, 2001)
- Federated Short-Term U.S. Government Trust [File No.
811-5035]
(Release No. IC - 24900/ March 21, 2001)
- Federated Municipal Trust [File No. 811-5911]
(Release No. IC - 24901/ March 21, 2001)
- Trust for Short-Term U.S. Government Securities
[File No. 811-2602]
(Release No. IC - 24902/ March 21, 2001)
- Trust for U.S. Treasury Obligations [File No. 811-2951]
(Release No. IC - 24903/ March 21, 2001)
- Trust for Government Cash Reserves [File No. 811-5772]
(Release No. IC - 24904/ March 21, 2001)
- Liquid Cash Trust [File No. 811-3057]
(Release No. IC - 24905/ March 21, 2001)

Money Market Management, Inc. [File No. 811-2430]
(Release No. IC - 24906/ March 21, 2001)
Money Market Trust [File No. 811-2550]
(Release No. IC - 24907/ March 21, 2001)
Automated Government Money Trust [File No. 811-3475]
(Release No. IC - 24908/ March 21, 2001)
Federated Government Trust [File No. 811-5981]
(Release No. IC - 24909/ March 21, 2001)
Van Kampen Global Managed Assets Fund [File No. 811-8286]
(Release No. IC - 24910/ March 21, 2001)
PMD Investment Company [File No. 811-3135]
(Release No. IC - 24911/ March 21, 2001)
The Sheffield Funds, Inc. [File No. 811-5886]
(Release No. IC - 24912/ March 21, 2001)
Penfield Partners, L.P. [File No. 811-8604]
(Release No. IC - 24913/ March 21, 2001)

SELF-REGULATORY ORGANIZATIONS

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change filed by the New York Stock Exchange to amend NYSE Rule 60 relating to the dissemination of depth indications and depth conditions (SR-NYSE-01-06) 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 March 19. (Rel. 34-44084)

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>.

- F-6 PRANA BIOTECHNOLOGY LTD /ADR/, ADR DEPARTMENT 101 BARCLAY STREET,
NEW YORK, NY 10286 (212) 815-2129 - 10,000,000 (\$500,000)
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-13264 - MAR. 09)
(NEW ISSUE)
- S-8 AUDIOCODES LTD, 4 HAHORESH RD, YEHUD 56470, ISRAEL, L3 - 1,089,840
(\$17,778,015) FOREIGN COMMON STOCK. (FILE 333-13268 - MAR. 12) (BR.
37)
- S-8 MAGIC SOFTWARE ENTERPRISES LTD, 5 HAPLADA STREET,
OR YEHUDA ISREAL 60218, L3 (972) 353-8920 - 3,000,000 (\$7,968,600)
FOREIGN COMMON STOCK. (FILE 333-13270 - MAR. 08) (BR. 3)
- S-3 MEDIUM4 COM INC, 120 FIFTH AVE, SEVENTH FL, NEW YORK, NY 10011
(212) 206-1121 - 7,125,000 (\$6,443,300) COMMON STOCK. (FILE 333-57060
-
MAR. 15) (BR. 7)
- S-8 I2CORP COM, 5392 S EASTERN AVE, BLDG A NORTH, LAS VEGAS, NV 89119
(801) 323-2395 - 2,500,000 (\$300,000) COMMON STOCK. (FILE 333-57064 -
MAR. 15) (BR. 9)
- S-8 ADVANCED PHOTONIX INC, 1240 AVENIDA ACASCO, CAMARILLO, CA 93012
(805) 987-0146 - 1,500,000 (\$2,242,200) COMMON STOCK. (FILE 333-57068
-
MAR. 15) (BR. 5)
- S-8 HEMAGEN DIAGNOSTICS INC, 34-40 BEAR HILL ROAD, WALTHAM, MA 02451
(781) 890-3766 - 1,000,000 (\$703,100) COMMON STOCK. (FILE 333-57080 -
MAR. 15) (BR. 1)
- S-8 NEUROCRINE BIOSCIENCES INC, 10555 SCIENCE CENTER DRIVE, SAN DIEGO,
CA
92121 (858) 658-7600 - 750,000 (\$11,484,375) COMMON STOCK. (FILE
333-57096 - MAR. 15) (BR. 1)
- S-4 FIRST BANCORP /NC/, 341 NORTH MAIN ST, PO BOX 508, TROY, NC 27371
(910) 576-6171 - 590,000 (\$10,435,625) COMMON STOCK. (FILE 333-57112 -
MAR. 16) (BR. 7)