

C.2

# SEC NEWS DIGEST

Issue 2001-123

June 26, 2001

---

## ENFORCEMENT PROCEEDINGS

---

### **SEC OBTAINS FINAL JUDGMENTS AGAINST VLADISLAV ZUBKIS AND Z-3 CAPITAL CORPORATION INCLUDING MULTI-MILLION DOLLAR DISGORGEMENT AND BAR ON ZUBKIS FROM SERVING AS AN OFFICER OR DIRECTOR OF ANY PUBLIC COMPANY.**

The Commission announced that on Thursday, June 21, 2001, the Honorable John G. Koeltl of the United States District Court for the Southern District of New York entered final judgments against Vladislav Steven Zubkis and Z-3 Capital Corporation (Z-3), a company Zubkis controls. The judgments enjoin Zubkis and Z-3 from further violations of the federal securities laws, require them to disgorge millions of dollars of ill-gotten gains, and bar Zubkis from serving as an officer or director of any public company. Zubkis, age 41, resides in Bonita, California, near San Diego. Z-3 operates also from Bonita, California. Zubkis is the president and chief executive officer of International Brands, Inc. (International Brands), formerly Stella Bella Corporation, U.S.A., now also operating from Bonita, California. International Brands common stock is quoted on the National Association of Securities Dealers Bulletin Board under the symbol INBR.

The judgments permanently enjoin Zubkis and Z-3 from violating the federal securities laws by selling unregistered securities to investors in violation of Sections 5(a) and 5(c) of the Securities Act of 1933 (Securities Act); making material misrepresentations and failing to disclose material information to investors in violation of Section 17(a) of the Securities Act and Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder; and operating as an unregistered broker-dealer and making misrepresentations as a broker-dealer in violation of Sections 15(a) and 15(c)(1) of the Exchange Act.

The judgments require Zubkis to disgorge his ill-gotten gains of \$12,544,313.25 and prejudgment interest of \$9,034,418.34, for a total of \$21,578,731.39. Z-3 is required to disgorge its ill-gotten gains of \$4,026,500 and prejudgment interest of \$3,012,403.53, for a total of \$7,038,901.53, which obligation is joint and several with Zubkis.

The judgment against Zubkis also finds "that Zubkis's conduct demonstrates substantial unfitness for him to serve as an officer or director" of any public company, and

permanently prohibits Zubkis from serving as such. A "public company" is one which has any class of securities registered pursuant to Section 12 of the Exchange Act or which files reports pursuant to Section 15(d) of the Exchange Act. International Brands, which files reports pursuant to Section 15(d) of the Exchange Act, is a public company.

The Commission brought this action against Zubkis, Z-3, International Brands, and Mark Scialdone in October 1997. The Commission alleged in its complaint that Zubkis and Z-3 violated the federal securities laws by selling millions of dollars of unregistered securities to investors. The complaint claimed that Zubkis caused International Brands to issue millions shares of its common stock to Zubkis controlled foreign companies, which then sold these shares to United States investors. The complaint stated that Zubkis sold these shares through Z-3, and that Zubkis and Z-3 also sold so-called "Triple Crown Units" of Z-3 to such investors. The complaint also alleged that Zubkis and Z-3 made material misrepresentations and failed to disclose material facts to investors in connection with the sale of International Brands and Z-3 securities. The complaint states, for example, that they made baseless predictions regarding the future price of International Brands common stock, baseless revenue projections for International Brands, and false representations regarding contacts that International Brands had allegedly obtained, such as that International Brands, then known as Stella Bella Corporation, U.S.A., had over 100 coffee houses in Russia. It is further alleged that Zubkis caused Z-3, which operated as a securities broker, and its employees or agents, to make these material misrepresentations to investors in connection with the sale of International Brands securities. Finally, the complaint alleged that Zubkis, directly and through Z-3, and Z-3 operated as an unregistered securities broker-dealer. The Commission's complaint states that Zubkis, formerly employed in the securities industry, caused Z-3 to operate several unregistered "boiler room" operations to sell International Brands common stock to investors.

The court entered a default judgment against Z-3 for its failure to answer the complaint, and the court later entered a summary judgment against Zubkis. Judge Koeltl ordered that Magistrate Judge Kevin Nathaniel Fox conduct an inquest (hearing on damages) to determine the amount of disgorgement to be ordered from Zubkis and Z-3. Following the inquest, Magistrate Judge Fox recommended the amounts of disgorgement, and Judge Koeltl entered judgment in accordance with the recommendations. International Brands consented to the entry of a final judgment prohibiting it from violating the federal securities laws in 1999. The Commission's action against Scialdone is continuing. See LR-15552, November 5, 1997, LR-16099, March 30, 1999, and LR-16456, February 24, 2000 for more details. [ SEC v. Vladislav Steven Zubkis, International Brands, Inc., Z-3 Capital Corporation, and Mark Scialdone, 97 Civ. 8086, JGK/KNF, U.S.D.C., S.D.N.Y.] (LR-17050)

## **BRYAN EGAN PLEADS GUILTY TO CRIMINAL SECURITIES AND BANK FRAUD CHARGES**

On June 25, Bryan J. Egan, age 27, the former president of Las Vegas, Nevada based BryCar Financial Corporation, pleaded guilty before Judge Kent J. Dawson in the U.S.

District Court for the District of Nevada to a two count criminal information brought by the United States Attorney charging Egan with securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and bank fraud in violation of 18 U.S.C. § 1344. Egan is scheduled to be sentenced on October 5, 2001. Egan's plea agreement provides that he will be sentenced to at least 63 months in prison.

The criminal securities fraud charge against Egan is based on the same conduct underlying the Commission's civil enforcement action against Egan and BryCar filed on September 19, 2000. The SEC's complaint alleged that Egan and BryCar were operating a fraudulent Ponzi scheme in which they collected millions of dollars from hundreds of investors with guarantees that, among other things, their "risk free" investments in so-called "pre-IPO" stock and other securities would generate 500% returns. The SEC's complaint also alleged that BryCar illegally offered and sold securities without being registered with the SEC as a broker-dealer. Egan is further alleged to have looted investor funds from BryCar on numerous occasions to support his lavish lifestyle. For a full description of the SEC's claims, see LR-16713, September 20, 2000, LR-16726, September 27, 2000, LR-16810, November 28, 2000, and LR-16889, February 6, 2001.

Egan's plea agreement with the United States Attorney provides that he will, without admitting or denying the allegations of the SEC's complaint, consent in the SEC's civil enforcement action to an order permanently enjoining him from violating the anti-fraud provisions of the Securities Act of 1933, Section 17(a), the Securities Exchange Act of 1934, Section 10(b) and Rule 10b-5, and the Investment Advisers Act, Section 206(1) and (2); and the registration provisions of the Securities Act of 1933, Section 5(a) and (c). Egan will also consent to pay disgorgement of illegal profits, plus prejudgment interest, and a civil money penalty, in amounts and upon such terms as may be determined by agreement of the parties or by the Court upon motion by the SEC. The bank fraud charge against Egan is unrelated to his securities fraud.

Investors or other interested parties may direct questions to BryCar's Court-appointed receiver, John E. Ham, Esq., at Santoro, Driggs, Walch, Kearney, Johnson & Thompson, 3773 Howard Hughes Parkway, Suite 290N, Las Vegas, NV 89109. The receiver may be reached by telephone at (702) 791-0308 ext. 100, or by e-mail addressed to [TDriggs@nevadafirm.com](mailto:TDriggs@nevadafirm.com). [SEC v. Brycar Financial Corporation and Bryan J. Egan, Defendants, and Carol A. Egan, Cara D. Solorio and Jesse Solorio, Relief Defendants, Civil Action No. CV-S-00-1125-LDG-LRL, D. Nev., LDG] (LR-17051)

### **FINAL JUDGMENT AGAINST THOMAS CARTER**

The Commission today announced that on June 12 U.S. District Judge George H. King entered a final judgment by default against Thomas Carter upon a showing that Carter had failed to respond to the Commission's complaint. Carter was ordered to disgorge \$12,816.47 in ill-gotten gains, to pay prejudgment interest thereon and to pay a civil penalty of \$12,816.47.

The Commission filed its complaint on September 5, 2000, alleging that Carter manipulated the prices of securities that he owned by disseminating false material information about the companies. Carter disseminated a mass email purporting to be from a "momentum trading service" called the "Unity List." The emails recommended that the recipients purchase the stock of the profiled companies at specific dates and times. Once the stock price began to rise in response to the emails, Carter sold his stock at a profit. Carter made a total profit of \$12,816.47. The permanent injunction against Carter prohibits future violations of the antifraud provisions of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. [SEC v. Thomas Carter, Civil Action No. CV-00-09457 GHK, SHx, C.D. Cal.] (LR-17052)

---

## **SELF-REGULATORY ORGANIZATIONS**

---

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

A proposed rule change has been filed by the Municipal Securities Rulemaking Board (SR-MSRB-2001-02) under Section 19(b)(3)(A) to provide guidance to interpretation of Rule G-37 on political contributions and prohibitions on municipal securities business and Rule G-38 on consultants. Publication of the notice is expected in the Federal Register during the week of June 25. (Rel. 34-44459)

### **PROPOSED RULE CHANGES**

A proposed rule change has been 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 in the Federal Register during the week of June 25. (Rel. 34-44458)

A proposed rule change has been filed by the Municipal Securities Rulemaking Board (SR-MSRB-2001-04) under Section 19(b)(1) relating to In-Firm Delivery of the Regulatory Element of the Continuing Education Requirement. Publication of the notice is expected in the Federal Register during the week of June 25. (Rel. 34-44464)

The New York Stock Exchange filed a proposed rule change (SR-NYSE-2001-15) under Rule 19b-4 of the Securities Exchange Act of 1934 to amend its rules to provide for the trading of Exchange-Traded Funds on an Unlisted Trading Privileges basis. Publication of the proposal is expected in the Federal Register during the week of June 25. (Rel. 34-44465)

The Depository Trust Company filed a proposed rule change (SR-DTC-2001-07) under Section 19(b)(1) of the Exchange Act. The proposed rule change would allow DTC to establish a date on which all securities issues presently eligible for the Direct Registration System (DRS) and which are not in the Profile Modification System (Profile), which is part of DRS, will have to move into Profile. Additionally, a request for a withdrawal by transfer by a broker that does not specifically request a certificate will automatically default to a DRS book-entry position on the books of the issuer or its transfer agent. Both of these changes would become effective on November 1, 2001. Publication of the proposal is expected in the Federal Register during the week of June 25. (Rel. 34-44471)

## DELISTING

An order has been issued granting the application of the Philadelphia Stock Exchange to strike from listing and registration the Common Stock, \$1.25 par value, of South Jersey Industries, effective at the opening of business on June 25. (Rel. 34-44472)

---

## 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>.

F-3      FILA HOLDING SPA, VIALE CESARE BATTISTI 26, 13051 BIELLA ITALY, L6  
(410) 785-7530 - 15,260,942 (\$57,991,579.60) FOREIGN COMMON STOCK.  
(FILE 333-13632 - JUN. 18) (BR. 2)

F-6      OCCUPATIONAL & MEDICAL INNOVATIONS LTD, BANK OF NEW YORK,  
ONE WALL STREET, NEW YORK, NY 10286 (212) 495-1784 - 10,000,000  
(\$500,000)  
DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-13634 - JUN. 15)

S-8      CONSOLIDATED NATURAL GAS CO/VA, 120 TREDEGAR STREET, RICHMOND, VA  
23219  
(412) 227-1000 - 4,000,000 (\$230,375,000) COMMON STOCK. (FILE 333-  
33505 -  
AUG. 13) (BR. 2)

S-3 TITAN CORP, 3033 SCIENCE PARK RD, SAN DIEGO, CA 92121 (858) 552-9500  
-  
8,625,000 (\$181,901,250) COMMON STOCK. (FILE 333-63274 - JUN. 19) (BR.  
3)

S-8 AVATAR HOLDINGS INC, 201 ALHAMBRA CIRCLE, CORAL GABLES, FL 33134  
(305) 442-7000 - 900,000 (\$25,252,500) COMMON STOCK. (FILE 333-63278 -  
JUN. 19) (BR. 6)

S-8 LAMSON & SESSIONS CO, 25701 SCIENCE PARK DR, CLEVELAND, OH 44122  
(216) 464-3400 - 650,000 (\$5,882,500) COMMON STOCK. (FILE 333-63280 -  
JUN. 19) (BR. 5)

S-8 IDT CORP, 190 MAIN ST, HACKENSACK, NJ 07601 (201) 928-1000 -  
\$114,183,538.90 COMMON STOCK. (FILE 333-63282 - JUN. 19) (BR. 3)

S-8 HALSEY DRUG CO INC/NEW, 1827 PACIFIC ST, BROOKLYN, NY 11233  
(718) 467-7500 - 8,100,000 (\$16,439,661) COMMON STOCK. (FILE 333-63288  
-  
JUN. 19) (BR. 1)

S-8 ACORN PRODUCTS INC, 390 DUBLIN AVENUE, COLUMBUS, OH 43215 (614) 222-  
4400  
- 127,000 (\$135,890) COMMON STOCK. (FILE 333-63294 - JUN. 19) (BR. 6)

S-4 SALTON INC, 550 BUSINESS CENTER DR, C/O KENSINGTON CENTER,  
MOUNT PROSPECT, IL 60056 (708) 803-4600 - 150,000,000 (\$150,000,000)  
STRAIGHT BONDS. (FILE 333-63296 - JUN. 19) (BR. 2)

S-8 BTU INTERNATIONAL INC, 23 ESQUIRE ROAD, NORTH BILLERICA, MA 01862  
(508) 667-4111 - 950,000 (\$6,517,000) COMMON STOCK. (FILE 333-63298 -  
JUN. 19) (BR. 5)

S-8 WIND RIVER SYSTEMS INC, 500 WIND RIVER WAY, ALAMEDA, CA 94501  
(510) 748-4100 - 3,300,000 (\$69,498,000) COMMON STOCK. (FILE 333-63300  
-  
JUN. 19) (BR. 3)

S-8 WIND RIVER SYSTEMS INC, 500 WIND RIVER WAY, ALAMEDA, CA 94501  
(510) 748-4100 - 400,000 (\$7,350,000) COMMON STOCK. (FILE 333-63302 -  
JUN. 19) (BR. 3)

S-8 INTERNATIONAL REMOTE IMAGING SYSTEMS INC /DE/, 9162 ETON AVE,  
CHATSWORTH, CA 91311 (818) 709-1244 - 700,000 (\$1,440,000) COMMON  
STOCK.  
(FILE 333-63304 - JUN. 19) (BR. 5)

S-3 IDENTIX INC, 510 N PASTORIA AVE, SUNNYVALE, CA 94086 (408) 731-2000  
-  
2,489,901 (\$16,433,346) COMMON STOCK. (FILE 333-63306 - JUN. 19) (BR.  
3)

S-8 PROBUSINESS SERVICES INC, 4125 HOPYARD RD, PLEASANTON, CA 94588  
(925) 737-3500 - 498,530 (\$12,577,911.90) COMMON STOCK. (FILE 333-  
63308 -

JUN. 19) (BR. 3)

S-3 WIRE ONE TECHNOLOGIES INC, 225 LONG AVENUE, STE A, HILLSIDE, NJ  
07205  
(805) 482-8277 - 902,145 (\$4,939,243.88) COMMON STOCK. (FILE 333-63310

JUN. 19) (BR. 5)

S-8 ACCUIMAGE DIAGNOSTICS CORP, 400 OYSTER POINT BLVD, STE 114,  
SOUTH SAN FRANCISCO, CA 94080 (650) 875-0192 - 2,100,000 (\$1,197,000)  
COMMON STOCK. (FILE 333-63312 - JUN. 19) (BR. 3)

S-3 NEXT LEVEL COMMUNICATIONS INC, 6085 STATE FARM DRIVE, ROHNERT PARK,  
CA  
94928 (787) 584-6820 - 55,442 (\$374,233.50) COMMON STOCK. (FILE 333-  
63316  
- JUN. 19) (BR. 7)

S-8 ATRION CORP, ONE ALLENTOWN PARKWAY, ALLEN, TX 75002 (972) 390-9800 -  
22,500 (\$275,625) COMMON STOCK. (FILE 333-63318 - JUN. 19) (BR. 5)

S-8 CORIO INC, 700 BAY RD, STE 210, REDWOOD CITY, CA 94063 (650) 298-  
4800 -  
3,000,000 (\$2,751,114.94) COMMON STOCK. (FILE 333-63322 - JUN. 19)  
(BR. 3)

S-8 CYNET INC, 12777 JONES ROAD, # 400, HOUSTON, TX 77070 (281) 897-8317  
-  
4,350,000 (\$435,000) COMMON STOCK. (FILE 333-63324 - JUN. 19) (BR. 9)

S-8 STANDARD PACIFIC CORP /DE/, 1565 W MACARTHUR BLVD, COSTA MESA, CA  
92626  
(714) 668-4300 - 1,525,000 (\$31,445,500) COMMON STOCK. (FILE 333-63326  
-  
JUN. 19) (BR. 6)

S-8 INTEL CORP, 2200 MISSION COLLEGE BLVD, SANTA CLARA, CA 95052  
(408) 765-8080 - 540,000 (\$15,298,200) COMMON STOCK. (FILE 333-63330 -  
JUN. 19) (BR. 5)

S-4 FELCOR LODGING L P, 545 E. JOHN CARPENTER FREEWAY, SUITE 1300,  
IRVING,  
TX 75062 (972) 444-4900 - 600,000,000 (\$600,000,000) STRAIGHT BONDS.  
(FILE 333-63332 - JUN. 19) (BR. 8)

S-8 BASF AKTIENGESELLSCHAFT, 67056 LUDWIGSHAFEN GERMANY, GERMANY,  
(011) 496-2160 - 3,392,109 (\$131,817,355.74) COMMON STOCK. (FILE  
333-63334 - JUN. 19) (BR. 1)

S-8 MEDIA & ENTERTAINMENT COM INC, 500 N RAINBOW BLVD #300, LAS VEGAS,  
NV  
89107 (702) 221-1935 - 455,000 (\$127,675) COMMON STOCK. (FILE 333-  
63340 -  
JUN. 19) (BR. 9)

S-8 CERTEGY INC, 1550 PEACHTREE STREET NW, ATLANTA, GA 30309 (404) 885-8833  
- 10,200,000 (\$7,854,000) COMMON STOCK. (FILE 333-63342 - JUN. 19)  
(BR. 7)

S-11 FBR ASSET INVESTMENT CORP/VA, POTOMAC TOWER, 1001 NINETEENTH ST  
NORTH,  
ARLINGTON, VA 22209 (703) 312-9500 - 2,300,000 (\$55,085,000) COMMON  
STOCK.  
(FILE 333-63344 - JUN. 19) (BR. 8)

SB-2 VALCOM INC /CA/, 26030 AVENUE HALL STUDIO 5, VALENCIA, CA 91355  
(661) 257-8000 - 6,626,534 (\$1,961,455) COMMON STOCK. (FILE 333-63346  
-  
JUN. 19) (BR. 7)

S-4 MISSISSIPPI BAND OF CHOCTAW INDIANS DBA CHOCTAW RSRT DVLP E,  
PO BOX 6260, CHOCTAW BRANCH, PHILADELPHIA, MS 39350 (800) 545-1220 -  
200,000,000 (\$200,000,000) STRAIGHT BONDS. (FILE 333-63348 - JUN. 19)  
(NEW ISSUE)

S-8 NEXTERA ENTERPRISES INC, ONE CRANBERRY HILL, LEXINGTON, MA 02421  
(781) 778-4400 - 7,500,000 (\$9,725,000) COMMON STOCK. (FILE 333-63350  
-  
JUN. 19) (BR. 8)

SB-2 RP ENTERTAINMENT INC, 1900 AVENUE OF THE STARS SUITE 1450, LOS  
ANGELES,  
CA 90067 (310) 277-1250 - 1,000,000 (\$250,000) COMMON STOCK. (FILE  
333-63352 - JUN. 19) (NEW ISSUE)

S-3 BOND SECURITIZATION LLC, 1 BANK ONE PLAZA, CHICAGO, IL 60670  
(312) 782-0600 - 1,000,000 (\$1,000,000) EQUIPMENT TRUST CERTIFICATES.  
(FILE 333-63354 - JUN. 19) (NEW ISSUE)

S-3 UTSTARCOM INC, 1275 HARBOR BAY PARKWAY, STE 100, ALAMEDA, CA 94502  
(510) 864-8800 - 10,350,000 (\$233,185,500) COMMON STOCK. (FILE 333-  
63356 -  
JUN. 19) (BR. 6)

S-3 CAPSTEAD MORTGAGE CORP, 8401 NORTH CENTRAL EXPRESSWAY, STE 800,  
DALLAS,  
TX 75225 (214) 874-2323 - 9,298,717 (\$153,242,856.16) COMMON STOCK.  
(FILE  
333-63358 - JUN. 19) (BR. 8)

S-8 SYBASE INC, 6475 CHRISTIE AVE, EMERYVILLE, CA 94608 (510) 922-3500  
(FILE 333-63360 - JUN. 19) (BR. 3)

S-8 CHICAGO PIZZA & BREWERY INC, 16162 BEACH BOULEVARD, SUITE 100,  
HUNTINGTON BEACH, CA 92647 (714) 848-3747 - 1,861,358 (\$6,810,734.50)  
COMMON STOCK. (FILE 333-63362 - JUN. 19) (BR. 5)

S-3 NEWTEK CAPITAL INC, 1500 HEMPSTEAD TURNPIKE, EAST MEADOW, NY 11554  
(516) 390-2252 - 33,714 (\$106,199) COMMON STOCK. (FILE 333-63364 -



JUN. 19) (BR. 7)

S-3 DETROIT EDISON CO, 2000 SECOND AVE - 2112 WCB, DETROIT, MI 48226  
(313) 235-8000 - 750,000,000 (\$750,000,000) STRAIGHT BONDS. (FILE  
333-63366 - JUN. 19) (BR. 2)

S-3 MICHIGAN CONSOLIDATED GAS CO /MI., 500 GRISWOLD ST, DETROIT, MI  
48226  
(313) 965-2430 - 360,000,000 (\$360,000,000) STRAIGHT BONDS. (FILE  
333-63370 - JUN. 19) (BR. 2)

S-8 RESEARCH FRONTIERS INC, 240 CROSSWAYS PARK DR, WOODBURY, NY 11797  
(516) 364-1902 - 642,000 (\$15,642,006.26) COMMON STOCK. (FILE 333-  
63374 -  
JUN. 19) (BR. 1)

SB-2 RHOMBIC CORP, 1212 HOWE STREET, SUITE 901, VANCOUVER BRITISH CO, A1  
-  
16,225,000 (\$3,326,125) COMMON STOCK. (FILE 333-63376 - JUN. 20) (BR.  
9)