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SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

SEC STAFF REPORT DESCRIBES DEVELOPMENT OF PAYMENT FOR ORDER FLOW AND INTERNALIZATION IN THE OPTIONS MARKETS

The staffs of the Commission's Office of Compliance Inspections and Examinations and Office of Economic Analysis today issued a report entitled "Payment for Order Flow and Internalization in the Options Markets." Text of the report, requested by Chairman Levitt in July of this year, is available on the Commission's website at <http://www.sec.gov/news/studies/ordpay.htm>.

In August 1999, the options exchanges began to multiply list many options that had previously traded on only one exchange, giving brokers a choice of where to send their customers' orders. Accordingly, exchanges and their members are competing intensely for those orders. With increased competition for options order flow, options market participants have begun to offer cash payments to brokers in return for brokers agreeing to route their customers' order flow to them. Other indirect inducements also have arisen in the options markets, such as "internalization" of retail options orders, i.e., firms trading as counter-parties with their customer orders. In July 2000, the options exchanges began facilitating their members' payment for order flow strategies.

Firms are obligated to seek the best possible executions for their customers' orders, irrespective of payment for order flow or other order routing inducements. However, payment for order flow and internalization create conflicts of interest for brokers because of the tension between the firms' interests in maximizing payment for order flow or trading profits generated from internalizing their customers' orders, and this fiduciary obligation to route their customers' orders to the best markets.

Today's staff report describes current payment for order flow and internalization practices, and outlines how the practices of payment for order flow and internalization have affected order routing decisions and the execution quality of customer options orders. Among other things, the staff found the following:

- The number of retail customer options orders paid for pursuant to payment for order flow arrangements has steadily increased. In March 2000, in those options classes reviewed by the Staff, specialists paid brokers for 14% of the retail options orders sent to them. By August 2000, specialists paid brokers for over 75% of the retail options orders sent to them.
- During the period of November 1999 to September 2000, options specialists paid over \$33 million to brokers to induce them to route their customer orders to the specialists.
- As of September 2000, 19 of the 24 brokers examined by the Staff accepted payments for their customers' order flow. Four of the 24 firms reviewed maintained policies not to accept payment for order flow.
- One broker has received in excess of \$6 million, and six brokers have received in excess of \$2 million in payments for their order flow. As of November 30, 2000, these firms have not passed along to retail customers the benefits of payments received for order flow in the form of reduced retail commissions or direct rebates. In fact, only one firm has significantly reduced retail customer commissions for executing listed options orders, and another firm maintains a policy to rebate payments received for order flow to customers.
- Payment for order flow has had an impact on order routing decisions. Firms that maintained policies not to accept payment for order flow re-routed significantly fewer options classes to specialists that pay for order flow than did firms that maintain policies to accept payment for order flow. In fact, four of the 19 firms reviewed that accept payment for order flow re-routed 75% or more of their customers' options orders in at least 8 of the 12 classes reviewed by the Staff to specialists that paid them for order flow. Four other firms similarly re-routed 25% or more of their customers' options orders in at least 8 of the 12 classes to specialists that paid them for order flow.
- Brokers do not have adequate market execution quality information to reliably compare the quality of executions between specialist firms.
- Internalization of retail customer options orders is not yet a prevalent practice in the options industry. Only two brokers reviewed have developed systems to trade against retail customers' options orders.
- The trend in quoted spreads (along with other measurements of quoting behavior discussed in this report) suggest a decline in aggressive quoting that may be related to a concurrent growth of payment for order flow and other forms of internalization.
- Effective spreads have remained generally constant after an initial decline following the advent of multiple-listing.

- Given that order flow payments are made by specialists and specialists are compensated based on effective spreads, the growth of payment for order flow intuitively could be expected, all other things being equal, to be accompanied by a widening of effective spreads. The absence of such widening during the review period indicates that other market forces are at work. (Press Rel. 2000-190)

ENFORCEMENT PROCEEDINGS

IN THE MATTER OF CARROLL WALLACE, CPA

An Administrative Law Judge today issued an initial decision in the matter of Carroll A. Wallace, CPA. The Order Instituting Proceedings charged that Wallace, a certified public accountant in Denver, Colorado, engaged in improper professional conduct in that he "intentionally, knowingly, or recklessly" violated the applicable professional standards when auditing a public company. The alleged audit failures occurred in connection with two annual financial reports filed with the Commission by The Rockies Fund, Inc., a closed-end investment company located in Colorado Springs, Colorado.

The initial decision sustains the charges in part and dismisses them in part. As relief, the initial decision sanctions Wallace by temporarily denying him the privilege of appearing and practicing before the Commission as an accountant for one year. (Initial Decision No. 178; File No. 3-9862)

SEC CHARGES FORMER INVESTMENT ADVISER AND REGISTERED REPRESENTATIVE IN \$1.5 MILLION OFFERING FRAUD

On December 18, the Commission filed a complaint in the United States District Court for the Western District of New York charging Robert N. Young (Young), a former registered investment adviser and registered representative at various broker-dealers, with perpetrating an offering fraud on investors in Academy Circle Incorporated (ACI), a corporation that Young formed to buy and develop real estate in Kenmore, New York. The complaint alleges that Young fraudulently induced or caused eleven of his advisory clients and brokerage customers to purchase approximately \$1.5 million in promissory notes of ACI. The complaint further alleges that, after ACI failed to develop its real estate holdings or otherwise yield a return for its investors, Young failed to refund any invested funds and filed for bankruptcy. Without admitting or denying the allegations in the complaint, Young has consented to the entry of a final judgment enjoining him from future violations of the antifraud provisions of the federal securities laws and other relief.

Named in the complaint is Robert N. Young, a 54 year-old former resident of Williamsville, New York. Young was a registered investment adviser from March 1989 until January 2000, a registered representative at various broker-dealers from

December 1977 to September 1995 and from November 1995 to July 1996, and an insurance salesman from 1977 to March 1996. During the time period when Young sold ACI notes, he conducted his investment advisory business through his company Robert N. Young and Associates.

The complaint alleges that, between February 1994 and November 1996 when soliciting purchases of ACI notes, Young made material misrepresentations and omissions about the expected returns of ACI notes, the use of ACI investor proceeds, the risks of investing in ACI, the suitability of ACI notes for his clients and customers, and his control over ACI. Young also effected unauthorized trades in the accounts of four of his advisory clients and, without discretion over those accounts or his advisory clients' authorization, sold securities from the accounts and purchased ACI notes with the proceeds. In addition, in November 1996, Young willfully omitted from an investment adviser registration form, or Form ADV, that he filed with the Commission that he was recommending to clients that they buy or sell securities or investment products in which Young had a financial interest.

The Commission alleges that Young engaged in securities fraud in violation of Section 17(a) of the Securities Act of 1933 (Securities Act), Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act), Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act or 1940 (Advisers Act). The Commission also alleges that Young willfully violated Section 207 of the Advisers Act. The Commission also alleges that Young willfully violated Section 207 of the Advisers Act, 15 U.S.C. § 80b-7. In his consent, Young has agreed to the entry of a final judgment (1) enjoining him from future violations of the above-referenced provisions; and (2) ordering him to disgorge \$1.5 million but waiving payment of that amount and prejudgment interest, and not ordering him to pay a civil penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and Section 209(e)(1) of the Advisers Act, 15 U.S.C. § 80b-9(e)(1), based on Young's demonstrated inability to pay as represented in his sworn financial statements.

The Commission acknowledges the assistance of the New York State Attorney General's Office in this matter. The litigation is pending as to the defendant. [SEC v. Robert N. Young, 00 Civ 1039, WMS, USCD, WDNY] (LR-16832)

HOLDING COMPANY ACT RELEASES

ENTERGY CORPORATION, ET AL.

A supplemental order has been issued authorizing Entergy Corporation, a registered holding company, to extend the time in which it may issue and sell up to 30 million

shares of its common stock under its Dividend Reinvestment and Stock Purchase Plan, through June 30, 2006. (Rel. 35-27300)

ALABAMA POWER COMPANY; ET AL.

An order has been issued authorizing a proposal by Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company, each an electric public utility subsidiary company of the Southern Company, a registered holding company, to amend their articles of incorporation. The Commission previously issued an order authorizing the solicitation of proxies under Rule 62(d). (Rel. 35-27301)

GPU, INC., ET AL.

A supplemental order has been issued modifying a prior order to authorize Metropolitan Edison Company and Pennsylvania Electric Company, public utility subsidiary companies of GPU, Inc., a registered holding company, to issue and sell up to \$150 million of short-term debt, through December 31, 2003. (Rel. 35-27302)

THE SOUTHERN COMPANY ET AL.

An order has been issued authorizing The Southern Company, a registered holding company, and its subsidiaries, Southern Energy, Inc. and Southern Energy Resources, Inc.; (1) to extend the authority previously granted by Commission order dated February 2, 1996 (HCAR No. 26468) (1996 Order), beyond the current expiration date of December 31, 2000 until the divestiture by Southern of Southern Energy during calendar year 2001, (2) to transfer the authority granted in the 1996 Order to Southern, through June 30, 2005, and (3) to obtain required authorizations pertaining to the implementation of the plan for the distribution of the voting securities of Southern Energy by Southern to the common stock stockholders of Southern during calendar year 2001. (Rel. 35-27303)

ALLIANT ENERGY CORPORATION, ET AL.

A supplemental order has been issued authorizing a proposal by Alliant Energy Corporation (Alliant Energy), a registered holding company, two of its utility subsidiaries, IES Utilities, Inc. and Interstate Power Corporation, and its nonutility subsidiary service company, Alliant Energy Corporate Services, Inc. Under the proposal, through June 30, 2004, Alliant may incur short-term debt in outstanding amounts of up to \$1 billion to fund the operations of its utility money pool and to make investments in nonutility generating projects. Alliant may also provide up to \$600 million of credit support for its nonutility subsidiaries. (Rel. 35-27304)

INTERSTATE POWER COMPANY

A supplemental order has been issued authorizing a proposal by Interstate Power Company, a wholly owned public utility subsidiary of Alliant Energy Corporation, a registered holding company, to extend the time in which it may issue secured and

unsecured debt in an aggregate principal amount of up to \$80 million and provide related collateral, from December 31, 2000 through June 30, 2004. (Rel. 35-27305)

IES UTILITIES, INC.

A supplemental order has been issued authorizing a proposal by IES Utilities, Inc, a wholly owned public utility subsidiary of Alliant Energy Corporation, a registered holding company, to extend the time in which it may issue secured and unsecured debt in an aggregate principal amount of up to \$200 million and provide related collateral, from December 31, 2000 through June 30, 2004. (Rel. 35-27306)

UNITIL CORPORATION, ET AL.

A supplemental order has been issued authorizing Unitil Corporation, a registered holding company, and its public utility subsidiaries, Concord Electric Company, Exeter & Hampton Electric Company, Fitchburg Gas and Electric Light Company and Unitil Power Corporation, to increase Unitil's short-term debt authorization to \$35 million outstanding at any one time, through June 30, 2003. (Rel. 35-27307)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change submitted by the International Securities Exchange (SR-ISE-00-09) relating to "Chinese Wall" procedures. (Rel. 34-43729)

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change filed by the New York Stock Exchange (SR-NYSE-00-54) to amend the public notice mechanisms in Section 807 of its Listed Company Manual has become effective under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. Publication of the proposal is expected in the Federal Register during the week of December 18. (Rel. 34-43730)

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 HOENIG GROUP INC, ROYAL EXECUTIVE PARK, 4 INTERNATIONAL DR, RYE
BROOK,
NY 10573 (914) 935-9000 - 1,000,000 (\$10,375,000) COMMON STOCK. (FILE
333-51662 - DEC. 11) (BR. 7)
- S-8 LASV ENTERPRISES INC, 201 1736 152ND STREET, SUITE 200, SURREY BC,
CA
92629 (949) 488-8494 - 1,500,000 (\$300,000) COMMON STOCK. (FILE 333-
51664
- DEC. 11) (BR. 9)
- S-8 ECONNECT, 2500 VIA CABRILLO MARINA, STE 112, SAN PEDRO, CA 90731
(310) 541-4393 - 1,450,000 (\$1,450) COMMON STOCK. (FILE 333-51668 -
DEC. 12) (BR. 5)
- S-8 WYNDHAM INTERNATIONAL INC, 1950 STEMMONS FRWY, STE 6001, DALLAS, TX
75207 (214) 863-1000 - 3,400,000 (\$5,644,000) COMMON STOCK. (FILE
333-51678 - DEC. 12) (BR. 8)
- S-4 CENDANT CORP, 9 WEST 57TH STREET, NEW YORK, NY 10019 (973) 496-5036
-
96,216,693 (\$625,826,098) COMMON STOCK. (FILE 333-51682 - DEC. 12)
(BR. 8)
- S-8 GENESEE & WYOMING INC, 66 FIELD POINT ROAD, GREENWICH, CT 06830
(203) 629-3722 - 200,000 (\$5,975,000) COMMON STOCK. (FILE 333-51684 -
DEC. 12) (BR. 5)
- SB-2 H BAR C INC, 118 MURRAY AVENUE, PORT WASHINGTON, NY 11050 (917) 250-
0250
- 4,149,500 (\$4,149,500) COMMON STOCK. (FILE 333-51686 - DEC. 12)
- S-8 PICO HOLDINGS INC /NEW, 875 PROSPECT ST, STE 301, LA JOLLA, CA 92037
(619) 456-6022 - 1,200,000 (\$13,944,000) COMMON STOCK. (FILE 333-51688
-
DEC. 12) (BR. 1)
- S-2 TCPI INC, 3341 SW 15TH STREET, POMPANO BEACH, FL 33069 (954) 979-
0400 -
23,000,000 (\$3,437,500) COMMON STOCK. (FILE 333-51690 - DEC. 12) (BR.
1)
- S-8 INTUIT INC, 2535 GARCIA AVE, MOUNTAIN VIEW, CA 94043 (415) 944-6000
-
400,000 (\$19,512,000) COMMON STOCK. (FILE 333-51692 - DEC. 12) (BR. 3)

S-8 INTUIT INC, 2535 GARCIA AVE, MOUNTAIN VIEW, CA 94043 (415) 944-6000
- 9,700,000 (\$473,166,000) COMMON STOCK. (FILE 333-51694 - DEC. 12) (BR.
3)

S-8 INTUIT INC, 2535 GARCIA AVE, MOUNTAIN VIEW, CA 94043 (415) 944-6000
- 86,973 (\$4,049,680.30) COMMON STOCK. (FILE 333-51696 - DEC. 12) (BR.
3)

S-8 INTUIT INC, 2535 GARCIA AVE, MOUNTAIN VIEW, CA 94043 (415) 944-6000
- 125,000 (\$6,097,500) COMMON STOCK. (FILE 333-51698 - DEC. 12) (BR. 3)

S-8 INTUIT INC, 2535 GARCIA AVE, MOUNTAIN VIEW, CA 94043 (415) 944-6000
- 225,000 (\$10,975,500) COMMON STOCK. (FILE 333-51700 - DEC. 12) (BR. 3)

S-8 CONNECTICUT WATER SERVICE INC / CT, 93 W MAIN ST, CLINTON, CT 06413
(860) 669-8630 - 200,000 (\$6,162,500) COMMON STOCK. (FILE 333-51702 -
DEC. 12) (BR. 2)

S-8 AMEDISYS INC, 11100 MEAD ROAD STE 300, BATON ROUGE, LA 70816
(225) 292-2031 - 1,425,000 (\$5,159,966) COMMON STOCK. (FILE 333-51704
- DEC. 12) (BR. 1)

SB-2 LETS PLAY SPORTS INC, 9606 AERO DRIVE, #1300, SAN DIEGO, CA 92123
(858) 637-5766 - \$4,618,900 COMMON STOCK. (FILE 333-51714 - DEC. 13)