

C.2

SEC NEWS DIGEST

Issue 2001-232

December 4, 2001

COMMISSION ANNOUNCEMENTS

SEC CAUTIONS COMPANIES, ALERTS INVESTORS TO POTENTIAL DANGERS OF "PRO FORMA" FINANCIALS

Today we are issuing cautionary advice that companies and their advisors should consider when releasing "pro forma" financial information. We believe it is appropriate to sound a warning about the presentation of company earnings and operating results on the basis of methodologies other than Generally Accepted Accounting Principles (GAAP).

We are also issuing an "Investor Alert" that describes how "pro forma" financials should be analyzed, including a reminder that they should be viewed with appropriate and healthy skepticism. Because "pro forma" financial information by its very nature departs from traditional accounting conventions, its use can make it hard for investors to compare an issuer's financial information with other reporting periods and with other companies.

We believe that -- with appropriate disclosure -- accurate interpretations of and summaries of GAAP financial statements benefit investors. The cautionary advice and investor alert are part of our commitment to improve the quality, timeliness, and accessibility of publicly available financial information.

The Investor Alert on "pro forma" financials and the Commission's release on cautionary advice on the use "pro forma" financial information can be accessed on the SEC's Website at www.sec.gov and then clicking on "SEC Issues Caution, Alert on Pro Forma Financials." (Press Rel. 2001-144)

SEC HALTS \$3.9 MILLION OIL & GAS SCAM; "REAL-TIME" ENFORCEMENT INITIATIVE CITED

On December 3, the Commission announced that it has obtained emergency *ex parte* orders from the U.S. District Court for the Northern District of Texas to shut down an oil and gas investment scam in which more than 100 people invested approximately \$3.9 million.

Specifically, the Court entered orders freezing the assets of C-Tech, L.L.P., of Comanche, Texas, and its managing partner, Robert W. Schlotterbeck. The Court also named a receiver for C-Tech. The Court issued the orders based on evidence presented by the Commission showing that C-Tech and Schlotterbeck had misappropriated more than \$1 million of

offering proceeds for, among other things, a luxury golf course lot, commodities trading, and a money market account believed to be controlled by Schlotterbeck.

The Commission filed the lawsuit and obtained the emergency orders within four business days of initially learning of the scheme. Upon discovering that investor funds had been misappropriated and that assets purchased with such funds were still under the control of the alleged wrongdoer, the Commission moved swiftly to halt the scheme and preserve assets for the benefit of the victims of the scheme. As a result of the Commission's prompt action, it appears that cash and assets purchased with investor funds totaling at least \$800,000 already have been frozen.

Harold F. Degenhardt, District Administrator for the Commission's Fort Worth, Texas, office said: "The C-Tech case is just one more example of the Commission's resolve to bring enforcement actions on a 'real-time' basis. This is especially true in ongoing schemes where investor funds remain at risk." Degenhardt added that, "not only will we move quickly, but we will also utilize all available remedies to bring the full force of the Commission to bear to protect investors."

For further information, contact Harold F. Degenhardt (817/978-6469) or Associate Administrator Spencer C. Barasch (817/978-6425) in the Commission's Fort Worth District Office. (Press Rel. 2001-143)

RULES AND RELATED MATTERS

FREQUENTLY ASKED QUESTIONS ABOUT RULE 35D-1 (INVESTMENT COMPANY NAMES); REVISION OF FREQUENTLY ASKED QUESTIONS ABOUT MUTUAL FUND AFTER-TAX RETURN REQUIREMENTS

The Division of Investment Management has issued responses to frequently asked questions about Rule 35d-1 under the Investment Company Act of 1940, which the Commission adopted on January 17, 2001. Rule 35d-1 requires that a mutual fund with a name suggesting that it focuses on a particular type of investment invest at least 80% of its assets in accordance with its name. The Division has also revised the response to Question 17 of the Frequently Asked Questions About Mutual Fund After-Tax Return Requirements that it issued on November 5, 2001, to clarify how an exception for tax-exempt funds from certain advertising requirements applies to single-state tax-exempt funds.

The Division's responses to frequently asked questions about Rule 35d-1 will be posted on the Commission's website at www.sec.gov. The responses represent the views of the Division of Investment Management and do not necessarily reflect the views of the Commission.

ENFORCEMENT PROCEEDINGS

JUDGE ISSUES EMERGENCY ASSET FREEZE, APPOINTS A RECEIVER AND ORDERS INTERIM ACCOUNTING IN \$3.9 MILLION SECURITIES FRAUD CASE FILED BY COMMISSION

On December 3, Judge Jorge Solis of the U.S. District Court for the Northern District of Texas issued an order freezing the assets of C-Tech, L.L.P. (C-Tech), a Comanche, Texas oil and gas firm, and Robert W. Schlotterbeck, its managing partner. The defendants are accused of engaging in a nationwide securities scam involving almost \$4 million from more than 100 investors. The court appointed a receiver to recover and preserve assets, ordered an accounting of investor funds and ordered that evidence be preserved.

The Commission accuses C-Tech and Schlotterbeck of securities fraud in connection with the offer and sale of interests in two oil and gas wells near Beeville, Texas. Schlotterbeck diverted more than \$500,000 of the \$2.8 million raised in the first offering for his personal use, leaving the well unfinished. The second well was never started and C-Tech lost the lease when Schlotterbeck misappropriated more than \$450,000 of the \$1.1 million raised. It appears that, Schlotterbeck used \$311,000 to purchase a luxury golf course lot near Austin. In offering and selling these interests, C-Tech's sales staff engaged in other misrepresentations and omissions concerning, the probability of drilling a successful well, the anticipated returns to investors, and the compensation paid to the C-Tech sales staff.

The Commission's complaint charges C-Tech and Schlotterbeck with violating the antifraud provisions in Section 17(a) of the Securities Act of 1933, and Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder, as well as the registration provisions of Sections 5(a) and 5(c) of the Securities Act. The complaint seeks an immediate asset freeze, preliminary and permanent injunctions, an interim accounting, disgorgement with prejudgment interest and a civil money penalty against each defendant, as well as the appointment of a receiver over the defendants' assets. Finally, the Commission seeks an order prohibiting the alteration and destruction of books and records, and expedited discovery – all of which were granted by the Court today. [SEC v. C-Tech, L.L.P. and Robert W. Schlotterbeck, Civil Action No. 3:01-CV-2542-P, Northern District of Texas, Dallas Division] (LR-17251)

BIJ FINANCIAL SERVICES D/B/A MOLLA INVESTMENTS, NEW ERA ENTERPRISES COMPANY AND BRIAN MILES CHARGED WITH FRAUD

On December 3, the Commission filed suit in the United States District Court for the District of Colorado against BIJ Financial Services d/b/a Molla Investments, New Era Enterprises Company and Brian K. Miles, all of Denver. The Commission alleged that,

beginning in November 2000 the defendants fraudulently raised at least \$200,000 from investors through the sales of "units" in their "Venture Capital Program." The Commission further alleged that the defendants promised investors returns of 20% monthly or 40% quarterly with no risk to their principal. The returns were to be generated through defendant Miles' trading in S&P 500 futures. The Commission alleged that these representations were on their face false and misleading. Additionally, the Commission alleged that the defendants stopped paying investors their promised returns in August 2001. The defendants claimed, the Commission alleged, that they could no longer pay the returns because the Commission had frozen the funds in defendant Molla Investments' Nevada bank account. In fact, the Commission had not brought any type of enforcement action against any of the defendants before this one and had not obtained a freeze of the defendants' assets.

The Commission alleged that the defendants violated the antifraud provisions of the federal securities laws set forth in Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission's action seeks permanent injunctions prohibiting future violations of these provisions, disgorgement of the defendants' ill-gotten gains plus prejudgment interest, and civil penalties against each defendant. Additionally, the Commission's action seeks emergency injunctive and equitable relief consisting principally of a temporary restraining order and an order freezing each defendant's assets. [SEC v. BIJ Financial Services d/b/a Molla Investments, New Era Enterprises Company and Brian K. Miles, Civil Action No. 01-Z-2322, District of Colorado] (LR-17252)

COMMISSION OBTAINS PRELIMINARY INJUNCTION AGAINST PRESIDENT OF COMPANY IN FRAUDULENT OIL AND GAS SCHEME

The Commission announced that on November 30, 2001, the Honorable Lourdes G. Baird, United States District Judge for the Central District of California, issued an order of preliminary injunction involving a \$1 million securities fraud by Barry V. Reed (Reed), age 56, of Las Vegas, Nevada, the president of Texon Energy Corporation (Texon). The Court: (1) granted the Commission's application for a preliminary injunction; (2) froze the assets of the defendant; (3) prohibited the destruction of documents by the defendant; and (4) ordered an accounting from the defendant.

The Commission's complaint, filed November 13, 2001, alleges that since 1998, Reed, along with Texon, Lonestar Petroleum Corporation (Lonestar), and James E. Hammonds (Hammonds), raised over \$1 million from investors, purportedly for investments in oil and gas wells, and promising investors a monthly dividend equal to 12% per year. In fact, the defendants are operating a Ponzi-like scheme in which they are making payments to existing investors with the money that they raise from new investors. As part of the defendants' sales pitch in September and October 2001, the defendants have tried to capitalize on the September 11th tragedy by telling elderly investors, that because of "the War," the demand and price of oil would increase and Texon is in a "good position" to benefit from all of this because it purchases domestic oil and gas wells.

The Commission obtained an order preliminarily restraining Reed from committing 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) and Rule 10b-5 thereunder. The Court's order also preliminarily restrains the defendant from committing violations of the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act.

The Commission obtained an order of preliminary injunction against Texon, Lonestar, and Hammonds on November 21, 2001.

In addition to the interim relief granted on November 30, 2001, the Commission seeks a final judgment against all the defendants enjoining them from future violations of the foregoing securities registration and antifraud provisions, and ordering the defendants to disgorge all ill-gotten gains, and assessing civil penalties against them (LR-17231 and LR-17248). [SEC v. Texon Energy Corporation, et al., Civil Action No. CV-01-09706-LGB, MANx, CD Cal.] (LR-17253)

ACTION FILED AGAINST STEPHEN FISCHER FOR VIOLATING A COMMISSION ORDER

On November 29, 2001, the Commission filed an injunctive action to enforce an order issued against Stephen J. Fischer (Fischer) by the Commission in an administrative proceeding in which Fischer was a respondent. Specifically, on April 18, 2001, Fischer was ordered, among other things, to pay a \$5,000 civil penalty in a proceeding in which it was alleged that he submitted false bid and ask quotes for The L.L. Knickerbocker Co., Inc. stock in violation of Section 15(c)(2) of the Securities Exchange Act of 1934 and Rule 15c2-7 thereunder (In the Matter of Shamrock Partners, Ltd., James T. Kelly, John R. Doyle and Stephen J. Fischer, Admin. Pro. File No. 3-10344, April 18, 2001). Even though Fischer consented to the issuance of the order by the Commission, he has failed to pay the \$5,000 civil penalty. [SEC v. Stephen J. Fischer, Civil Action No. 01-10261 GAF, FMOx, CD Cal.] (LR-17254)

INVESTMENT COMPANY ACT RELEASES

TOUCHSTONE VARIABLE SERIES TRUST, ET AL.

A notice has been issued giving interested persons until December 28 to request a hearing on the application filed by Touchstone Variable Series Trust (TVST) and Touchstone Advisors, Inc. (Touchstone Advisors) (collectively, Applicants). Applicants seek an order under Section 6(c) of the Investment Company Act of 1940 granting exemptions from the provisions of Sections 9(a), 13(a), 15(a) and 15(b) of the Act, and Rules 6e-

2(b)(15) and 6e-3(T)(b)(15) thereunder, to the extent necessary to permit shares of any current or future series of TVST and shares of any other investment company that is offered as a funding medium for insurance products and for which Touchstone Advisors or any affiliates thereof may now or in the future serve as manager, investment adviser, sub-adviser, administrator, principal underwriter or sponsor to be sold and held by: (1) variable annuity and variable life insurance separate accounts of both affiliated and unaffiliated life insurance companies; (2) qualified pension and retirement plans outside the separate account context; and (3) the manager and any other affiliated and unaffiliated registered investment advisor, retained by the manager to manage the portfolio securities of a Touchstone Fund, and any affiliate of the manager and affiliates of the sub-advisers. (Rel. IC-25305 - December 3)

HOLDING COMPANY ACT RELEASES

ALLEGHENY ENERGY, INC., ET AL.

A notice has been issued giving interested persons until December 26 to request a hearing on a proposal by Allegheny Energy, Inc. (Allegheny), a registered holding company; Allegheny Ventures, Inc., a wholly owned nonutility subsidiary company directly held by Allegheny; Allegheny Energy Supply Company, L.L.C. (AE Supply), a wholly owned generating subsidiary company directly held by Allegheny; and Allegheny Energy Global Markets, L.L.C. (AE Global), a direct wholly owned subsidiary of AE Supply that will cease to exist pending completion of the requested transactions (Applicants). Applicants request financing authority and request authority to increase investment in exempt wholesale generators and foreign utility companies. In addition, Applicants seek authority to restructure AE Supply, which includes among other things: reincorporating AE Supply in Maryland; merging AE Global, an energy trading subsidiary formed under rule 58, into the restructured AE Supply (New AE Supply); and transferring some of Allegheny's membership interests in generation to New AE Supply. New AE Supply seeks a section 3(a)(2) exemption from registration. (Rel. 35-27471)

ALABAMA POWER COMPANY

A notice has been issued giving interested persons until December 26 to request a hearing on a proposal by Alabama Power Company (Alabama Power), a wholly owned public utility subsidiary of The Southern Company, a registered holding company. Alabama Power proposes to sell, from time to time prior to December 31, 2006, distribution line poles located in Alabama to non-affiliated telephone and other non-electric utility companies. (Rel. 35-27471)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change submitted by the New York Stock Exchange amending NYSE Rule 103A to delete an unused measure of specialist performance (SR-NYSE-2001-34). Publication of the proposal is expected in the Federal Register during the week of December 3. (Rel. 34-45118)

DELISTING GRANTED

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Common Stock, no par value, of Sensormatic Electronics Corporation, effective at the opening of business on November 29, 2001. (Rel. 34-45120)

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 MICROCELL TELECOMMUNICATIONS INC, 1250 RENE-LEVESQUE BLVD WEST STE
400,
MONTREAL QUEBEC, H3B 4W5, E6 00000 (514) 937-2121 - 85,691,775
(\$212,515,602) WARRANTS, OPTIONS OR RIGHTS. (FILE 333-14124 - NOV. 21)
(BR. 7)

F-7 MICROCELL TELECOMMUNICATIONS INC, 1250 RENE-LEVESQUE BLVD WEST STE
400,
MONTREAL QUEBEC, H3B 4W5, E6 00000 (514) 937-2121 - 122,955,459
(\$158,771,769.42) WARRANTS, OPTIONS OR RIGHTS. (FILE 333-14126 - NOV.
21)

7 NEWS DIGEST, December 4, 2001

(BR. 7)

F-6 BANK OF CHILE/ADR, 535 MADISON AVENUE, NEW YORK, NY 10260 (212) 648-3250
- 50,000,000 (\$2,500,000) DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-14128 - NOV. 21) (BR. 99 - NEW ISSUE)

S-3 ANTIGENICS INC /DE/, 630 FIFTH AVENUE SUITE 2170, NEW YORK, NY 10111 (212) 332-4774 - \$100,000,000 STRAIGHT BONDS. (FILE 333-74002 - NOV. 27)
(BR. 1)

S-3 GOLDMAN SACHS GROUP INC/, 85 BROAD ST, NEW YORK, NY 10004 (212) 902-1000
- 14,125,724 (\$1,248,714,002) COMMON STOCK. (FILE 333-74004 - NOV. 27) (BR. 7)

S-3 GOLDMAN SACHS GROUP INC/, 85 BROAD ST, NEW YORK, NY 10004 (212) 902-1000
- 1,000,000 (\$88,400,000) COMMON STOCK. (FILE 333-74006 - NOV. 27) (BR. 7)

S-2 FARMLAND INDUSTRIES INC, 3315 N FARMLAND TRAFFICWAY, DEPT 140, KANSAS CITY, MO 64116 (816) 459-6000 - \$100,000,000 STRAIGHT BONDS. \$260,000,000 MORTGAGE BONDS. (FILE 333-74008 - NOV. 27) (BR. 4)

S-8 TUCOWS INC /PA/, 96 MOWAT AVENUE, TORONTO, A6 M6K 3 (416) 535-0123 - 7,500,000 (\$3,750,000) COMMON STOCK. (FILE 333-74010 - NOV. 27) (BR. 3)

S-4 VERIZON GLOBAL FUNDING CORP /DE/, 501 CARR ROAD, SUITE 201, NULL, WILMINGTON, DE 19809 (302) 761-4200 - 2,000,000,000 (\$2,000,000,000) FLOATING RATE NOTES. (FILE 333-74012 - NOV. 27) (BR. 37)

S-1 CAMPBELL ALTERNATIVE ASSET TRUST, 210 WEST PENNSYLVANIA AVENUE, SUITE 770, TOWSON, MD 21204 (410) 296-3301 - 232,000,000 (\$232,000,000) COMMON SHARES OF BENEFICIAL INTEREST. (FILE 333-74014 - NOV. 27) (BR. 8)

S-8 IMAGEWARE SYSTEMS INC, 10883 THORN MINT RD, 619-673-8600, SAN DIEGO, CA 92127 (619) 673-8600 - 1,000,000 (\$5,730,000) COMMON STOCK. (FILE 333-74016 - NOV. 27) (BR. 3)

S-8 INDIAN RIVER BANKING COMPANY, 958 20TH PL, VERO BEACH, FL 32960 (407) 569-9200 - 31,611 (\$445,495.30) COMMON STOCK. (FILE 333-74018 - NOV. 27) (BR. 7)

S-8 INDIAN RIVER BANKING COMPANY, 958 20TH PL, VERO BEACH, FL 32960 (407) 569-9200 - 237,182 (\$4,084,346.88) COMMON STOCK. (FILE 333-74020 - NOV. 27) (BR. 7)

S-8 ELGRANDE COM INC, 1040 HAMILTON ST, SUITE 308, VANCOUVER BC CANADA,

(877) 354-7263 - 3,000,000 (\$330,000) COMMON STOCK. (FILE 333-74024 - NOV. 27) (BR. 3)

S-8 OPENTV CORP, ABBOTT BUILDING, MOUNT STREET TORTOLA, ROAD TOWN COUNTY,
(650) 429-5500 - 500,000 (\$5,057,500) FOREIGN COMMON STOCK. (FILE 333-74026 - NOV. 27) (BR. 3)

S-3 MIDWAY GAMES INC, 2704 WEST ROSCOE STREET, CHICAGO, IL 60618
(773) 961-2222 - 5,175,000 (\$74,985,750) COMMON STOCK. (FILE 333-74028 - NOV. 27) (BR. 3)

S-8 POLLUTION RESEARCH & CONTROL CORP /CA/, 506 PAULA AVE, GLENDALE, CA 91201 (818) 247-7601 - 1,100,000 (\$660,000) COMMON STOCK. (FILE 333-74030 - NOV. 27) (BR. 5)

S-8 COHESION TECHNOLOGIES INC, 2500 FABER PL, PALO ALTO, CA 94303
(650) 856-0200 - 400,000 (\$1,280,000) COMMON STOCK. (FILE 333-74034 - NOV. 27) (BR. 5)

S-8 US BANCORP \DE\, FIRST BANK PL, 601 SECOND AVE S, MINNEAPOLIS, MN 55402
(612) 973-1111 - 100,000 (\$1,819,000,000) COMMON STOCK. (FILE 333-74036 - NOV. 27) (BR. 7)

S-8 OSHKOSH B GOSH INC, 112 OTTER AVE, P O BOX 300, OSHKOSH, WI 54901
(920) 231-8800 - 185,000 (\$6,903,500) COMMON STOCK. (FILE 333-74038 - NOV. 27) (BR. 2)