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# SEC NEWS DIGEST

Issue 2001-81

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## ENFORCEMENT PROCEEDINGS

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### FEDERAL JUDGE PERMANENTLY ENJOINS RAJIV VOHRA

The Commission announced today that the Honorable Patricia A. Seitz, United States District Judge for the Southern District of Florida, entered a Judgment of Permanent Injunction and Other Relief Against Defendant Rajiv Vohra (Vohra), restraining and enjoining him from future violations of the antifraud provisions of the federal securities laws. Vohra consented to the entry of the judgment without admitting or denying any of the allegations of the Commission's complaint. The Court's Order did not resolve the Commission's claims for disgorgement, interest and civil penalties. The Commission continues to assert those claims. Litigation is still pending against defendants Lantern Investments, Ltd., Lipton Holdings, Ltd., and Beaufort Holdings, Ltd.

On September 5, 2000, the Commission alleged in its complaint that defendant Vohra, Sean Healey (Healey), and three Bahamian companies, Lantern Investments, Ltd., Lipton Holdings, Ltd., and Beaufort Holdings, Ltd., used "wash sales" to create the appearance of active trading in the stock of New Directions Manufacturing, Inc., a small furniture manufacturing company. The complaint alleged that Vohra and Healey then arranged to have a false and misleading research report published on a stock-picker web site, on their own web site, and through unsolicited mass e-mails (spam). The research report falsely claimed that New Directions had significantly expanded, that the author of the report was an independent analyst, and that the purported analyst had issued a buy recommendation. Vohra and Healey attempted to conceal their scheme by conducting much of their activity through Canadian brokerage accounts and the Bahamian companies. [SEC v. Rajiv Vohra, Sean T. Healey, Lantern Investments, Ltd., Lipton Holdings, Ltd., and Beaufort Holdings, Ltd., Civil Action No. 00-7286-Civ-Seitz/Garber, SDFL] (LR-16973)

### U.S. v. JOSE ZOLLINO AND GEORGE FAHEY SEC v. INVERWORLD, INC., ET AL.

On March 22, 2001, Jose Zollino (Zollino) and George Fahey (Fahey), were indicted by a San Antonio grand jury on 13 counts of conspiracy, fraud, and money laundering including violations of the antifraud provisions of the Securities Exchange Act of 1934 and the Investment Advisers Act. Zollino and Fahey were, respectively, the former chairman of the board and president of InverWorld Securities, Inc. (InverWorld Securities), a broker-dealer registered with the Commission, and InverWorld, Inc.

(InverWorld), an investment adviser registered with the Commission (collectively, InverWorld Group).

The indictment charged that Zollino and Fahey defrauded InverWorld Group customers through false representations that:

- I. Customer investments would be secure and that InverWorld was solvent and financially sound;
- II. The account values listed on customer statements were accurate; and
- III. That InverWorld actually held, on behalf of customers, securities corresponding to the purported holdings contained in customer account statements.

Moreover, the indictment charges that Zollino and Fahey used customer funds to pay operating expenses, to pay off earlier customers, and to finance transactions designed to benefit Zollino and others, and that, in some instances, an undisclosed short selling strategy was used that further contributed to customer losses.

The indictment is based upon the same conduct alleged in the Commission's civil complaint against Zollino, Fahey, Inverworld Securities and InverWorld, filed August 4, 1999. The Commission alleged that since at least 1997, the defendants managed approximately \$475 million on behalf of at least 1000 advisory clients in Mexico and Latin America. These investors sought low risk investments such as CDs, U.S. Treasury obligations, money markets and stocks traded on U.S. national exchanges. Instead, the defendants lost millions dollars of client funds in unauthorized, highly leveraged investments. The purchase of practically worthless securities issued by a related foreign shell company and other improper uses. Wire transfer records revealed that some \$210 million was transferred offshore to Swiss and Bahamian bank accounts. InverWorld Securities, InverWorld, Zollino and Fahey were charged with violating the antifraud provisions of Section 17(a) of the Securities Act of 1933 (Securities Act) and Section 10(b) of the Securities and Exchange Act of 1934, and Rule 10b-5 thereunder, and InverWorld, Zollino and Fahey were also charged with violations of Section 206 of the Investment Advisers Act of 1940. In this civil fraud action, the court froze the assets of InverWorld Securities and InverWorld, and appointed a receiver over their assets. The civil action has been stayed pending the resolution of the criminal charges. For further information see Lit. Rel. 16242, August 4, 1999. [U.S. v. Jose Zollino and George Fahey, Criminal Action No. SA-01CR180.; SEC v. InverWorld, Inc., et al., Civil Action No. SA 99 CA 0822-FB] (LR-16974)

## **FINAL JUDGMENTS ENTERED AGAINST DEFENDANTS IN SETTLED CASE INVOLVING FALSIFICATION OF GOLD REFINERY'S INVENTORY AND INSIDER TRADING**

The United States Federal District Court for the Eastern District of New York recently entered final judgments in a settled civil action against Alexandra Elizabeth Montgomery,

the former executive vice president, chief financial officer and a director of International Nesmont Industrial Corporation, William Kenneth Nestor, the former president, chief executive officer and chairman of the board of Nesmont, and Montgomery's mother, Harriet Gluck. The Commission alleged in its complaint, filed on July 24, 1997, that Montgomery and Nestor engaged in a deliberate scheme to materially misstate the financial statements of Nesmont, a Canadian processor of precious metals, by, among other things, falsifying Nesmont's gold inventory. The complaint further alleged that Montgomery and Gluck engaged in insider trading in Nesmont securities during June 1994, just prior to public disclosure of the inventory fraud, thereby avoiding losses of approximately \$282,400 (U.S.).

Without admitting or denying the allegations, Montgomery, Nestor and Gluck, agreed to the entry of final judgments that enjoin them from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; enjoin Montgomery and Nestor from violating Exchange Act Section 13(b)(5) and from aiding and abetting violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-16 thereunder; and enjoins Montgomery from violating Exchange Act Rules 13b2-1 and 13b2-2. Montgomery and Nestor are further barred from serving as an officer or director of any publicly traded company. The judgments waive Montgomery's and Gluck's payment of disgorgement and prejudgment interest, and do not impose insider trading or, in the case of Montgomery, civil penalties, based on Gluck's and Montgomery's demonstrated inability to pay. Nestor is required to pay a \$35,000 civil penalty.

The Court entered the final judgments against Montgomery and Gluck on January 11, 2001, and the final judgment against Nestor on April 9, 2001. For further information see Litigation Release 15419. [SEC v. Alexandra Elizabeth Montgomery, William Kenneth Nestor and Harriet Gluck, Civil Action No. CV 97-4219, EDNY] (LR-16975; AAE Rel. 1385)

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## SELF-REGULATORY ORGANIZATIONS

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### ACCELERATED APPROVAL OF PROPOSED RULE CHANGES

A proposed rule change (SR-PCX-2001-01) filed by the Pacific Exchange relating to Trust Issued Receipts has become effective under Section 19(b)(2) of the Securities Exchange Act of 1934. Publication of the notice is expected in the Federal Register during the week of April 23. (Rel. 34-44182)

The Commission approved, on an accelerated basis, a proposed rule change (SR-PCX-00-48) filed by the Pacific Exchange relating to Auto-Ex Between-the-Quotes, under Section 19(b)(2) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of April 30. (Rel. 34-44216)

## **APPROVAL OF PROPOSED RULE CHANGES**

The Commission approved a proposed rule change (SR-EMCC-00-04) filed by the Emerging Markets Clearing Corporation to establish membership criteria for inter-dealer brokers regulated by the Securities and Futures Authority Limited. (Rel. 34-44217)

The Commission approved a proposed rule change filed by The Options Clearing Corporation (SR-OCC-00-02) that allows OCC to expand the categories of accounts from which clearing members may pledge long options positions to third party lenders and expands the categories of permitted pledgees. (Rel. 34-44219)

## **PROPOSED RULE CHANGE**

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-2001-21) amending the Arbitration Rules relating to the assessment and payment of fees. Publication of the notice in the Federal Register is expected during the week of April 30. (Rel. 34-44214)

## **IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE**

The Stock Clearing Corporation of Philadelphia filed a proposed rule change (SR-SCCP-00-06), which became effective upon filing, to institute a fee for the processing of Units of Beneficial Interest in the Nasdaq 100 Trust, Series 1. Publication of the proposal and order is expected in the Federal Register during the week of April 30. (Rel. 34-44218)

## **DELISTING GRANTED**

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the American Depositary Shares (each representing 60 shares of Common Stock) of Mavesa, S.A., effective at the opening of business on April 24, 2001. (Rel. 34-44210)

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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 LOCAL FINANCIAL CORP /NV, 3601 NW 63RD ST, OKLAHOMA CITY, OK 73116  
(405) 841-2298 - 2,100,370 (\$21,003,700) COMMON STOCK. (FILE 333-59116  
-  
APR. 18) (BR. 7)
- S-8 SPRINT CORP, 2330 SHAWNEE MISSION PKWY, WESTWOOD, KS 66205  
(913) 624-3000 - 26,900,000 (\$613,955,500) COMMON STOCK. (FILE 333-  
59124 -  
APR. 18) (BR. 7)
- S-8 K2 DIGITAL INC, C/O NEW YORK INFORMATION TECHNOLOGY CENT,  
30 BROAD STREET, NEW YORK, NY 10004 - 1,300,000 (\$409,500) COMMON  
STOCK.  
(FILE 333-59126 - APR. 18) (BR. 8)
- S-8 INNOVATIVE HOLDINGS & TECHNOLOGIES INC, 100 SOUTH ORANGE AVENUE,  
SUITE 100, ORLANDO, FL 32801 (407) 481-8900 - 10,000,000 (\$700,000)  
COMMON STOCK. (FILE 333-59128 - APR. 18) (BR. 9)
- S-8 ROPER INDUSTRIES INC /DE/, 160 BEN BURTON RD, BOGART, GA 30622  
(706) 369-7170 - 500,000 (\$18,000,000) COMMON STOCK. (FILE 333-59130 -  
APR. 18) (BR. 5)
- S-8 PARKER DRILLING CO /DE/, PARKER BLDG, EIGHT E THIRD ST, TULSA, OK  
74103  
(918) 585-8221 - 1,000,000 (\$5,590,000) COMMON STOCK. (FILE 333-59132  
-  
APR. 18) (BR. 4)
- S-8 METLIFE INC, ONE MADISON AVENUE, NEW YORK, NY 10010 (212) 578-2211 -  
38,323,333 (\$1,121,340,724) COMMON STOCK. (FILE 333-59134 - APR. 18)  
(BR. 1)
- S-3 DUKE WEEKS REALTY CORP, 600 EAST 96TH STREET, STE 100, INDIANAPOLIS,  
IN  
46240 (317) 808-6000 - 149,802 (\$3,336,839.55) COMMON STOCK. (FILE  
333-59138 - APR. 18) (BR. 8)
- S-3 COX COMMUNICATIONS INC /DE/, 1400 LAKE HEARN DR NE, ATLANTA, GA  
30319  
(404) 843-5000 - 7,578,799 (\$321,189,502) COMMON STOCK. (FILE 333-  
59142 -  
APR. 18) (BR. 7)
- S-4 KOHLS CORPORATION, N56 W17000 RIDGEWOOD DR, MENOMONEE FALLS, WI  
53051  
(414) 783-5800 - 300,000,000 (\$300,000,000) STRAIGHT BONDS. (FILE

333-59146 - APR. 18) (BR. 2)

S-8 ECHOSTAR COMMUNICATIONS CORP, 5701 SOUTH SANTA FE DRIVE, LITTLETON,  
 CD  
 80120 (303) 723-1000 - 41,500 (\$1,205,990) COMMON STOCK. (FILE 333-  
 59148 -  
 APR. 18) (BR. 7)

S-3 COX COMMUNICATIONS INC /DE/, 1400 LAKE HEARN DR NE, ATLANTA, GA  
 30319  
 (404) 843-5000 - 535,694,373 (\$535,694,373) STRAIGHT BONDS. (FILE  
 333-59150 - APR. 18) (BR. 7)

S-8 REMOTE UTILITIES NETWORK INC, 955 S VIRGINIA ST, SUITE 116, RENO, NV  
 89502 (775) 322-7552 - 20,000 (\$2,000) COMMON STOCK. (FILE 333-59152 -  
 APR. 18) (BR. 9)

S-3 MERCANTILE BANK CORP, 42 DEER RUN DRIVE, ADA, MI 49301 (616) 676-  
 0201 -  
 448,600 (\$7,020,552) COMMON STOCK. (FILE 333-59154 - APR. 18) (BR. 7)

S-8 BARD C R INC /NJ/, 730 CENTRAL AVE, MURRAY HILL, NJ 07974 (908) 277-  
 8000  
 - 2,050,000 (\$89,380,000) COMMON STOCK. (FILE 333-59156 - APR. 18)  
 (BR. 5)

S-8 AFFYMETRIX INC, 3380 CENTRAL EXPRESSWAY, SANTA CLARA, CA 95051  
 (408) 522-6000 - 1,600,000 (\$131,461,779.17) COMMON STOCK. (FILE  
 333-59158 - APR. 18) (BR. 1)

S-8 AFFYMETRIX INC, 3380 CENTRAL EXPRESSWAY, SANTA CLARA, CA 95051  
 (408) 522-6000 - 5,000,000 (\$196,399,553.81) COMMON STOCK. (FILE  
 333-59160 - APR. 18) (BR. 1)

S-8 INTEGRATED DEVICE TECHNOLOGY INC, 2975 STENDER WAY, SANTA CLARA, CA  
 95054 (408) 727-6116 - 472,560 (\$14,176,800) COMMON STOCK. (FILE  
 333-59162 - APR. 18) (BR. 5)

S-8 CYPRESS BIOSCIENCE INC, 4350 EXECUTIVE DRIVE, SUITE 325, SAN DIEGO,  
 CA  
 92121 (206) 298-9400 - 562,500 (\$441,562.50) COMMON STOCK. (FILE  
 333-59164 - APR. 18) (BR. 1)

S-8 BIG BUCK BREWERY & STEAKHOUSE INC, 550 S WISCONSIN ST, P.O. BOX  
 1430,  
 GAYLORD, MI 49734 (517) 731-0401 - 1,060,000 (\$1,072,950) COMMON STOCK.  
 (FILE 333-59166 - APR. 18) (BR. 5)

S-3 VIISAGE TECHNOLOGY INC, VIISAGE TECHNOLOGY INC, 30 PORTER ROAD,  
 LITTLETON, MA 01460 (617) 952-2200 - 267,790 (\$482,022) COMMON STOCK.  
 (FILE 333-59170 - APR. 18) (BR. 3)

S-8 CYTYC CORP, 237 CEDAR HILL ST, MARLBOROUGH, MA 01752 (508) 263-8000  
 -  
 5,173,624 (\$96,573,288.27) COMMON STOCK. (FILE 333-59172 - APR. 18)

(BR. 5)

- S-1 AT&T WIRELESS SERVICES INC, 7277 164TH AVENUE NE BUILDING 1,  
REDMOND, WA  
98052 (425) 580-6000 - \$6,228,616,305 COMMON STOCK. (FILE 333-59174 -  
APR. 18) (NEW ISSUE)
- S-4 ADVANCEPCS, 5215 N O'CONNOR, STE 1600, IRVING, TX 75039 (214) 830-  
6199  
- 200,000,000 (\$200,000,000) STRAIGHT BONDS. (FILE 333-59178 - APR.  
18)  
(BR. 1)
- S-8 VASTERA INC, 45025 AVIATION DR, STE 200, DULLES, VA 20166 - 88,205  
(\$74,092.20) COMMON STOCK. (FILE 333-59180 - APR. 18) (BR. 4)
- S-8 LEHMAN BROTHERS HOLDINGS INC, AMERICAN EXPRESS TWR,  
3 WORLD FINANCIAL CNTR, NEW YORK, NY 10285 (212) 526-7000 - 67,000,000  
(\$4,123,850,000) COMMON STOCK. (FILE 333-59184 - APR. 19) (BR. 7)
- S-8 SOUTHERN STATES POWER CO INC, 830 HAVENS ROAD, SHREVEPORT, LA 71107  
(318) 221-5703 - 810,520 (\$153,950) COMMON STOCK. (FILE 333-59186 -  
APR. 18) (BR. 9)
- S-3 PEASE OIL & GAS CO /CO/, 751 HORIZON COURT STE 203, P O BOX 60219,  
GRAND JUNCTION, CO 81506 (970) 245-5917 - 1,763,800 (\$4,144,930)  
COMMON STOCK. (FILE 333-59188 - APR. 19) (BR. 4)
- S-3 DAL TILE INTERNATIONAL INC, 7834 HAWN FREEWAY, STE 1704, DALLAS, TX  
75217 (214) 398-1411 - 16,100,000 (\$225,239,000) COMMON STOCK. (FILE  
333-59190 - APR. 19) (BR. 6)
- S-1 ACCENTURE LTD, CEDAR HOUSE, 41 CEDAR AVE., HAMILTON, A1 00000 -  
\$1,000,000,000 COMMON STOCK. (FILE 333-59194 - APR. 19) (NEW ISSUE)