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SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

CHANGE IN THE MEETING: CANCELLATION

The closed meeting scheduled for Thursday, August 9, 2001, at 11:00 a.m. has been cancelled.

ENFORCEMENT PROCEEDINGS

ROBERT TAYLOR PLEADS GUILTY TO BETTER LIFE CLUB PONZI SCHEME

On June 11, 2001, Robert N. Taylor pled guilty to one count of mail fraud and one count of failure to appear for trial pursuant to an indictment filed by the U.S. Attorney for the District of Columbia in the U.S. District Court for the District of Columbia. In the mail fraud count, Taylor admitted that he carried out a fraudulent \$50 million Ponzi scheme known as the "Better Life Club of America," in which he promised to double investors' money in 60 or 90 days. The second count arose out of Taylor's failure to appear on or about May 15, 2000, for a retrial for mail fraud and money laundering charges arising out of the Better Life Club scheme. His first trial resulted in a hung jury.

Taylor faces a sentence of up to 36 months imprisonment on the mail fraud count and 12 months on the failure to appear count, followed by a term of three years of supervised probation. Taylor is currently serving a 10-year sentence in Prince George's County, Maryland, for third degree burglary.

Taylor's Better Life Club scheme was also the subject of a civil enforcement action brought by the Commission in September 1995. [U.S. v. Robert N. Taylor, United States District Court for the District of Columbia, Criminal No. 99-0312 EGS] (LR-17090)

COMMISSION FILES FRAUD CHARGES AGAINST HINGHAM ATTORNEY FOR \$7 MILLION FREE-RIDING SCHEME

On August 6, the Commission filed civil fraud charges in federal court against attorney Edward R. Voccola of Hingham, Massachusetts, alleging that during February through

August, 2000, he bought over \$7.4 million of securities in a free-riding scheme. Free-riding is the practice of purchasing securities without intending to pay for them and using the proceeds of the sale of stock to pay for the purchase. The Commission's complaint alleges that Voccola opened accounts at the Boston offices of ten brokerage firms and bought millions of dollars of stock, which he paid for with 38 worthless checks totaling more than \$4.9 million.

The Commission's complaint charges that Voccola's conduct violated antifraud provisions contained in Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint seeks a permanent injunction against violations of the securities laws, disgorgement by Voccola of his illegal profits and the losses he caused the brokerage firms to incur, and civil monetary penalties. [SEC v. Edward R. Voccola, Civ. Action. No. 01cv11359-NG, D.MA] (LR-17091)

SEC OBTAINS FINAL JUDGMENTS IN FEDERAL COURT ACTION AGAINST DANA GIACCHETTO AND THE CASSANDRA GROUP, INC.; BARS GIACCHETTO; AND REVOKES CASSANDRA'S REGISTRATION IN RELATED ADMINISTRATIVE PROCEEDINGS

On August 6, the Commission announced the resolution of all claims against defendants Dana C. Giacchetto (Giacchetto) and The Cassandra Group, Inc. (Cassandra) in the civil injunctive action SEC v. Dana C. Giacchetto and The Cassandra Group, Inc., 00 Civ. 2502, LTS, S.D.N.Y., and in the related administrative action on July 31, 2001, by the Commission.

In the injunctive action, Judge Laura Taylor Swain of the Southern District of New York entered final judgments on June 27, 2001, which permanently enjoin Giacchetto and Cassandra from violating Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 204, 206(1), 206(2), 206(4), and 207 of the Investment Advisers Act and Rules 204-2, 206(4)-2 and 206(4)-4 thereunder. The final judgments also direct Giacchetto to pay disgorgement and interest totaling \$14,376,332 and a civil penalty of \$100,000, and do not impose a civil penalty or disgorgement against Cassandra, which is in bankruptcy liquidation proceedings, on condition that Cassandra's assets are fully distributed in accordance with the applicable provisions of the United States Bankruptcy Code. The District Court entered the final judgments pursuant to Giacchetto's and Cassandra's offers of settlement to the Commission, in which Giacchetto and Cassandra neither admitted nor denied the allegations contained in the complaint.

On July 31, 2001, the Commission issued an Order Instituting Public Administrative Proceedings, Making Findings, and Imposing Remedial Sanctions against Dana C. Giacchetto and The Cassandra Group, Inc. These proceedings stem from the Commission's investigation of fraud and asset-kiting of client funds by a registered investment adviser, which resulted in the injunctive action. The Order, which bars

Giacchetto from associating with any investment adviser and revokes Cassandra's registration with the Commission as an investment adviser, follows the entry on June 27, 2001, of permanent injunctions against Giacchetto and Cassandra in the injunctive action. Both Giacchetto and Cassandra consented to the Order without admitting or denying the Commission's findings.

The Commission's complaint in the injunctive action alleged that Giacchetto and Cassandra, since at least September 1997 through April 3, 2000, improperly transferred and took custody of at least \$20 million of client assets, of which a substantial portion was misappropriated. The complaint alleged that the assets were misappropriated chiefly by Giacchetto causing checks to be issued from clients' custodial accounts at Brown & Company Securities Corporation, a registered broker-dealer, and then endorsing the checks himself and depositing those funds into Cassandra's main operating bank account. The complaint further alleged that Giacchetto and Cassandra used client funds to, among other things, make payments to other clients, some of which Giacchetto and Cassandra previously defrauded, as well as payments for Giacchetto's living expenses and Cassandra's operating expenses.

The complaint further alleged that Giacchetto and Cassandra concealed their mishandling and misappropriation of client funds by knowingly or recklessly making misrepresentations and misleading omissions to various clients, including 1) misrepresenting to clients that Cassandra invested their funds in securities transactions that never took place, including non-existent bond purchases; 2) representing to clients that their funds were invested in various private transactions when in fact such funds had been commingled in Cassandra's operating account and characterized as "loans" to Cassandra or as "deposits" on Cassandra's books; 3) misrepresenting to clients that Cassandra undertakes a "conservative" investment strategy and that Cassandra does not take custody of client assets; 4) providing false order tickets and portfolio statements to clients; and 5) falsely stating that clients' assets are held in "trust" or "escrow" accounts that did not, in fact, exist.

In addition to the injunctive action and administrative proceedings, on August 2, 2000, Giacchetto pled guilty to one criminal count of fraud under the Advisers Act in violation of Section 206(1) and 206(2) in a related criminal action captioned USA v. Dana C. Giacchetto, 00 Cr. 430, RPP. The Grand Jury indictment in the criminal action alleged that Giacchetto misappropriated funds and assets belonging to clients of Cassandra, and that client funds were used to pay, among other things, Giacchetto's personal rent, cash advances, personal credit card bills, which in turn included bills for travel, hotels, dining, and entertainment, and Cassandra's rent, payroll, payroll taxes, attorney's fees, public relations agent fees, utility bills, bills for computer services, and credit card bills. On February 7, 2001, the District Court sentenced Giacchetto to serve 57 months in a Federal prison and be subject to post-incarceration supervised release for a term of 3 years. See LR-16693 and LR-16499. [SEC v. Dana C. Giacchetto and the Cassandra Group, Inc., 00 Civ. 2502, LTS, S.D.N.Y.] (LR-17092)

SELF-REGULATORY ORGANIZATIONS

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

The National Securities Clearing Corporation filed a proposed rule change (SR-NSCC-2001-11) under Section 19(b)(3)(A) of the Securities Exchange Act. The proposed rule change, which became effective upon filing, amends NSCC's Procedures to provide that contract lists may be made available to members on an intra-day basis. Publication of the proposal is expected in the Federal Register during the week of August 6. (Rel. 34-44648)

APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change filed by the Municipal Securities Rulemaking Board (SR-MSRB-2001-04) under Section 19(b)(1) relating to the In-Firm Delivery of Regulatory Element of the Continuing Education Requirement. Publication of the notice is expected to appear in the Federal Register during the week of August 6. (Rel. 34-44642)

The Commission approved a proposed rule change submitted under Rule 19b-4 of the Securities Exchange Act of 1934 by the Municipal Securities Rulemaking Board (SR-MSRB-2001-03) relating to the establishment of an optional procedure for electronic submissions of required materials under Rule G-36, on delivery of official statements, advance refunding documents and forms G-36(OS) and G-36(ARD) to the MSRB. Publication of the notice is expected to appear in the Federal Register during the week of August 6. (Rel. 34-44643)

WITHDRAWALS

A order has been issued granting the application for withdrawal from listing and registration of Amwest Insurance Group, Inc., Common Stock, par value \$.01, and Preferred Stock Purchase Rights on the American Stock Exchange. (Rel. 34-44655)

An order has been issued granting the application for withdrawal from listing and registration of Amwest Insurance Group, Inc., Common Stock, par value \$.01 and Preferred Stock Purchase Rights on the Pacific Exchange, Inc. (Rel. 34-44656)

CORRECTION

In yesterday's edition of the SEC News Digest incorrect text appeared regarding a Chicago Board of Options rule filing (SR-CBOE-2001-36). The correct text follows.

The Chicago Board Options Exchange filed a proposed rule change (SR-CBOE-2001-36) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 to exempt certain spread transactions from the Exchange Marketing Fee and to amend the definition of deep-in-the-money options to include a spread traded at maximum value. Publication of the proposal is expected in the Federal Register during the week of August 6. (Rel. 34-44629)