

SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

NEW DIRECTORS NAMED FOR LEGISLATIVE, PUBLIC AFFAIRS

Securities and Exchange Commission Chairman Harvey L. Pitt today announced the appointment of new directors for the SEC's legislative affairs office and public affairs office.

Casey Carter, who has been serving as acting director of the Office of Congressional and Intergovernmental Affairs, will now serve as director of the renamed Office of Legislative Affairs. Carter, 38, joined the SEC in 1999. She previously worked in legislative affairs at the Comptroller of the Currency and the Resolution Trust Corp. Carter also worked for the Federal Deposit Insurance Corp. and as a Washington representative for an international bank.

Christi Harlan, former communications director for the Senate Committee on Banking, Housing and Urban Affairs, has been named director of the Office of Public Affairs, formerly known as the Office of Public Affairs, Policy Evaluation and Research. Harlan, 44, most recently served as director of external affairs at the Federal Emergency Management Agency. Prior to joining the Banking Committee staff, Harlan spent 20 years as a reporter, including six years at the Wall Street Journal.

"The Commission relies on good communications with Congress, with the public and with the news media to fulfill its responsibilities," Pitt said. "With these appointments, we are ensuring that our communications will be in the hands of experienced and talented staff." (Press Rel. 2002-2)

ENFORCEMENT PROCEEDINGS

CEASE-AND-DESIST ORDER ENTERED AGAINST CALIFORNIA SOFTWARE CORPORATION

California Software Corporation has been ordered, pursuant to its consent, to cease and desist from violating the provisions of the federal securities laws that: (1) prohibit providing false and misleading information in the offer and sale of securities; (2) require reporting companies to file accurate annual and quarterly reports; (3) require registrants

to maintain manually signed signature pages for reports file with the Commission; and (4) require registrants to maintain books and records that accurately reflect its financial condition. The Order, filed on January 7, finds that from September 1999 through May 2000, California Software filed annual and quarterly reports containing audited and unaudited financial statements overstating the company's revenues, earnings, assets and shareholders equity, primarily as a result of a revenue recognition practice utilized by the company. The overstatements of revenues and earnings were also made in the narrative portion of a private placement memorandum used in the sale of California Software stock during the first and second quarters of 2000; that offering raised over \$8.7 million.

The Order contains findings that until September 2000, California Software recognized revenue upon shipment of the software to potential customers, whether or not persuasive evidence existed of an arrangement to purchase the software by the potential customer. In October 2000, California Software restated its financial statements for the year ended December 31, 1999 and for the quarter ended March 31, 2000, upon learning from newly-retained auditors that its revenue recognition practice did not comply with GAAP.

The Order also contained findings that California Software failed to maintain manually-signed signature pages and failed to cause its chief executive officer to manually sign signature pages with respect to those filings.

California Software consented to entry of an Order directing it to cease and desist from committing or causing any violation or any future violation of Sections 17(a)(2) and (3) of the Securities Act of 1933 and Sections 13(a) and 13(b)(2) of the Securities Exchange Act of 1934 and Rules 12b-11, 12b-20, 13a-1, 13a-13, and 13b2-1 thereunder. (Rel. 33-8053; 34-45242; AAE Rel. 1486; File No. 3-10672)

CEASE-AND-DESIST ORDER ENTERED AGAINST CAROL CONWAY DEWEES

Carol Conway DeWees, currently the president and formerly the chief financial officer of California Software Corporation, has been ordered to cease and desist from causing any violation and any future violation of the issuer reporting provisions of the federal securities laws. The Order instituting and simultaneously settling these proceedings, filed on January 7, contains findings that, from September 1999 through May 2000, California Software filed annual and quarterly reports with the Commission which included audited and unaudited financial statements which materially overstated the company's revenues, earnings, assets and shareholders equity. The Order also finds that the overstatements resulted from California Software's practice of recognizing revenue when the company shipped software to potential customers but before it received persuasive evidence from potential customers that they agreed to purchase the software. Finally, the Order finds that DeWees signed those reports as California Software's chief financial officer, but did not review the filings prior to their being filed with the Commission.

Based on this alleged conduct, DeWees consented to be ordered to cease and desist from causing any violation or any future violation of Section 13(a) of the Securities Exchange Act of 1934 and Rules 12b-20, 13a-1 and 13a-13 thereunder. (Rel. 34-45243; AAE Rel. 1487; File No. 3-10673)

PROCEEDINGS UNDER SECTION 21C AND RULE 102(e) INSTITUTED AGAINST JAMES SLAYTON

On January 7, the Commission instituted proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) and under Rule 102(e) of its Rules of Practice against James E. Slayton. The Division of Enforcement (Division) and the Office of the Chief Accountant (OCA) allege that from late 1998 through early 2000, Slayton was engaged as the auditor for California Software Corporation, and that during that time, Slayton audited and issued reports on that issuer's financial statements which stated California Software's financial statements complied with Generally Accepted Accounting Principles, when, in fact, those financial statements were not prepared in conformity with GAAP and materially overstated the issuer's revenues, earnings, assets and shareholders equity.

It is also alleged that Slayton represented in his audit reports that his audits of California Software's financial statements were conducted in accordance with Generally Accepted Auditing Standards when they were not. Slayton allegedly failed to comply with numerous auditing standards, including failing to properly plan and conduct audits, properly confirm accounts receivable obtain management representation letters and supervise the audits.

The Division and OCA allege that Slayton willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and has willfully aided and abetted and caused violations of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder, and has engaged in improper professional conduct. A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide James E. Slayton an opportunity to dispute these allegations, and to determine what sanctions, if any, are appropriate. (Rel. 34-45245; AAE Rel. 1488; File No. 3-10674)

SELF-REGULATORY ORGANIZATIONS

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change (SR-Amex-2001-109) filed by the American Stock Exchange extending the pilot program eliminating position and exercise limits for certain broad based index options, has become effective under Section 19(b)(3)(A) of the Securities

Exchange Act of 1934. Publication of the notice in the Federal Register is expected during the week of January 7. (Rel. 34-45234)

PROPOSED RULE CHANGES

The American Stock Exchange filed a proposed rule change and Amendment Nos. 1 and 2 thereto (SR-Amex-2001-100) under Section 19(b)(1) of the Securities Exchange Act of 1934 to increase initial and annual listing fees, fees for listing additional shares and the one-time charge for listing shares issued in connection with acquisition of a listed company by an unlisted company. Publication of the proposal is expected in the Federal Register during the week of January 7. (Rel. 34-45235)

The American Stock Exchange filed a proposed rule change (SR-AMEX-2001-42) under Section 19(b)(1) of the Securities Exchange Act of 1934 which seeks to increase position and exercise limits of Nasdaq-100 Index Tracking Stock (QQQ) options. Publication of the notice in the Federal Register is expected during the week of January 7. (Rel. 34-45236)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change submitted by the Chicago Stock Exchange (SR-CHX-2001-29) relating to the listing and trading of trust issued receipts. Publication of the proposal is expected in the Federal Register during the week of January 7. (Rel. 34-45237)