

# SEC NEWS DIGEST

Issue 2001-69

April 10, 2001

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## ENFORCEMENT PROCEEDINGS

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### SEC CHARGES INSIDER TRADING IN MERGER OF COBALT NETWORKS AND SUN MICROSYS : EMS INC.

The Commission today announced that it has sued an experienced investor from Palo Alto for insider trading prior to the merger last September between Cobalt Networks, Inc. and Sun Microsystems Inc. The Commission's action alleges that Joel Mesplou, whose primary occupation is investing in securities for his own account, made \$411,696.67 in illegal profits by trading in Cobalt securities in advance of the merger based on information he acquired from an attorney representing Cobalt. In a related action, the United States Attorney's Office for the Northern District of California announced today that they charged Mesplou with lying to the Commission during its investigation of this case.

Simultaneous with the filing of the Commission's civil complaint, Mesplou consented, without admitting or denying the allegations in the Commission's complaint, to the entry of a permanent injunction and payment of a civil penalty of \$286,634.42. In the criminal action, Mesplou pleaded guilty to a criminal charge that he made false statements to the Commission when, during its investigation, investigators asked Mesplou about his trading in Cobalt. In the criminal action, Mesplou agreed to pay a civil forfeiture of \$536,758.92.

According to the Commission's complaint, on September 17, 2000, Mesplou learned from an attorney representing Cobalt that Cobalt would soon be acquired by Sun. The following day, Mesplou spent nearly \$1.2 million buying stock and options contracts. On September 19, before the opening of the markets, Sun announced that it would acquire Cobalt. That day, Cobalt stock closed at \$57.1875, nearly 28% higher than its previous day close. The day of the announcement, Mesplou sold all his securities for a total profit of \$411,696.67.

The Commission action charged Mesplou with violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

The Commission acknowledges the assistance in this matter of the National Association of Securities Dealers Regulation, Inc., the Chicago Board Options Exchange, the United States Attorney's Office for the Northern District of California, and the Federal Bureau of Investigation. [SEC v. Matthew Joel Mesplou, USDC, NDCA, Civil Action No. C 01-1243 VRW] (LR-16956)

## **CORRECTION**

The first and third paragraphs of the correction in yesterday's Digest (Litigation Release No. 16953A) should have read as follows:

The Commission announced that the United States District Court for the Middle District of Tennessee entered a final judgment against two stockbrokers, Cristan K. Blackman and Charles R. Roberts, ordering them to pay disgorgement and civil money penalties totaling almost \$450,000 based on allegations that they engaged in insider trading in stock or options of Mid Ocean Ltd. (Mid Ocean). Blackman and Roberts consented to the entry of the final judgment, without admitting or denying the allegations in the SEC's complaint, in connection with their settlement of the SEC's injunctive action.

The injunction against Blackman, which was entered by consent on March 16, 2001, and the injunction against Roberts, which was entered by consent on March 26, 2001, prohibit them from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The court also ordered Blackman to disgorge \$141,558.50, representing the profits earned by Blackman, his brother and his three clients, plus pre-judgment interest. The court ordered Roberts, jointly and severally with Blackman, to disgorge \$175,850, representing the profits earned by Roberts and his twelve clients, plus pre-judgment interest. Finally, the court ordered Blackman and Roberts to pay civil penalties of \$78,125 and \$12,250, respectively, representing their own profits from trading in Mid Ocean stock or options.

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## **INVESTMENT COMPANY ACT RELEASES**

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### **NATIONWIDE LIFE INSURANCE COMPANY, ET AL.**

A notice has been issued giving interested persons until April 30 to request a hearing on an application filed by Nationwide Life Insurance Company, the NACo Variable Account, and the Nationwide DC Variable Account, for an order under Section 8(f) of the Investment Company Act approving the proposed deregistration of the NACo Variable Account and the Nationwide DC Variable Account, which were established for the purpose of funding public sector deferred compensation plans established pursuant to Section 457 of the Internal Revenue Code. (Rel. IC-24932 - April 6)

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## HOLDING COMPANY ACT RELEASES

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### GPU, INC., ET AL.

A notice has been issued giving interested persons until May 1, 2001, to request a hearing on a proposal by GPU, Inc. (GPU), a registered public utility holding company, and its electric public utility subsidiaries, Jersey Central Power & Light Company (JCP&L), Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec) (collectively, GPU Subsidiaries or together with GPU, Applicants). Applicants request authority: (1) for the GPU Subsidiaries to issue, sell and renew short-term debt to GPU from time to time through December 31, 2003 (Authorization Period); (2) for the GPU Subsidiaries to secure borrowings made from time to time under previously authorized lines of credit, short-term debt and a credit agreement (Credit Agreement) through the Authorization Period; (3) to increase the aggregate principal amount of promissory notes that they may issue, sell and renew under the Credit Agreement from \$250 million to up to \$500 million; and (4) to increase the level of fees and applicable margins used in determination of interest rates upon borrowings in connection with a renewal or extension of the Credit Agreement. (Rel. 35-27375)

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## SELF-REGULATORY ORGANIZATIONS

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### APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change submitted by the Chicago Board Options Exchange (SR-CBOE-00-13) amending the procedures and requirements for trading in joint accounts in equity and index options. (Rel. 34-44152)

The Commission approved a proposed rule change (SR-NASD-01-08) filed by the National Association of Securities Dealers relating to the Arbitration Rules. (Rel. 34-44158)

### IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change filed by the Philadelphia Stock Exchange (SR-Phlx-01-09) adopting a monthly fee for electronic communication networks has become immediately 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 April 9. (Rel. 34-44155)

## ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

The Commission granted accelerated approval of a proposed rule change filed by the Chicago Stock Exchange (SR-CHX-2001-07) relating to the precedence of customer limit orders on the book. Publication of the proposal is expected in the Federal Register during the week of April 9. (Rel. 34-44164)

The Commission granted accelerated approval to a proposed rule change filed by the National Association of Securities Dealers (SR-NASD-2001-27) related to customer limit order protection in a decimal trading environment. Publication of the proposal is expected in the Federal Register during the week of April 9. (Rel. 34-44165)

The Commission granted accelerated approval to a proposed rule change submitted by the Chicago Stock Exchange (SR-CHX-2001-05) relating to the CHX's SuperMAX 2000 price improvement algorithm. (Rel. 34-44167)

## DELISTINGS GRANTED

An order has been issued granting the application of the Pacific Exchange to strike from listing and registration the Common Stock, \$.01 par value of Allied Products Corporation, effective at the opening of business on April 9, 2001. (Rel. 34-44160)

An order has been issued granting the application of the Pacific Exchange to strike from listing and registration the Common Stock, \$.05 par value of Envirosorce, Inc., effective at the opening of business on April 9, 2001. (Rel. 34-44161)

An order has been issued granting the application of the Philadelphia Stock Exchange to strike from listing and registration call and put option contracts issued by The Options Clearing Corporation with respect to certain underlying securities, effective at the opening of business on April 9, 2001. (Rel. 34-44162)

## WITHDRAWALS GRANTED

An order has been issued granting the application of the Hovnanian Enterprises, Inc. to withdraw its Class A Common Stock, \$.01 par value, from listing and registration on the American Stock Exchange effective at the opening of business on April 9, 2001. (Rel. 34-44163)

An order has been issued granting the application of Digital Lava Inc. to withdraw its Common Stock, \$.0001 par value, from listing and registration on the American Stock Exchange effective at the opening of business on April 9, 2001. (Rel. 34-44168)

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## SECURITIES ACT REGISTRATIONS

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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 SONY CORP, 7-35 KITASHINAGAWA, 6-CHOME SHINAGAWA-KU, TOKYO 141 JAPAN, MO  
(035) 448-2180 - 10,811 (\$77,056,591.71)  
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-13334 - MAR. 30) (BR. 2)
- S-3 MITCHELL ENERGY & DEVELOPMENT CORP, 2001 TIMBERLOCH PL, THE WOODLANDS, TX 77380 (713) 377-5500 - 5,175,000 (\$268,841,250) COMMON STOCK. (FILE 333-58180 - APR. 03) (BR. 4)
- SB-2 NEXSAN CORP, 21700 OXNARD ST, 1 ROCKEFELLER PLAZA SUITE 1600, WOODLANDS, CA 91367 (866) 463-9726 - 5,086,886 (\$854,080.15) COMMON STOCK. (FILE 333-58182 - APR. 03) (BR. 9)
- S-8 TENSLEEP CORP, 2201 N LAMAR BLVD. STE 205, AUSTIN, TX 78705 (512) 236-8140 - 3,000,000 (\$630,000) COMMON STOCK. (FILE 333-58186 - APR. 03) (BR. 9)
- SB-2 ONE TOUCH TOTAL COMMUNICATIONS INC, 1630 SOUTH SUNKIST STREET SUITE K, ANAHEIM, CA 92801 (714) 456-0865 - 6,075,000 (\$564,500) COMMON STOCK. (FILE 333-58188 - APR. 03) (BR. 9 - NEW ISSUE)
- S-8 MOVIE GALLERY INC, 900 WEST MAIN STREET, DOTHAN, AL 36301 (334) 677-2108 - 400,000 (\$2,940,000) COMMON STOCK. (FILE 333-58192 - APR. 03) (BR. 5)
- S-8 ELOQUENT INC, 2000 ALAMEDA DE LAS PULGAS, SAN MATEO, CA 94301 (650) 294-6500 - 891,825 (\$738,431) COMMON STOCK. (FILE 333-58194 - APR. 03) (BR. 3)

S-8 CENTURY BANCORP INC, 400 MYSTIC AVENUE, MEDFORD, MA 01887 (617) 393-4606  
- 150,000 (\$2,718,750) COMMON STOCK. (FILE 333-58196 - APR. 03) (BR. 7)

S-8 QRS CORP, 1400 MARINA WAY SOUTH, RICHMOND, CA 94804 (510) 215-5000 - 129,570 (\$1,423,974.30) COMMON STOCK. (FILE 333-58198 - APR. 03) (BR. 3)

S-8 J BIRD MUSIC GROUP LTD, 396 DASSBURY ROAD, SUITE 301, WILTON, CT 06897  
(203) 761-9393 - 4,860,000 (\$243,000) COMMON STOCK. (FILE 333-58200 - APR. 03) (BR. 9)

S-3 INTELIDATA TECHNOLOGIES CORP, 11600 SUNRISE VALLEY DR, STE 100, RESTON, VA 20191 (703) 834-8320 - 6,900,000 (\$26,013,000) COMMON STOCK. (FILE 333-58202 - APR. 03) (BR. 3)

S-8 RYLAND GROUP INC, 11000 BROKEN LAND PARKWAY, 10221 WINCOPIN CIRCLE, COLUMBIA, MD 21044 (410) 715-7000 - 275,000 (\$10,972,500) COMMON STOCK. (FILE 333-58204 - APR. 03) (BR. 6)

S-3 VION PHARMACEUTICALS INC, 4 SCIENCE PARK, NEW HAVEN, CT 06511  
(203) 498-4210 - 5,000,000 (\$21,562,500) COMMON STOCK. (FILE 333-58206 - APR. 03) (BR. 1)

S-3 RYLAND GROUP INC, 11000 BROKEN LAND PARKWAY, 10221 WINCOPIN CIRCLE, COLUMBIA, MD 21044 (410) 715-7000 - 200,000,000 (\$200,000,000) COMMON STOCK. (FILE 333-58208 - APR. 03) (BR. 6)

S-8 OSCA INC, 156 COMMISSION BLVD, LAFAYETTE, LA 70598 (318) 837-6047 - 1,000,000 (\$19,750,000) COMMON STOCK. (FILE 333-58210 - APR. 03) (BR. 4)

S-3 SYNOVUS FINANCIAL CORP, 901 FRONT AVENUE, STE 301, COLUMBUS, GA 31901  
(706) 649-2267 - 937,702 (\$25,580,510) COMMON STOCK. (FILE 333-58216 - APR. 03) (BR. 7)

S-8 LAHAINA ACQUISITIONS INC, 5895 WINDWARD PARKWAY, SUITE 220, ALPHARETTA, GA 30005 (770) 754-6140 - 2,124,120 (\$2,187,844) COMMON STOCK. (FILE 333-58218 - APR. 03) (BR. 8)

S-8 SILVER DINER INC /DE/, 11806 ROCKVILLE PIKE, ROCKVILLE, MD 20852 (617) 630-4400 - 100,000 (\$77,000) COMMON STOCK. (FILE 333-58220 - APR. 03) (BR. 5)

N-2 BLACKROCK NEW YORK MUNICIPAL INCOME TRUST, 345 PARK AVE, NEW YORK, NY 10154 (212) 754-5567 - 100,000 (\$1,500,000) COMMON STOCK. (FILE 333-58222 - APR. 03) (BR. 22)

- N-2 BLACKROCK MUNICIPAL INCOME TRUST, 345 PARK AVE, NEW YORK, NY 10154  
(212) 754-5567 - 100,000 (\$1,500,000) COMMON STOCK. (FILE 333-58224 -  
APR. 03) (BR. 22)
- N-2 BLACKROCK FLORIDA MUNICIPAL INCOME TRUST, 345 PARK AVE, NEW YORK, NY  
10154 (212) 754-5567 - 100,000 (\$1,500,000) COMMON STOCK. (FILE 333-  
58226  
- APR. 03) (BR. 22)
- N-2 BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST, 345 PARK AVE, NEW YORK,  
NY  
10154 (212) 754-5567 - 100,000 (\$1,500,000) COMMON STOCK. (FILE 333-  
58228  
- APR. 03) (BR. 22)
- N-2 BLACKROCK NEW JERSEY MUNICIPAL INCOME TRUST, 345 PARK AVE., NEW  
YORK, NY  
10154 - 100,000 (\$1,500,000) COMMON STOCK. (FILE 333-58230 - APR. 03)  
(BR. 22)
- S-4 UBIQUITEL INC, 1 BALA PLAZA SUITE 402, BALA CYNWYD, PA 19004  
(610) 660-9510 - 16,400,000 (\$7,983,340) COMMON STOCK. (FILE 333-58232  
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APR. 03) (BR. 7)
- S-8 INTEL CORP, 2200 MISSION COLLEGE BLVD, SANTA CLARA, CA 95052  
(408) 765-8080 - 5,781,925 (\$150,510,735.16) COMMON STOCK. (FILE  
333-58238 - APR. 04) (BR. 5)
- S-8 AGROCAN CORP, 313 HENNESSEY RD., SUITE 1003, HONG KONG, K3  
(011) 852-2519 - 130,000 (\$130,000) COMMON STOCK. (FILE 333-58240 -  
APR. 04) (BR. 4)
- S-8 E CENTIVES INC, 6901 ROCKLEDGE DRIVE, 7TH FLOOR, BETHESDA, MD 20617  
(301) 564-6700 - 3,031,250 (\$18,463,343) COMMON STOCK. (FILE 333-58244  
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APR. 04) (BR. 8)

# Contacts

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Cobalt

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