

SEC NEWS DIGEST

Issue 2001-51

March 15, 2001

COMMISSION ANNOUNCEMENTS

SEC SENDS LETTER TO HEADS OF SIGNATORIES TO THE 1993 VOLUNTARY INITIATIVE ON POLITICAL CONTRIBUTIONS BY MUNICIPAL SECURITIES MARKET PARTICIPANTS

Today the Commission released the following text of a letter sent by Acting Chairman Laura S. Unger to heads of municipal securities firms concerning a 1993 voluntary initiative on political contributions by municipal securities market participants.

Dear _____:

Recently, questions have been raised by various municipal securities market participants about the continued relevance of the Statement of Initiative Regarding Political Contributions to State and Local Officials/Candidates (the "Voluntary Initiative") in light of the implementation of MSRB Rules G-37 and G-38. Furthermore, we understand that while most firms that initially agreed to adhere to the Voluntary Initiative continue to do so, some do not, considering it to have been superseded by Rules G-37 and G-38. As a result, the Commission believes it appropriate to clarify our position at this time.

In response to a call by Chairman Levitt to eliminate so called "pay-to-play" practices in the public finance industry, 42 municipal securities firms, including yours, entered into the Voluntary Initiative in 1993 to curb those practices. The Voluntary Initiative imposed a number of prohibitions upon making or soliciting political contributions at the state and local levels on the participating municipal securities firms, their political action committees, municipal finance professionals, and senior management. Although Rules G-37 and G-38 do not impose a ban on political contributions, instead requiring disclosure of political contributions and prohibiting participation in municipal securities business that could be influenced by particular contributions for two years, the effect of MSRB Rules G-37 and G-38 are substantially similar overall to that of the Voluntary Initiative.

The Voluntary Initiative was a very effective first step in the elimination of pay-to-play practices in the municipal securities market. However, now that the MSRB has developed a regulatory scheme designed to ensure that pay-to-play practices do not occur and the NASD has undertaken enforcement actions when necessary, the Voluntary

Initiative is no longer needed. Compliance with both the MSRB rules and the Voluntary Initiative imposes unnecessary record-keeping and other requirements. The Voluntary Initiative has served its purpose; the Commission no longer expects firms to adhere to its terms.

We caution you against reading this as an indication that the Commission is backing away from its commitment to eliminate pay-to-play practices. Be assured that the Commission's commitment to ensuring the integrity of the municipal securities market remains unabated.

The Commission appreciates the efforts of your firm and the other signatories to the Voluntary Initiative to uphold the integrity of the municipal securities markets. I commend you for entering into the Voluntary Initiative and acting in the best interests of the public finance industry.

Sincerely,

Laura S Unger
Acting Chairman
(Press Rel. 2001-28)

ENFORCEMENT PROCEEDINGS

FLORIDA BOND MARKETER CONSENTS TO ANTIFRAUD CHARGES FOR HIS ROLE IN \$314 MILLION PONZI SCHEME, ACCEPTS BAR FROM ASSOCIATION WITH ANY BROKER OR DEALER

On March 14, the Commission entered an Order Instituting Public Administrative Proceedings Pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions (Order) against Bill J. Short, II (Short), of Marco Island, Florida for his role in a \$314 million Ponzi scheme involving at least 1800 investors. Without admitting or denying its findings except as to the Commission's jurisdiction and the fact that Short was acting as an unregistered broker-dealer between April 1999 and June 1999, Short consented to the entry of the Order, which bars him from associating with any broker or dealer.

The \$314 million Ponzi scheme in which Short was involved is one of the largest Ponzi schemes that the Commission has pursued. The Commission filed a complaint against Short charging that he participated in the Ponzi scheme controlled by Charles Richard Homa and Michael Gause from approximately April 1999 to June 1999. [SEC v. Homa, et al., 99 C 6895 (N.D.Ill.)] Short, as part of an extensive sales network developed by Homa and Gause, offered and sold securities, in the form of promissory bonds issued by Gulfcoast Holdings, LLC, which purported to provide returns through investments in the car title and payday loan business. Short raised \$487,000 from investors. The investment funds raised in the scheme were not used in the car title or payday loan

business, but rather were used to make interest payments to existing investors, to pay marketer commissions, and for personal expenditures of Homa and Gause. Short made misrepresentations and omissions of material fact concerning the use of investor funds and failed to disclose the source of the interest payments and that the receivables purportedly securing certain offerings were insufficient security. On March 8, 2000, in *SEC v. Homa*, the U.S. District Court for the Northern District of Illinois issued an order enjoining Short from violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b), 15(a), and 15(c) of the Exchange Act and Rules 10b-5 and 15c1-2 promulgated thereunder. (Rel. 34-44074; File No. 3-10440)

COMMISSION INSTITUTES ADMINISTRATIVE PROCEEDING AGAINST RICHARD REINING, MICHAEL TOMPKINS, STEPHEN RAWLINGS, AND JOSEPH HILL

On March 14, the Commission instituted a public administrative proceeding against Richard C. Reining, Michael R. Tompkins, Stephen R. Rawlings, and Joseph L. Hill (collectively referred to as the "Respondents") pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934. Simultaneous with the institution of this proceeding, the Respondents submitted Offers of Settlement in which, while neither admitting nor denying the Commission's findings, each consented to the entry of an Order barring him from association with any broker or dealer, with a right to reapply after one year. The Order was based on the entry of a permanent injunction in a civil action against the Respondents. The Commission's complaint alleged that the Respondents violated the registration and antifraud provisions by, among other things, omitting to disclose the actual commissions paid to them in connection with the offer and sale of the unregistered securities of Papa Holdings, Inc. and/or four of its subsidiaries. (Rel. 34-44075; File No. 3-10441)

SEC v. SIMON ROSENFELD, TERRY KOCZANOWSKI AND JOHN YAKIMCZYK

The Commission announced today that on March 12 the Honorable William H. Pauley III, United States District Judge for the Southern District of New York, entered a final judgment against defendant Simon M. Rosenfeld (Rosenfeld). Rosenfeld, a lawyer, resides in Toronto, Canada and formerly served as the president, treasurer and director of the publicly traded corporation Synpro Environmental Services, Inc. (f/k/a Sherwood Corporation) (Synpro). In connection with his activities with Synpro, Rosenfeld violated the antifraud, registration and other provisions of the federal securities laws, and the Court previously enjoined Rosenfeld from violating these provisions of the securities laws. Based on Rosenfeld's violations of the securities laws, the Court's final judgment required Rosenfeld to pay \$1,093,189 in disgorgement, \$630,386.63 in prejudgment interest, and \$1,093,189 in civil penalties, for a total award of \$2,816,764.63.

On April 21, 2000, the Court entered a partial default judgment against Rosenfeld. The Court found that from 1991 through 1999, Rosenfeld orchestrated a "pump and dump" scheme involving Synpro common stock. Rosenfeld furthered this scheme by disseminating materially false and misleading information, and failing to disclose

material information, in a number of Synpro's annual, quarterly and other reports. For instance, Rosenfeld directed Synpro to overstate the value of the company's assets by falsely reporting, among other things, that Synpro owned a \$15 million, 17-acre property on the Isle of Rhodes, Greece. Rosenfeld also failed to disclose the related party nature of numerous transactions to which Synpro was a party. Rosenfeld made these misrepresentations to make Synpro appear to have significant value, and "pump up" the value of its stock, and thereby permit Rosenfeld to sell (or "dump") millions of unregistered shares of his personal holdings in Synpro stock through a complex network of offshore corporations and brokerage accounts to unsuspecting investors. The Court also found that Rosenfeld took a number of actions to condition the market for Synpro stock. Rosenfeld was able to sell his Synpro stock by, among other things, making undisclosed stock and/or cash kickbacks to defendant John Yakimczyk, a broker, and other stock promoters, for inducing investors to purchase the Synpro shares in the market.

The partial final judgment entered against Rosenfeld permanently enjoined him from violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933, Sections 10(b), 13(a), 13(b), and 13(d) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rules 10b-5, 12b-12, 13a-1, 13a-13, 13b2-1 and 13b2-2 and Rules 101 and 102 of Regulation M. The judgment also barred Rosenfeld from serving as an officer or director of a public reporting company.

The Commission previously reached settlements with defendant Yakimczyk and defendant Terry Kochanowski, a former vice president and director of Synpro. For further information, see Litigation Release No. 16504 (April 4, 2000), Litigation Release No. 16413 (January 20, 2000) and Litigation Release No. 15274 (March 5, 1997). [SEC v. Simon M. Rosenfeld, Terry D. Kochannowski and John F. Yakimczk, 97 Civ. 1467, SDNY, WHP] (LR-16932)

SEC FILES SETTLED INSIDER TRADING ACTION AGAINST AARON FINCH FOR TRADING IN THE SECURITIES OF UNITED PAYORS AND UNITED PROVIDERS, INC.

On March 15, the Commission filed civil fraud charges in the United States District Court for the District of Columbia against Aaron C. Finch, alleging insider trading in the securities of United Payors and United Providers, Inc. (UPUP) prior to the February 7, 2000 announcement that BCE Emergis, Inc. had agreed to purchase UPUP.

The Commission's complaint alleges that, while Finch was helping UPUP's senior management and board of directors evaluate a potential merger partner, he learned that UPUP might be acquired. According to the complaint, Finch, while in possession of this material, non-public information, purchased a total of 1,090 shares of UPUP common stock on January 18 and January 24, 2000, at prices ranging from \$16.75 to \$17.75 per share. When the merger was announced on February 7, 2000, the price of UPUP stock increased approximately 25%, from \$20.50 to \$25.5625 per share. After the merger was announced, Finch sold or tendered all of the shares that he had purchased on January 18 and January 24, 2000, making a profit of \$10,089.32.

Finch consented, without admitting or denying the allegations in the complaint, to the entry of a final judgment permanently enjoining him from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and ordering him to pay disgorgement of \$10,089.32, prejudgment interest of \$840.28, and a civil penalty of \$10,089.32. [SEC v. Aaron C. Finch, USDC for the District of Columbia, Civil Action No. 1:01CV00549] (LR-16933)

INVESTMENT COMPANY ACT RELEASES

CORRECTION

In the Digest for March 14, an article concerning GFINET INC. AND MAGNETIC HOLDINGS INTERNATIONAL (DE) LLC should have read as follows:

GFINET INC. AND MAGNETIC HOLDINGS INTERNATIONAL (DE) LLC

An order has been issued on an application filed by GFInet inc. and Magnetic Holdings International (DE) LLC 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 GFInet inc. from certain provisions of the Act. (Rel. IC-24891 – March 13)

NUVEEN INVESTMENTS, ET AL.

A notice has been issued giving interested persons until April 5, 2001, to request a hearing on an application filed by Nuveen Investments, et al. for an order exempting applicants from Sections 12(d)(1)(A), (B), and (C) of the Investment Company Act and from Section 17(a) of the Act. The order would permit certain registered unit investment trusts to acquire shares of registered management investment companies and unit investment trusts both within and outside the same group of investment companies. (Rel. IC-24892 – March 13)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGE

The Commission issued an order approving a proposed rule change (SR-Phlx-01-06) filed by the Philadelphia Stock Exchange to amend Phlx Rule 1063(a) and Phlx Options Floor Procedure Advices A-10 and C-1, which concern trading in foreign currency options. The order is expected in the Federal Register during the week of March 19. (Rel. 34-44070)

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>. In most cases, this information is also available on the Commission's website: <www.sec.gov>.

S-8 OLIN CORP, 501 MERRITT 7, P O BOX 4500, NORWALK, CT 06856 (203) 750-3000
- 3,000,000 (\$63,075,000) COMMON STOCK. (FILE 333-56690 - MAR. 08)
(BR. 4)

S-8 TASTY FRIES INC, 650 SENTRY PKWY STE ONE, BLUE BELL, PA 19422
(610) 941-2109 - 500,000 (\$200,000) COMMON STOCK. (FILE 333-56692 -
MAR. 08) (BR. 4)

S-8 CYBERONICS INC, 16511 SPACE CENTER BLVD, SUITE 600, HOUSTON, TX
77058
(713) 332-1375 - 1,000,000 (\$22,000,000) COMMON STOCK. (FILE 333-56694
-
MAR. 08) (BR. 5)

S-8 MERCK & CO INC, ONE MERCK DR, P O BOX 100, WHITEHOUSE STATION, NJ
08889
(908) 423-4044 - 450,000 (\$33,552,000) COMMON STOCK. (FILE 333-56696 -
MAR. 08) (BR. 1)

S-3 WHOLESALE AUTO RECEIVABLES CORP, CORPORATE TRUST CENTER,
1209 ORANGE STREET, WILMINGTON, DE 19801 (302) 658-7851 - 125,000,000
(\$125,000,000) EQUIPMENT TRUST CERTIFICATES. (FILE 333-56698 - MAR.
08)
(BR. 8)

S-8 INNOVATIVE GAMING CORP OF AMERICA, 4725 AIRCENTER CIRCLE, RENO, NV
89502
(775) 823-3000 - 1,150,000 (\$826,562.50) COMMON STOCK. (FILE 333-56700
-
MAR. 08) (BR. 6)

S-8 INNOVATIVE GAMING CORP OF AMERICA, 4725 AIRCENTER CIRCLE, RENO, NV
89502
(775) 823-3000 - 250,000 (\$177,500) COMMON STOCK. (FILE 333-56702 -
MAR. 08) (BR. 6)

S-8 SONUS PHARMACEUTICALS INC, 22026 20TH AVE SE, STE 102, BOTHELL, WA
98021
(206) 487-9500 - 484,141 (\$832,722.52) COMMON STOCK. (FILE 333-56704 -
MAR. 08) (BR. 1)

S-8 ICEBERG CORP OF AMERICA, 16 FOREST ROAD SUITE 200,
P O BOX 8251 ST JOHNS, NEWFOUNDLAND CANADA, (709) 739-5731 - 1,180,000
(\$583,500) COMMON STOCK. (FILE 333-56706 - MAR. 08) (BR. 9)

S-8 MONOGRAM PICTURES INC, 120 ST CROIX AVE, COCOA BEACH, FL 32931
(321) 799-3842 - 2,200,000 (\$110,000) COMMON STOCK. (FILE 333-56708 -
MAR. 08) (BR. 5)

S-8 SEACOR SMIT INC, 11200 RICHMOND AVE, SUITE 400, HOUSTON, TX 77082
(713) 782-5990 - 300,000 (\$14,466,000) COMMON STOCK. (FILE 333-56714 -
MAR. 08) (BR. 5)

S-8 HOME DEPOT INC, 2455 PACES FERRY ROAD, ATLANTA, GA 30339 (770) -43-
3-82
- 3,250,000 (\$135,655,000) COMMON STOCK. (FILE 333-56722 - MAR. 08)
(BR. 6)

S-8 HOME DEPOT INC, 2455 PACES FERRY ROAD, ATLANTA, GA 30339 (770) -43-
3-82
- 10,000,000 (\$417,400,000) COMMON STOCK. (FILE 333-56724 - MAR. 08)
(BR. 6)

S-8 MISSISSIPPI CHEMICAL CORP /MS/, P O BOX 388, YAZOO CITY, MS 39194
(601) 746-4131 - 100,000 (\$381,000) COMMON STOCK. (FILE 333-56726 -
MAR. 08) (BR. 2)

S-8 EXCELON CORP, 25 MALL RD, BURLINGTON, MA 01803 (617) 674-5000 -
2,000,000 (\$9,484,129) COMMON STOCK. (FILE 333-56730 - MAR. 08) (BR.
3)

S-8 NVR INC, 7601 LEWISVILLE RD, STE 300, MCLEAN, VA 22102 (703) 761-
2000 -
2,000,000 (\$290,750,000) COMMON STOCK. (FILE 333-56732 - MAR. 08) (BR.
6)

S-8 LNR PROPERTY CORP, 760 NW 107TH AVE, MIAMI, FL 33172 (305) 485-2000
-
2,240,947 (\$64,270,360) COMMON STOCK. (FILE 333-56734 - MAR. 08) (BR.
8)

S-8 C&D TECHNOLOGIES INC, 1400 UNION MEETING ROAD, PO BOX 3053, BLUE
BELL,
PA 19422 (215) 619-2700 - 1,800,000 (\$58,468,858) COMMON STOCK. (FILE
333-56736 - MAR. 08) (BR. 5)

S-8 WESTERN DIGITAL CORP, 20511 LAKE FOREST DRIVE, LAKE FOREST, CA 92630
(949) 932-5000 - 1,000,000 (\$3,905,000) COMMON STOCK. (FILE 333-56738
-
MAR. 08) (BR. 3)

S-3 TRANSWITCH CORP /DE, THREE ENTERPRISE DRIVE, SHELTON, CT 06484
(203) 929-8810 - 43,507 (\$883,758) COMMON STOCK. (FILE 333-56740 -
MAR. 08) (BR. 5)

S-4 BB&T CORP, 200 WEST SECOND STREET, WINSTON-SALEM, NC 27101
(336) 733-2000 - 13,870,586 (\$468,190,156) COMMON STOCK. (FILE 333-
56742 -
MAR. 08) (BR. 7)

S-8 MODERNGROOVE ENTERTAINMENT INC, 1801 E. TROPICANA STE 9, LAS VEGAS,
NV
89119 (702) 893-2556 - 550,000 (\$550,000) COMMON STOCK. (FILE 333-
56744 -
MAR. 08) (BR. 1)

S-3 FIRST DATA CORP, 5660 NEW NORTHSIDE DRIVE SUITE 1400, ATLANTA, GA
30328
(770) 857-0001 - 1,500,000,000 (\$1,500,000,000) COMMON STOCK. (FILE
333-56748 - MAR. 08) (BR. 3)

S-4 KELLSTROM INDUSTRIES INC, 1100 INTERNATIONAL PARKWAY, SUNRISE, FL
33323
(954) 845-0427 - 140,250,000 (\$140,250,000) STRAIGHT BONDS. (FILE
333-56750 - MAR. 08) (BR. 5)

S-8 KEANE INC, TEN CITY SQ, BOSTON, MA 02129 (617) 241-9200 - 5,000,000
(\$74,400,000) COMMON STOCK. (FILE 333-56752 - MAR. 08) (BR. 3)

S-8 SILVERLINE TECHNOLOGIES LTD, SILVERLINE CORPORATE PLAZA,
53 KIGHTSBRIDGE ROAD, PISCATAWAY, NJ 08854 (732) 457-0200 - 6,000,000
(\$18,420,000) COMMON STOCK. (FILE 333-56754 - MAR. 08) (BR. 3)

S-8 AUTO TROL TECHNOLOGY CORP, 12500 N WASHINGTON ST, DENVER, CO 80241
(303) 452-4919 - 3,600,000 (\$675,000) COMMON STOCK. (FILE 333-56758 -
MAR. 08) (BR. 3)