

SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

TESTIMONY OF RICHARD LINDSEY - CHANGE IN LOCATION

The location for the testimony of Richard R. Lindsey, Director of the Division of Market Regulation, has been changed. The hearing will take place in Room 106 of the Dirksen Senate Office Building, at 9:00 a.m. on Wednesday, December 16, 1998, before the Senate Committee on Agriculture, Nutrition, and Forestry. The subject matter is concerning over-the-counter derivatives in the U.S. financial markets.

ENFORCEMENT PROCEEDINGS

MARISA BARIDIS AND KEITH YOUNGSWICK CONSENT TO PERMANENT BARS

The Commission instituted administrative proceedings against Marisa Baridis and Keith Youngswick. Baridis was formerly an employee in the compliance departments at Smith Barney, Inc. and Morgan Stanley Dean Witter & Co., both of which are broker-dealer and investment firms registered with the Commission, and Keith Youngswick was formerly a registered representative at several broker-dealer firms registered with the Commission, including Barington Capital Group, L.P., Beacon Securities, Inc., D.H. Blair & Co., Inc., and Chatfield Dean & Co., Inc. Simultaneously, the Commission accepted Baridis' and Youngswick's offers of settlement, whereby each consented, without admitting or denying the Commission's factual allegations, to the entry of orders by the Commission barring them from association with any broker, dealer, municipal securities dealer, investment adviser, or investment company. The Commission's orders are based upon the entry of permanent injunctions against Baridis and Youngswick pursuant to a complaint filed by the Commission on December 3, 1998. The complaint alleged that Baridis provided material nonpublic information concerning pending transactions to Jeffrey Streich, a friend and former broker. The complaint further alleged that Streich tipped Youngswick, who traded and tipped others while in possession of material nonpublic information concerning the securities of eight publicly traded companies (SEC v. MARISA BARIDIS, JEFFREY STREICH, KEITH YOUNGSWICK A/K/A KEITH YOUNG, AND TINA EICHENHOLZ, Civil Action No. 98-8535, JSM, SDNY; Litigation

Releases Nos. 15990, Dec. 3, 1998; and 15741, May 15, 1998). (Rel. 34-40788; File No. 3-9790)

RESTRAINING ORDER AND ASSET FREEZE ISSUED TO HALT SALES AND VALUATIONS OF HISTORICAL RAILROAD BOND INVESTMENTS

The Commission announced today that it obtained a preliminary injunction prohibiting the fraudulent sale and valuation of historical bonds, including bonds issued in the 19th century by now defunct railroads and allegedly backed by gold. According to the Commission's complaint, these bonds are worthless as investments, having value only as historical memorabilia, but have been offered and sold to investors at prices up to \$330,000 each. The preliminary injunction, issued on December 14 by Judge G. Kendall Sharp of the Middle District of Florida, prohibits Two-Thirds International, Inc. (TTI) and its president, Peter J. Zaccagnino III, of Kissimmee, Florida, from offering and selling the bonds as investment quality instruments and from fraudulently offering to place the bonds in a prime bank-type trading program. Additionally, the preliminary injunction, which continues the Court's temporary restraining order entered on December 1, 1998, prohibits Sterling International Bahamas Ltd. (Sterling), and its officers, John L. Klein (J. Klein) and Merrill H. Klein (M. Klein), both of Miami, Florida, from preparing and disseminating fraudulent authentication and valuation documents relating to the historical bonds. Judge Sharp's order also freezes the assets of TTI, Zaccagnino, J. Klein, M. Klein and Sterling.

The Commission's complaint alleged that the defendants violated the antifraud provisions of the federal securities laws from late 1997 through at least June 1998 in offering, selling, authenticating and valuing the bonds. The complaint further alleged that Zaccagnino and TTI raised approximately \$4.8 million through the sale of virtually worthless historical bonds to scores of investors. According to the complaint, Zaccagnino and TTI sold historical bonds at prices ranging from \$14,000 to \$330,000 each, falsely representing that the bonds were worth up to \$908 million each. The complaint further alleged that Zaccagnino falsely claimed that he and TTI could place the bonds in a fictitious prime bank-type "trading program," purportedly approved by the Federal Reserve Board, that would generate exorbitant rates of return. The Court's order contained preliminary findings as to each of the above allegations.

Judge Sharp's order also continues the asset freeze provisions of the temporary restraining order as to two relief defendants, Best Systems, Inc. and Wonder Glass Products, Inc. The complaint alleged that these entities received a total of more than \$1.5 million in investor proceeds from the fraud.

The complaint includes allegations that J. Klein, M. Klein, and Sterling prepared and issued documents falsely authenticating and valuing a variety of historical bonds, including bonds held by, or for the benefit of, Zaccagnino's investors. These valuations

falsely represented that the historical railroad bonds remained backed by gold and that the bonds were worth between \$492,000 and \$10.8 billion each. Also J. Klein and M. Klein misrepresented their qualifications as appraisers as well as the nature of the process used to "authenticate" the bonds prior to valuation. For their services, J. Klein, M. Klein and Sterling were paid \$1,500 per valuation and received a total of approximately \$400,000 between April and October 1998.

Various law enforcement agencies worked closely with the Commission in obtaining emergency relief in this matter. The Commission wishes to thank both the Bureau of the Public Debt of Department of Treasury, and the Division of Banking Supervision and Regulation of the Board of Governors of the Federal Reserve System for their assistance in this matter. [SEC v. Two-Thirds International, Inc., et al., No. 98-1324-Civ. ORL-18A, USDC M.D. Fla./Orlando Division] (LR-16000)

SETTLED COMPLAINT FILED IN SECTION 14(e) ACTION AGAINST REX AHLSTROM

The Commission today announced the filing of a settled complaint for insider trading in the securities of BDM International, Inc. against Rex G. Ahlstrom of Reston, Virginia. BDM was a defense and information technology company headquartered in McLean, Virginia.

The Commission's complaint, filed with the U.S. District Court for the Eastern District of Virginia, alleges that Ahlstrom purchased BDM stock after learning indirectly of confidential information relating to a tender offer for BDM from his neighbor, a senior executive at BDM. Ahlstrom's trading resulted in illicit profits of \$16,315 and violated Section 14(e) of the Securities Exchange Act of 1934 and Rule 14e-3 thereunder. According to the complaint, in November 1997, the wife of the senior BDM executive telephoned Ahlstrom's wife and requested child care assistance because she was ill. In this conversation, the senior BDM executive's wife disclosed to Ahlstrom's wife that the senior BDM executive could not assist with child care because BDM was being sold. Ahlstrom's wife relayed this information to Ahlstrom and, after confirming on the Internet that the information was not yet public, Ahlstrom purchased 2,000 shares of BDM stock. At that time, Ahlstrom knew that his neighbor was responsible for merger and acquisition activity at BDM. After the November 21, 1997, announcement by BDM that it had agreed to be acquired in a tender offer by TRW, Inc., Ahlstrom sold his BDM shares for a profit of \$16,315.

Prior to the filing of the action, Ahlstrom consented, without admitting or denying the allegations of the complaint, to entry of a final judgment permanently enjoining him from violations of Section 14(e) of the Exchange Act and Rule 14e-3 thereunder, and ordering Ahlstrom to pay disgorgement of \$16,315, prejudgment interest of \$1,171, and a penalty of \$16,315 under the Insider Trading and Securities Fraud Enforcement Act, for a total payment of \$33,801. [SEC v. Rex G. Ahlstrom, USDC, ED/VA, Civil Action No. 98-1775-A] (LR-16001)

JAMES CLEVELAND SENTENCED AND ORDERED TO PAY RESTITUTION IN SECURITIES FRAUD CASE

On December 11, James Russell Cleveland of Brenham, Texas, who pled guilty to securities fraud on July 10, 1998, was sentenced to 46 months in federal prison, with three years of supervised release. The Court also ordered Cleveland to pay restitution in the amount of \$2,510,001.

The criminal charge against Cleveland was based on the same activities alleged in a civil action filed by the Commission in United States District Court, Houston, Texas, on May 22, 1996. The Commission's complaint alleges that Cleveland, individually, and doing business as Central Texas Securities, took in at least \$4.8 million from his customers to purchase municipal securities at below market prices, but never purchased the bonds for the investors. In fact, the complaint alleges, Cleveland used funds received from new investors to pay off previous customers, and used falsified confirmations and account statements to conceal his misuse and misappropriation of customers' funds. The Court entered a preliminary injunction against Cleveland on June 17, 1996. [U.S. v. James Russell Cleveland, H98-CR-196, USDC, SD/TX, Houston] (LR-16002)

INVESTMENT COMPANY ACT RELEASES

DG INVESTOR SERIES, ET AL.

An order has been issued on an application filed by DG Investor Series (DG Series) and The Infinity Mutual Funds, Inc. (Infinity Funds) exempting applicants from Section 17(a) of the Investment Company Act. The order permits certain of Infinity Funds to acquire all of the assets and liabilities of certain series of DG Series. Because of certain affiliations, Applicants may not rely on Rule 17a-8 under the Act. (Rel. IC-23598 - December 11)

SELF-REGULATORY ORGANIZATIONS

PROPOSED RULE CHANGES

The Cincinnati Stock Exchange filed a proposed rule change (SR-CSE-98-03) to amend its disciplinary rules to provide for regulatory cooperation between self-regulatory organizations. Publication of the proposal is expected in the Federal Register during the week of December 14. (Rel. 34-40782)

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-98-44) relating to supervision of unregistered persons performing limited marketing activities. Publication of the

proposal is expected in the Federal Register during the week of December 14. (Rel. 34-40784)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change filed by the Boston Stock Exchange (SR-BSE-98-10) relating to its trading floor post and telecommunications room policies. Publication of the notice and order is expected in the Federal Register during the week of December 14. (Rel. 34-40785)

IMMEDIATE EFFECTIVENESS OF PROPOSED RULE CHANGE

A proposed rule change filed by the National Association of Securities Dealers to modify the NASD's fee schedule (SR-NASD-98-84) 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 14. (Rel. 34-40783)

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

- S-B PEOPLES REPUBLIC OF CHINA, 2300 CONNECTICUT AVE, STE 2250, WASHINGTON, DC 20008 - 1,000,000,000 (\$1,000,000,000) FOREIGN GOVERNMENT AND AGENCY DEBT. (FILE 333-9664 - NOV. 24) (BR. 99)
- F-1 INTERNATIONAL UTILITY STRUCTURES INC, 777 8TH AVE SW, SUITE 1800, CALGARY ALBERTA T2P, A0 00000 (403) 269-2350 - 600,000 (\$774,000) FOREIGN COMMON STOCK. (FILE 333-9680 - NOV. 30) (BR. 6)
- F-8 LOBLAW COMPANIES LTD, 22 ST CLAIR AVE EAST, TORONTO, ONTARIO CANADA, A6 - 27,938 (\$506,795.30) FOREIGN COMMON STOCK. (FILE 333-9682 - NOV. 30) (BR. 2)
- S-B URUGUAY REPUBLIC OF, 2021 L STREET N W, SUITE 201, WASHINGTON, DC 20036 (000) 000-0000 - 50,000,000 (\$50,000,000) STRAIGHT BONDS. (FILE 333-9684 - NOV. 30) (BR. 99)
- S-8 ALL AMERICAN FOOD GROUP INC, 104 NEW ERA DR, S PLAINFIELD, NJ 07080 (908) 757-3022 - 2,200,000 (\$33,000) COMMON STOCK. (FILE 333-68281 - DEC. 03) (BR. 9)

