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SEC NEWS DIGEST

Issue 2001-187

September 27, 2001

COMMISSION ANNOUNCEMENTS

COMMISSION MEETINGS

CHANGE IN THE MEETING: ADDITIONAL ITEM

The following item has been added to the closed meeting scheduled for Tuesday, October 2, 2001, and Thursday, October 4, 2001: 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.

REQUEST FOR RECORDS SEARCH BY SECURITIES-RELATED ENTITIES, INCLUDING BROKERS, DEALERS, INVESTMENT ADVISERS, INVESTMENT COMPANIES, MUNICIPAL SECURITIES DEALERS AND TRANSFER AGENTS

On September 23, President Bush signed an executive order freezing United States assets of and blocking transactions with 27 individuals and organizations. The Federal Bureau of Investigation has also published a list of people who are under investigation in connection with the World Trade Center and Pentagon attacks. The Commission asks that all securities-related entities (whether or not registered with the SEC) voluntarily check their records for any relationships or transactions with the individuals and organizations named in the executive order or FBI's list. Names on those lists are set forth below.

We are asking all securities-related entities, including brokers, dealers, investment advisers, investment companies, municipal securities dealers, and transfer agents, for your help. If you know of any relationship (for example, an account), or a transaction (such as the purchase or sale of securities or a wire transfer), with any of the individuals or organizations on this list, please let us know. You may send this information via:

- E-mail to Enf-Search@sec.gov (please put on the subject line "Enf-Search Request"); or
- U.S. mail to United States Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0801, Attn: Executive Order Records Search.

We also ask securities-related entities to advise any foreign subsidiaries and affiliates of this request. If foreign subsidiaries or affiliates identify any responsive information, we ask the securities-related entities to notify the SEC in the manner described above, so that we may take appropriate steps to obtain the information.

List of Individuals and Entities:

Al Qaida/Islamic Army (or Al Qaeda)

Abu Sayyaf Group

Armed Islamic Group (GIA)

Harakat ul-Mujahidin (HUM)

Al-Jihad (Egyptian Islamic Jihad)

Islamic Movement of Uzbekistan (IMU)

Asbat al-Ansar

Salafist Group for Call and Combat (GSPC)

Libyan Islamic Fighting Group

Al-Itihaad al-Islamiya (AIAI)

Islamic Army of Aden

Usama bin Laden (or Osama bin Laden)

Muhammad Atif (aka, Subhi Abu Sitta, Abu Hafs Al Masri)

Sayf al-Adi

Shaykh Sai'id (aka, Mustafa Muhammad Ahmad)

Abu Hafs the Mauritanian (aka, Mahfouz Ould al-Walid, Khalid Al-Shanqiti)

Ibn Al-Shaykh al-Libi

Abu Zubaydah (aka, Zayn al-Abidin Muhammad Husayn, Tariq)

Abd al-Hadi al-Iraqi (aka, Abu Abdallah)

Ayman al-Zawahri

Thirwat Salah Shihata

Tariq Anwar al-Sayyid Ahmad (aka, Fathi, Amr al-Fatih)

Muhammad Salah (aka, Nasr Fahmi Nasr Hasanayn)

Makhtab Al-Khidamat/Al Kifah

Wafa Humanitarian Organization

Al Rashid Trust

Mamoun Darkazanli Import-Export Company

Khalid Al-Midhar

Majed Moqed

Nawaq Alhamzi

Salem Alhamzi

Hani Hanjour

Satam Al Suqami

Waleed M. Alshehri

Wail Alshehri

Mohamed Atta

Abdulaziz Alomari

Marwan Al-Shehhi

Fayez Ahmed

Ahmed Alghamdi

Hamza Alghamdi

Mohald Alshehri

Saeed Alghamdi

Ahmed Alhaznawi

Ahmed Alnami

Ziad Jarrahi

(Press Rel. 2001-103)

CFTC AND SEC PROPOSE JOINT RULES RELATING TO MARGIN REQUIREMENTS AND TREATMENT OF CUSTOMER FUNDS FOR SECURITY FUTURES PRODUCTS

On September 25, the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) approved the publication for comment of proposed rules relating to the implementation of provisions of the Commodity Futures Modernization Act of 2000 (CFMA). The CFMA lifted the 19-year ban on the trading of single-stock and narrow-based stock index futures in this country.

First, the SEC and CFTC approved the publication of joint proposed rules governing the collection of customer margin for security futures. The proposed rules would apply to margin arrangements between intermediaries and their customers with respect to security futures.

Second, the SEC approved the publication of proposed amendments to the SEC's customer protection rule, Exchange Act Rule 15c3-3, and the CFTC proposed a new rule, Rule 41.42, each of which is designed to eliminate duplicative and conflicting regulations relating to the treatment of customer funds, securities and property that are applicable to firms fully registered with both the SEC and the CFTC. Finally, the SEC and CFTC are each proposing rule changes that would eliminate certain conflicting or duplicative recordkeeping and reporting requirements involving security futures products.

The period for public comment on the proposed rules will end 30 days from the date of their publication in the Federal Register. Copies of the proposed rules are available on the websites of the CFTC and the SEC, at www.cftc.gov and www.sec.gov, respectively. (Press Rel. 2001-104)

RULES AND RELATED MATTERS

COMMISSION ISSUES RELEASE EXTENDING THE COMPLIANCE DATE FOR THE FIRM QUOTE AND TRADE THROUGH DISCLOSURE RULES FOR OPTIONS

The Commission has issued a release extending the compliance date for the Trade-Through Disclosure Rule (Rule 11Ac1-7 under the Securities Exchange Act of 1934) for six months, to April 1, 2002. Publication of the proposal is expected in the Federal Register during the week of October 1. (Rel. 34-44852)

ENFORCEMENT PROCEEDINGS

W. J. NOLAN & CO. AND ITS PRESIDENT, WILLIAM J. NOLAN SANCTIONED FOR FAILURE TO SUPERVISE

The Commission announced that on August 28, 2001, the Commission simultaneously instituted and settled administrative and cease and desist proceedings against W.J. Nolan & Co., a New York Broker-Dealer, and William J. Nolan, its President and majority owner. The settlement arose as a result of the Commission's allegations that W.J. Nolan and William Nolan failed reasonably to supervise ten former registered representatives at the Chicago and Park Avenue branch offices, failed reasonably to supervise the firm's equities traders. The firm also failed to make proper penny stock disclosures and violated the registration provisions of the federal securities laws. The Commission previously filed an injunctive action in the Northern District of Illinois against the former registered representatives alleging churning, unauthorized and unsuitable trading in customer accounts. That suit is pending. W.J. Nolan agreed to, among other things, retain an independent consultant to review and make recommendations regarding its supervisory procedures, pay disgorgement of plus prejudgment interest of \$192,028.20, and cease and desist from causing any future violations of the federal securities laws. William Nolan agreed to be suspended from acting in a supervisory and proprietary capacity with any broker or dealer for a period of nine months, and agreed to pay a civil penalty of \$10,000. The Commission conducted its investigation in cooperation with the New York Stock Exchange (NYSE) and in a related action brought by the NYSE against the firm, the NYSE, on consent censured and fined W.J. Nolan \$100,000, and order it to undertake a systems review. (Rels. 33-8006; 34-44833; File No. 3-10582)

COMMISSION SETTLES ADMINISTRATIVE PROCEEDING AGAINST MICHAEL YOUNG

On September 26, the Commission settled an administrative proceeding against Michael D. Young of Las Vegas, Nevada, pursuant to Section 8A of the Securities Act of

1933 and Sections 15(b), 19(h) and 21C of the Securities Exchange Act of 1934. Young submitted an Offer of Settlement and two "side letters" in which, while neither admitting nor denying the Commission's findings, he consented to the entry of an order barring him from association with a broker or dealer, with the right to reapply after 36 months, ordered him to cease and desist from committing or causing any violation or any future violation of Section 17(a) of the Securities Act, or Sections 10(b) or 15(a)(1) of the Exchange Act, or Rule 10b-5 thereunder and requiring him to pay a civil penalty of \$5,000. The Order was based on Young's fraud in offering interests in oil-and-gas programs through Chief Exploration and Development Corporation. Young misrepresented the risk of those investments and the opportunities for profit, and he failed to disclose Chief's profits. (Rel. 33-8011; 34-44851; File No. 3-9911)

ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS INSTITUTED AGAINST JOHN SMART

On September 26, the Commission instituted public administrative and cease and desist proceedings against John F. Smart, of Lederach, Pennsylvania. Smart was the branch manager and sole employee of a branch of a broker-dealer registered with the Commission, which was located in his home.

In the Order Instituting Public Administrative and Cease and Desist Proceedings (Order), the Division of Enforcement alleges that during several months in mid-1999, Smart engaged in a fraudulent offering scheme targeted against three nonprofit and/or charitable institutions (charities), including a church, a religious-based family crisis center and a substance abuse center. Essentially, Smart offered these charities an opportunity to obtain between \$5 million and \$9 million each by jointly participating in an alleged \$15 million bond offering. This offering possessed many of the indicia of a prime bank scheme, which is widely recognized as a fraudulent scheme characterized by claims of fantastic profits which can be obtained from trading non-existent banking instruments on the international market. In order to participate in this program, each charity had to submit a business plan and pay a \$50,000 application fee if accepted into the program. However, Smart was unable to raise any funds from these charities.

The Division of Enforcement further alleges that Smart told the charities that a European charitable trust, with \$3 billion in assets, raised money for charities worldwide through the issuance of "5 year, AA rated" bonds, which were guaranteed by a top 200 World Bank. Smart told the charities that the proceeds from the bond offering would be placed into a trading account maintained by or on behalf of a European bank. This European bank could then leverage these funds at 10 times their face value in credit facilities, overnight trading and short-term loans in much the same way that United States banks can leverage money obtained from the Federal Reserve. By leveraging these funds, the banks could purportedly earn interest on a principal amount 10 times greater than the funds actually possessed. Smart claimed that the banks, through this leveraging and trading, could generate enough profits: (i) to pay the principal amount (i.e. the face value of the bonds) to

the charities; (ii) to repay the bond investors their entire investment plus a reasonable rate of return; and (iii) to pay the promoters of the program a fee equal to 10 percent of the offering. Based on the foregoing, the staff allege that Smart willfully violated and committed or caused violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act of 1933 and Section 15(a)(1) of the Securities Exchange Act of 1934.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide Smart an opportunity to dispute these allegations, and to determine what sanctions, if any, are appropriate and in the public interest. (Rel. 33-8012; 34-44855; File No. 3-10587)

SEC FILES SETTLED INSIDER TRADING ACTION AGAINST FORMER CITIBANK ATTORNEY

The Commission today filed a complaint in the United States District Court for the Southern District of New York against David K. Tomney, a former Vice President and attorney in the corporate tax group of Citibank, N.A. (Citibank). The Commission's complaint alleges that Tomney engaged in insider trading in the securities of Associates First Capital Corp. (AFS) prior to the September 6, 2000 announcement that Citigroup Inc., Citibank's parent company, had agreed to purchase AFS in a transaction valued at \$31.1 billion.

The Commission's complaint specifically alleges that the day before the public announcement, Tomney obtained material, nonpublic information concerning Citigroup's planned acquisition of AFS while attending meetings with senior Citibank executives. Among other things, Tomney was told that Citigroup was then considering an acquisition, that a board meeting would be convened later that day and that, if all went well, the acquisition would be announced the next day. According to the complaint, immediately following these meetings, Tomney, while in possession of this material, nonpublic information, purchased 1000 shares of AFS through his Citibank brokerage account. When the merger was announced the next day, AFS stock closed at \$38.63 per share, representing an increase of approximately 38 percent over the previous day's closing price. That same day, September 6, 2000, Tomney sold all of his AFS stock and made a profit of \$11,562.50.

Simultaneously with the filing of the complaint, Tomney, without admitting or denying the allegations in the complaint, consented to the entry of a final judgment permanently enjoining him from violating Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder. The judgment also requires Tomney to pay a total of \$23,562.50, including disgorgement of profits of \$11,562.50, prejudgment interest of \$437.50, and a civil penalty pursuant to Section 21A of the Exchange Act of \$11,562.50. [SEC v. David Kenneth Tomney, Civil Action No. 01 CV 8726, GBD, SDNY] (LR-17153)

SEC FILES INSIDER TRADING CHARGES AGAINST THREE TIPPEES OF A FORMER SALOMON SMITH BARNEY INVESTMENT BANKING ANALYST

The Commission today filed a civil complaint in the United States District Court for the Southern District of New York against Brendan Sterne, Kent Walker, and Ryan Doersam. The complaint alleges that the defendants collectively engaged in repeated acts of insider trading involving the securities of nine publicly traded companies over a nine-month period, resulting in total illegal profits of \$62,436.83. According to the complaint, each of the defendants was separately approached by Michael A. Petrescu-Comnene (Petrescu-Comnene), whom each knew from either high school or college, and who then worked as an analyst in the investment banking division of Salomon Smith Barney, Inc. (Salomon). Each defendant agreed to trade securities in his own account based on information to be provided by Petrescu-Comnene and, in return, agreed to give Petrescu-Comnene half of his trading profits. Petrescu-Comnene then tipped each of the defendants with material, nonpublic information about proposed mergers or acquisitions involving Salomon clients. Each of the defendants knew that Petrescu-Comnene worked at Salomon and knew or was reckless in not knowing that Petrescu-Comnene had improperly provided them with information. SEC v. Brendan J. Sterne, Kent Alexander Walker, and Ryan Campbell Doersam, Civil Action No. 01 CV 8729 (S.D.N.Y.) (filed September 27, 2001); Litigation Release No. 17154 (September 27, 2001).

With respect to Sterne, age 25, the Commission's complaint specifically alleges that he received illegal tips and profitably traded the securities of eight companies beginning in December 1999. Petrescu-Comnene first tipped Sterne prior to the December 20, 1999 public announcement that MMI Companies, Inc., a Salomon client, would be acquired by The St. Paul Companies. Based on this tip, Sterne purchased 1500 shares of MMI stock, one business day prior to the announcement, and quickly sold his position, making a profit of \$7,125. Following the MMI transaction, Sterne profitably traded the securities of seven other companies after receiving tips from Petrescu-Comnene. Sterne made his largest profit by purchasing 20 Associates First Capital Corp. ("AFS") call options the day before the September 6, 2000 announcement that Citigroup Inc. ("Citigroup"), Salomon's parent, had agreed to purchase AFS in an all-stock transaction valued at \$31.1 billion. The public announcement resulted in a 38 percent increase in the underlying price of AFS stock and resulted in profits to Sterne of \$16,125. All told, Sterne's profits totaled \$28,712.

With respect to Walker, age 25, the Commission's complaint alleges that he profitably traded the securities of two public companies while in possession of material, nonpublic information provided by Petrescu-Comnene. Walker made total profits of \$25,849.83. He made his largest profits after being tipped by Petrescu-Comnene about the AFS transaction. As a result of this illegal tip, Walker purchased 30 AFS call options and liquidated his position following the public announcement, making a one-day profit of \$24,750. In addition to the AFS transaction, Walker received another tip from Petrescu-Comnene and made additional profits of \$1,099.83.

With respect to Doersam, age 24, the Commission's complaint specifically alleges that Petrescu-Comnene tipped Doersam prior to the March 21, 2000 public announcement that Travelers Property Casualty Corp. (Travelers) would be acquired by Citigroup in a cash tender offer worth \$2.4 billion. Based on this tip, and while in possession of material, nonpublic information concerning the Travelers acquisition, Doersam purchased 15 Travelers call options on the morning of the announcement. When the merger was announced later that day, Travelers stock price increased approximately 21 percent. Two days later, Doersam sold his Travelers options, making a profit of \$7,875.

The Commission's complaint further alleges that the defendants unsuccessfully took steps to avoid detection. For example, Sterne bought Petrescu-Comnene a pre-paid cellular phone so that Petrescu-Comnene could call him in a manner designed to conceal their contacts. Also as part of the scheme, Petrescu-Comnene and at least one of the defendants arranged to purchase small blocks of securities in the hopes of passing "below the radar screen" of law enforcement officials.

Simultaneous with the filing of the complaint, each of the defendants has consented, without admitting or denying the allegations of the Commission's complaint, to the entry of a final judgment that permanently enjoins him from violating the antifraud provisions contained within Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 promulgated thereunder. Doersam also consented, without admitting or denying the allegations of the complaint, to the entry of a final judgment which permanently enjoins him from violating Section 14(e) of the Exchange Act and Rule 14e-3 promulgated thereunder. In addition, as part of his settlement, Doersam has agreed to be suspended from associating with a broker/dealer for a period of 12 months.

In addition, each of the defendants has consented to a judgment requiring disgorgement of his trading profits plus prejudgment interest. Pursuant to the terms of their settlement agreements, Sterne and Walker have consented to pay disgorgement and prejudgment interest in the amounts of \$25,402.02 and \$22,336.49, respectively. Sterne and Walker will also pay civil penalties of \$5,000 and \$4,500, respectively, provided that no greater penalty is imposed due to their demonstrated financial inability to pay. Similarly, Doersam has consented to the entry of a final judgment that orders him to pay disgorgement and prejudgment interest in the amount of \$8,574.89, but which waives payment of that amount and does not impose a penalty based on his demonstrated inability to pay.

The Commission previously filed insider trading charges against Petrescu-Comnene on October 13, 2001 (SEC v. Michael Andrew Petrescu-Comnene, Civil Action No. 00CIV. 7825, SDNY, Litigation Release No. 16765, October 13, 2000). On the same day that the Commission filed that action, the U.S. Attorney for the Southern District of New York announced that Petrescu-Comnene had been arrested and charged with securities fraud and conspiracy to commit securities fraud. On May 14, 2001, a final judgment was entered in the Commission's action against Petrescu-Comnene. The final judgment permanently enjoined Petrescu-Comnene from violating Section 10(b) of the Exchange

Act and Rule 10b-5 thereunder and ordered him to pay disgorgement in the amount of \$18,000. On May 16, 2001, the Commission also entered an administrative order permanently barring Petrescu-Comnene from the securities industry (In the Matter of Michael Andrew Petrescu-Comnene, Administrative Proceeding File No. 3-10484, May 16, 2001, Litigation Release No. 17004, May 16, 2001).

The Commission wishes to thank the United States Attorney's Office for the Southern District of New York and the Chicago Board Options Exchange for their cooperation and assistance in this matter. [SEC v. Brendan J. Sterne, Kent Alexander Walker, and Ryan Campbell Doersam, Civil Action No. 01 CV 8729, SDNY] (LR-17154)

VARI-L COMPANY AND THREE OFFICERS CHARGED WITH ACCOUNTING FRAUD

Today, the Commission filed suit in the United States District Court for the District of Colorado against Vari-L Company, Inc. (Vari-L) and three of its former officers for violations of the antifraud, periodic reporting, record keeping, internal controls, proxy solicitation, and lying to auditors provisions of the federal securities laws. Vari-L is a company that designs and manufactures components for wireless telecommunications products, located in Denver, Colorado. According to the Complaint, Vari-L engaged in a massive financial reporting fraud designed to show consistently increasing revenue and earnings, instead of losses, from 1996 through the quarter ended March 31, 2000 by recognizing false revenue, improperly capitalizing and depreciating costs, overstating inventory, and improperly deferring period costs.

Named as defendants in the complaint are Vari-L, David G. Sherman of Denver, Colorado, the former president and chief executive officer, and also a director of Vari-L, Jon L. Clark of Navajo Dam, New Mexico, the former chief financial officer of Vari-L, and Sarah H. Hume of Aurora, Colorado, the former controller of Vari-L.

According to the complaint, Sherman managed Vari-L's earnings by imposing strict revenue and earnings targets every quarter and enforcing a no-tolerance policy for failing to meet them. Hume carried out the scheme by fraudulently recognizing revenue each quarter to "make the numbers," and Clark signed filings with the Commission that he knew contained false revenue and earnings figures. The complaint alleges that Sherman, Clark and Hume each realized the fruits of Vari-L's fraudulent financial reporting by exercising Vari-L stock options and selling Vari-L stock for substantial profits in 1999.

Specifically, the complaint alleges Vari-L's financial statements filed with the Commission quarterly and annually from 1996 through 1999 show a company with record income each year. The Commission claims, however, that Vari-L's reported income growth was fictitious and made possible only by aggressive earnings management and outright fraud and that in reality, Vari-L had losses each fiscal year. According to the Complaint, Vari-L's March 31, 2000 balance sheet was overstated by \$39 million or 132% as a result of the company overstating reported income for the quarter and in prior financial statements. The complaint further alleges Vari-L's

accounting misstatements resulted in Vari-L reporting income of \$17.1 million from 1996 through the quarter ended March 31, 2000 instead of an actual \$14.4 million loss for the same period.

According to the complaint, the defendants used a range of improper practices to misstate Vari-L's financial condition. First, Vari-L allegedly improperly recognized bill and hold sales each quarter through the third quarter of 1998, such that by the quarter ended September 30, 1998, improper bill and hold sales exceeded \$2 million. Second, the Commission claims Vari-L held its books open at the end of each quarter to record revenue on products that shipped after the close of the period. Third, the complaint states Vari-L improperly capitalized costs by \$24.3 million from 1996 through March 2000 by capitalizing internal labor and overhead costs as property, equipment and intangible assets. Fourth, Vari-L allegedly overstated inventory by disregarding physical inventory counts, estimating inventory amounts in lieu of physical counts, failing to value inventory based on actual costs to manufacture, and failing to provide adequate inventory reserves.

Additionally, the complaint alleges Vari-L failed to disclose in proxy statements filed in 1998 through 2000 large amounts of compensation paid to Sherman and another officer in violation of the proxy rules, including over \$200,000 paid to Sherman from 1997 through 1999 in the form of unauthorized cash advances and other undisclosed compensation.

Vari-L, without admitting or denying the allegations in the complaint, has consented to the entry of a Final Judgment permanently restraining and enjoining it from violating the antifraud, periodic reporting, record keeping, internal controls, and proxy solicitation provisions of the federal securities laws, Sections 10(b), 13(a), 13(b)(2), and 14(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 12b-20, 13a-1, 13a-13, 13b2-1, 14a-3, and 14a-9 thereunder. Due to a number of unique circumstances presented in this matter, the Final Judgment, when entered, will state that Vari-L's inability to obtain an unqualified audit report for its fiscal years ended June 30, 2000 and June 20, 1999, while a violation of Section 13(a) of the Exchange Act, will not be considered a violation of the injunction entered against the company. Vari-L also will be required under the Final Judgment to explain fully the reasons why it is not able to file the audited financial statements required by Section 13(a).

Additionally, without admitting or denying the allegations in the complaint, Clark has consented to the entry of a Final Judgment permanently restraining and enjoining him from violating and/or aiding and abetting violations of the antifraud, periodic reporting, record keeping, internal controls, and lying to auditors provisions of the federal securities laws, Sections 10(b), 13(a), 13(b)(2) and 13(b)(5) of the Exchange Act and Rules 12b-20, 10b-5, 13a-1, 13a-13, 13b2-1, and 13b2-2 thereunder. Clark has also agreed to be prohibited from acting as an officer or director of a public company, to pay disgorgement, including prejudgment interest, in the amount of \$166,631.87, and to pay a \$50,000 civil penalty. [SEC v. Vari-L Company, Inc., David G. Sherman, Jon L. Clark, and Sarah E. Hume, Civ. Action No. 01-WM-1903, District of Colorado] (LR-17155)

FRAUD CHARGED IN SABRATEK EARNINGS MANAGEMENT SCHEME: TWO OFFICERS SETTLE CLAIMS

The SEC filed a civil complaint on September 27th in the United States District Court for the Northern District of Illinois against former senior officers of Sabratek Corporation, an Illinois manufacturer of infusion pumps and flush syringes. The complaint alleges that Kuldarshan S. Padda (CEO) of Chicago, Illinois, Stephen L. Holden (President) of Deerfield, Illinois, Stephan C. Beal (VP of Sales) of Norwell, Massachusetts, and Scott P. Skooglund (VP of Finance) of Woodridge, Illinois, engaged in a fraudulent earnings management scheme. Two of the officers, Padda and Beal, have consented, without admitting or denying the allegations against them, to the entry of permanent injunctions barring future violations of anti-fraud, record-keeping, and reporting provisions of the federal securities laws. Padda has agreed to pay a \$125,000 civil penalty and Beal has agreed to pay \$35,430 in disgorgement, reflecting bonuses and commissions, and a \$60,000 civil penalty.

The complaint alleges that from the first quarter of 1998 through the first quarter of 1999, the defendants engaged in a scheme to defraud and caused Sabratek, whose stock was formerly traded on Nasdaq, to make material misstatements to investors and to file false periodic reports with the Commission. The defendants used fictitious sales of infusion pumps, inventory parking arrangements, improper revenue recognition, and billings for consulting services that were not performed to overstate net sales by 62% and operating income by 229%. The complaint further alleges that the defendants each knew, or was reckless in not knowing, that the revenue from these fraudulent sales could not be recognized under generally accepted accounting principles. The defendants allegedly reported inflated revenue to protect Sabratek's stock price and to conceal reduced revenues resulting from lower demand for infusion pumps and from a halt in the sales of flush syringes due to safety concerns. In the second half of 1999, when news of Sabratek's inflated operating results began to emerge, its market capitalization declined by \$202.5 million, or approximately by 95%. [SEC v. Holden, Skooglund, Padda, and Beal, N.D. Ill., Civil Action No. 01-C-7463] (LR-17156; AAE Rel. 1458)

INVESTMENT COMPANY ACT RELEASES

JANUS ASPENS SERIES, ET AL.

An order has been issued on an application filed by Janus Aspen Series, Western Reserve Life Assurance Co. of Ohio, and WRL Series Annuity Account B (collectively, Applicants), pursuant to Section 26(c) of the Investment Company Act approving the substitution of shares of Flexible Income Portfolio of Janus Aspen Series for the shares of High-Yield Portfolio of Janus Aspen Series held by the WRL Series Annuity Account B in connection with variable annuity contracts issued by Western Reserve Life Assurance Co. of Ohio. (Rel. IC-25169 – September 25)

THE TORONTO-DOMINION BANK

An order has been issued on an application filed by The Toronto-Dominion Bank under Sections 6(b) and 6(e) of the Investment Company Act. The order exempts an employees' securities company formed for the benefit of key employees of The Toronto-Dominion Bank from certain provisions of the Act. (Rel. IC-25170 – September 25)

KEEPER HOLDINGS, LLC, ET AL.

An order has been issued on an application filed by Keeper Holdings, LLC, et al. permitting (1) registered investment companies (funds) for which certain affiliates of State Street Corporation (State Street) act as investment adviser, promoter or principal underwriter to engage in certain transactions with certain affiliates of Citigroup, Inc. (Citigroup), and (2) funds for which certain affiliates of Citigroup act as investment adviser, promoter or principal underwriter to engage in certain transactions with certain affiliates of State Street. (Rel. IC-25171 – September 25)

ISHARES, INC., ET AL.

A notice has been issued giving interested persons until October 17, 2001, to request a hearing on an application filed by iShares, Inc., et al. for an order to permit an open-end management investment company, whose portfolios will consist of the component securities of certain equity securities indices, to issue shares of limited redeemability; permit secondary market transactions in the shares of the portfolios at negotiated prices on a national securities exchange; permit certain affiliated persons of the portfolios to deposit securities into, and receive securities from, the portfolios in connection with the purchase and redemption of aggregations of the portfolios' shares; and permit the portfolios to pay redemption proceeds more than seven days after the tender of shares of the portfolios for redemption under certain circumstances. (Rel. IC-25172 – September 25)

WS INVESTMENT COMPANY, L.L.C., ET AL.

An order has been issued on an application filed by WS Investment Company, L.L.C., et al. under Sections 6(b) and 6(e) of the Investment Company Act. The order exempts certain investment funds formed for the benefit of eligible current and former employees of Wilson Sonsini Goodrich & Rosati, Professional Corporation, and its affiliates from certain provisions of the Act. Each fund will be an "employees' securities company" within the meaning of Section 2(a)(13) of the Act. (Rel. IC-25173 – September 25)

THE CHARLES SCHWAB FAMILY OF FUNDS, ET AL.

An order has been issued on an application filed by The Charles Schwab Family of Funds, et al. under Section 12(d)(1)(J) of the Investment Company Act granting an

exemption from Section 12(d)(1) of the Act, under Sections 6(c) and 17(b) of the Act granting an exemption from Section 17(a) of the Act, and under Section 17(d) of the Act and Rule 17d-1 under the Act permitting certain joint transactions. The order permits certain registered management investment companies to use cash collateral from securities lending transactions to purchase shares of affiliated registered management investment companies or affiliated private investment funds, and to pay fees based on a share of the revenue generated from securities lending transactions to an affiliated lending agent. (Rel. IC-25174 – September 25)

HOLDING COMPANY ACT RELEASES

PROGRESS ENERGY, INC., ET AL.

A correcting order to a previously issued supplemental order authorizing a proposal by Progress Energy, Inc. (Progress Energy), a registered public-utility holding company, and Electric Fuels Corporation (Electric Fuels), an indirect nonutility subsidiary of Progress Energy, has been issued. (Rel. 35-27444)

SELF-REGULATORY ORGANIZATIONS

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

The Depository Trust Company filed a proposed rule change (SR-DTC-2001-06) under Section 19(b)(3)(A) of the Securities Exchange Act. The proposed rule change, which became effective upon filing, amends DTC's Procedures revising the fee schedule for services of DTC. Publication of the proposal is expected in the Federal Register during the week of October 1. (Rel. 34-44843)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change and Amendment No. 1 thereto submitted by the Philadelphia Stock Exchange (SR-Phlx-2001-75) relating to the listing and trading of trust issued receipts. Publication of the proposal is expected in the Federal Register during the week of October 1. (Rel. 34-44826)

PROPOSED RULE CHANGE

The Philadelphia Stock Exchange filed a proposed rule change (SR-Phlx-2001-68) regarding notification of changes in business operations and the minor rule violation enforcement and reporting plan. Publication of the notice in the Federal Register is expected during the week of October 1. (Rel. 34-44844)

APPROVAL OF PROPOSED RULE CHANGES

The Commission approved a proposed rule change (SR-ISE-00-11) filed by the International Securities Exchange that adopts requirements for foreign-based members of the ISE. Publication of the approval order is expected in the Federal Register during the week of October 1. (Rel. 34-44840)

The Commission issued notice of an order approving, on a pilot basis, a proposed rule change (SR-PCX-2001-05) and Amendments No. 1 and No. 2 thereto filed by the Pacific Exchange relating to the Exchange's Auto-Ex incentive program for Market Makers. Publication of the notice is expected in the Federal Register is expected during the week of October 1. (Rel. 34-44847)

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 WTAA INTERNATIONAL INC /FL/, 1027 S RAINBOW BLVD, UNIT 391, LAS
VEGAS,
NV 89145 (702) 341-6622 - 1,698,666 (\$1,361,996) COMMON STOCK. (FILE
333-69672 - SEP. 20) (BR. 9)

S-8 CONSOLIDATED MEDICAL MANAGEMENT INC, 11829 FLORIDA BLVD, BATON
ROUGE, LA
70815 (225) 226-9584 - 5,000,000 (\$275,000) COMMON STOCK. (FILE 333-
69676
- SEP. 20) (BR. 4)

S-8 CEL SCI CORP, 8229 BOONE BLVD STE 802, VIENNA, VA 22182 (703) 506-
9460
- 3,200,000 (\$4,256,000) COMMON STOCK. (FILE 333-69678 - SEP. 20) (BR.
1)

S-3 FEDERATED DEPARTMENT STORES INC /DE/, 7 W SEVENTH ST, CINCINNATI, OH
45202 (212) 494-1602 (FILE 333-69682 - SEP. 20) (BR. 2)

S-8 GIGA TRONICS INC, 4650 NORRIS CANYON ROAD, SAN RAMON, CA 94583
(925) 328-4650 - 120,000 (\$354,240) COMMON STOCK. (FILE 333-69688 -
SEP. 20) (BR. 5)