ENFORCEMENT PROCEEDINGS

SEC BRINGS CHARGES AGAINST GERMAN COMPANY E.ON (FORMERLY VEBA) FOR DELIBERATELY ISSUING FALSE STATEMENTS REGARDING MERGER NEGOTIATIONS

The Commission today brought and settled civil administrative fraud charges against E.ON AG, Germany’s third largest industrial holding company and formerly known as Veba AG, for issuing materially false denials concerning merger negotiations with Viag AG, another German company over the course of a month. Without admitting or denying the Commission’s findings, E.ON agreed to cease and desist from future violations of the U.S. federal securities laws.

SEC Director of Enforcement Richard H. Walker said, The reach of U.S. securities laws is not limited by our borders. In today’s global marketplace, false statements made overseas can harm U.S. investors as much as statements made domestically. Today’s case reminds foreign issuers trading on U.S. markets that they remain subject to our fraud laws even when speaking abroad.

The Commission’s Order specifically finds that, beginning July 29, 1999 and continuing until August 31, 1999, Veba made a series of statements in which it falsely denied press reports that it was engaged in merger negotiations with Viag. In reality, as of July 29, the two companies had, among other things, executed a confidentiality agreement, retained investment bankers and legal advisors, exchanged financial forecasts, and engaged in high-level talks concerning proposed deal structures, valuation methods, corporate governance and other merger issues. On September 1, 1999, Veba publicly acknowledged for the first time that it had been engaged in merger negotiations and that it had agreed with Viag on the framework of a merger.

The Commission’s Order finds that Veba’s denials were widely disseminated in Germany and were also reported in the United States, resulting in a period of investor confusion. Certain denials, drafted by Veba in both German and English, were made with the expectation that the denials would be covered by U.S. publications. The Order finds that Veba’s senior management was directly involved in drafting and approving
public statements that they knew were false. In addition, Veba's denials were made pursuant to a policy of absolute denial that was implemented at the direction of Veba's Chief Executive Officer and Chairman of its Board of Management.

While the Commission's Order recognizes that disclosure practices and laws regarding the existence of merger negotiations may differ in other jurisdictions, it finds that there is no safe harbor for foreign issuers from violations of the antifraud provisions of the U.S. federal securities laws. As stated in its Order, "[t]he Commission will not apply a different standard with respect to foreign issuers commenting on merger discussions or negotiations. When a foreign issuer voluntarily avails itself of the opportunities in the U.S. capital markets, it must adhere to the U.S. federal securities laws.

The Commission's Order emphasizes "[t]he importance of accurate and complete issuer disclosure to the integrity of the securities markets...to the extent that investors cannot rely upon the accuracy and completeness of issuer statements, they will be less likely to invest, thereby reducing the liquidity of the securities markets to the detriment of investors and issuers alike." In the Matter of Carnation Company, Exchange Act Release No. 22214 at 1030. This fundamental principle applies to statements made by foreign issuers just as fully as it applies to statements made by domestic issuers. Compliance with this principle will serve to ensure transparency, foster investor protection and confidence, and thus, enhance the liquidity of the U.S. capital markets.

The Commission acknowledges the assistance of the German Federal Securities Supervisory Office (Bundesaufsichtsamt für den Wertpapierhandel or BAWe) in this matter. (Rel. 34-43372; File No. 3-10318; Press Rel. 2000-144)

**NASD DISCIPLINE OF SUNDRA ESCOTT-RUSSELL UPHELD IN PART**

The Commission sustained NASD discipline of Sundra Escott-Russell for failure to respond to NASD requests for information. The NASD sent Escott-Russell two such requests. The Commission found that, while Escott-Russell responded completely to the first request for information, she failed to provide information responsive to the second request. Instead, Escott-Russell's attorney informed the NASD that Escott-Russell could not respond to the NASD's requests until the attorney received certain information from the NASD's investigative files.

Escott-Russell argued that she provided the relevant information in her testimony at the NASD disciplinary hearing. The Commission stated that the NASD has a right to request information and cooperation of persons it investigates, and should not have to bring a disciplinary proceeding in order to obtain needed information. The Commission further found that Escott-Russell did not have the right to impose conditions on her obligation to respond to the NASD's requests and was not relieved of that obligation by her lawyer's advice. The Commission upheld the NASD's imposition of a censure and $7,000 fine on Escott-Russell.
The Commission set aside the NASD's finding that Escott-Russell had engaged in outside business activity and the $1,000 fine that had been imposed for that violation. (Rel. 34-43363; File No. 3-9812)

CEASE AND DESIST PROCEEDINGS ARE FILED AGAINST ISAAC HAGER, A FORMER OFFICER OF POWER PHONE, INC., TO DETERMINE WHETHER HE CAUSED VIOLATIONS OF THE ANTIFRAUD PROVISIONS OF THE FEDERAL SECURITIES LAWS

On September 27, the Commission instituted public administrative proceedings pursuant to Section 8A of the Securities Act of 1933 (Securities Act) and Section 21C of the Securities Exchange Act of 1934 (Exchange Act) against Isaac Hager (Hager), a former officer and director of Power Phone, Inc. (Power Phone), to determine whether Hager caused violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The Division of Enforcement alleges that the senior management of Power Phone orchestrated a fraudulent scheme to falsify and inflate the company's financial condition in filings with the Commission. Power Phone accomplished the fraudulent scheme by claiming in filings with the Commission to own two assets, consisting of software and artwork, even though Power Phone did not own either asset. These two assets, which comprised ninety-five percent of Power Phone's total assets, were falsely valued at $4 million in Power Phone's audited financial statements for the fiscal year ended June 30, 1995. Power Phone included those false financial statements in an Annual Report on Form 10-K that was filed with the Commission in 1995, and a Form 10 registration statement that was filed with the Commission in 1996. The Division alleges that as an officer and director of Power Phone, Hager signed and reviewed Power Phone's annual report and registration statement with knowledge that these documents would be filed with the Commission. Although Hager, one of only three officers of Power Phone, had never seen the ASAP software or the artwork, he failed to take any steps either to verify the existence of the assets or assure himself of the value of the assets which comprised ninety-five percent of Power Phone's balance sheet. Based on these facts, the Commission instituted public administrative proceedings to determine whether Hager caused violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. For further information, see In the Matter of Joseph Salamon, Exch. Act Rel. No. 42125 / November 10, 1999; SEC v. Noah Steinberg et. al, Civ. Action No. 99-6050 (E.D.N.Y.)(RJ) Lit. Rel. No. 16303 (September 28, 1999); In the Matter of Michael, Adest & Blumenkrantz, P.C., David Michael and Paul Adest, Exch. Act Rel. No. 41284; AAER Rel. No. 1125 (April 14, 1999). (Relns. 33-7903, 34-43366; AAE Rel. 1319; File No. 3-10317)

SEC CHARGES FORMER SENIOR MANAGERS OF OAKGRIGSBY, INC. WITH FINANCIAL FRAUD

On September 27, the Commission announced the filing of a complaint alleging that Matthew R. Welch and James C. Horne, former executives of OakGrigsby, Inc., of Sugar Grove, Illinois, engaged in a scheme to inflate earnings. At the time of the conduct
alleged in the Complaint, OakGrigsby was a subsidiary of Oak Industries, Inc., a publicly-traded issuer headquartered in Waltham, Massachusetts. The Complaint alleges that, between July 1995 and January 3, 1997, Defendants Welch and Horne effected the scheme by directing a series of fraudulent entries in OakGrigsby's books which improperly capitalized certain expenses, thereby increasing the division's reported profits. As part of the scheme, Welch, the former Controller of OakGrigsby, fraudulently concealed expenses such as salaries, shipping and travel. The complaint alleges that several of these fraudulent entries were made with the knowledge and approval of Defendant Horne, the divisional CEO of OakGrigsby.

As a result of Welch and Horne's actions, Oak's income and earnings per share for the quarter ended December 31, 1995 and the quarters ended March 31, June 30 and September 30, 1996 were materially overstated and accounts payable were materially understated. During the period of the fraud, Oak's income and earnings per share were overstated in amounts ranging from 2% to 15% and accounts payable for year-end 1995 and the three quarters of 1996 were understated in amounts ranging from 5% to 13%. Because the fraud was centered at OakGrigsby, the division's operating profits were overstated by a much greater amount, ranging from 108% to 371%.

The Commission's complaint charges the defendants with violations of the antifraud, issuer reporting, books and records and internal controls provisions of the Exchange Act, and seeks injunctive relief, civil penalties and disgorgement of bonuses received by Horne of $55,000 and Welch of $15,000, plus prejudgment interest. [SEC v. Matthew R. Welch and James C. Horne, USDC, ND Ill., Civ. No. 00-C-5935] (LR-16734)

SEC OBTAINS TEMPORARY RESTRAINING ORDER AND ASSET FREEZE AGAINST INVESTMENT ADVISER WHO DEFRAUCED CLIENTS OF $1.9 MILLION

The Commission announced today the entry of a temporary restraining order and asset freeze issued by the U.S. District Court in Springfield, Massachusetts against Robert C. Sears, based on allegations that Sears defrauded his investment advisory clients of over $1.9 million. The Commission alleged that Sears misappropriated funds from clients' brokerage accounts and fraudulently induced other clients to transfer funds to an entity he controlled. Sears obtained over two thirds of the funds from elderly clients over 65. The Commission alleged that Sears accomplished his misappropriation by forging client signatures on letters directing the brokerage firms to transfer funds to his own corporation and on margin agreements to obtain unauthorized margin loans. According to the Commission's Complaint, Sears transferred his clients' money to Last Minute Concessions Inc., of which he is president and co-owner with James Casagrande. Last Minute used the money to buy a controlling interest in Cold Spring Golf Course Inc., a company developing a golf course, and an interest in Cold Spring Development Inc., building an associated condominium development.

The Commission's complaint, filed on September 26, 2000, alleged that Sears violated the antifraud provisions of the federal securities laws. On September 26, 2000, the Honorable Frank H. Freedman of the U.S. District Court for the District of

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Massachusetts granted the Commission’s motion for an ex parte order temporarily restraining the fraudulent activities and freezing the assets of Sears, freezing assets obtained by Last Minute, Casagrande and the golf and condominium companies from Sears’ misconduct, and imposing other equitable relief. [SEC v. Robert C. Sears, et al., USDC, District of Massachusetts, C.A. No. 00 CV 30170-FHF] (LR-16735)

HOLDING COMPANY ACT RELEASES

NISOURCE INC., ET AL.

A notice has been issued giving interested persons until October 20, 2000, to request a hearing on a proposal by NiSource, Inc. (NiSource), an Indiana corporation currently exempt by order under section 3(a)(1) of the Act, New NiSource, Inc. (New NiSource), a Delaware corporation and a wholly owned subsidiary of NiSource, and certain of NiSource’s subsidiaries, and Columbia Energy Group (Columbia), a registered holding company, and certain of its subsidiaries. NiSource, New NiSource, and Columbia have previously filed an application seeking approvals required to complete the proposed acquisition by New NiSource of all the issued and outstanding common stock of NiSource and Columbia (Merger). Applicants now request authority to engage in various Merger-related and post-Merger financing transactions. (Rel. 35-27236)

SELF-REGULATORY ORGANIZATIONS

PROPOSED RULE CHANGE

The National Association of Securities Dealers filed a proposed rule change (SR-NASD-00-23) to amend the rules relating to the NASD’s Order Audit Trail System. Publication of the proposal is expected in the Federal Register during the week of October 2. (Rel. 34-43344)

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    LARK TECHNOLOGIES INC, 9545 KATY FREEWAY, STE 465, HOUSTON, TX 77024 (713) 464-7488 - 1,000,000 ($2,625,000) COMMON STOCK. (FILE 333-46280 SEP. 21) (BR. 1)

S-4    MERCANTILE BANKSHARES CORP, 2 HOPKINS PLZ, PO BOX 1477, BALTIMORE, MD 21203 (410) 237-5900 - 1,100,000 ($14,267,496) COMMON STOCK. (FILE 333-46282 - SEP. 21) (BR. 7)

S-8    UNITEDHEALTH GROUP INC, UNITEDHEALTH GROUP CENTER, 9900 BRENT ROAD EAST, MINNETONKA, MN 55343 (612) 936-1300 - 10,000,000 ($922,200,000) COMMON STOCK. (FILE 333-46284 - SEP. 21) (BR. 1)

S-8    WHATS FOR FREE TECHNOLOGIES INC, 7418 EAST HELM DRIVE, SCOTTSDALE, AZ 85260 (480) 443-1111 - 5,000,000 ($5,940,000) COMMON STOCK. (FILE 333-46286 - SEP. 21) (BR. 1)

SB-2   CAPITAL RESERVE CORP, 11-1861 BEACH AVENUE, VANCOUVER, BRITISH COLUMBIA CANADA, A1 V66 1 (604) 687-4828 - 5,243,644 ($10,482,288) COMMON STOCK. (FILE 333-46288 - SEP. 21) (BR. 1)

S-8    GO ONLINE NETWORKS CORP, 5681 BEACH BLVD, SUITE 101/100, BUENA PARK, CA 90621 (303) 221-7376 - 1,350,000 ($297,000) COMMON STOCK. (FILE 333-46292 - SEP. 21) (BR. 9)

SB-1   TRIPLE A HOMES INC, 1616 GULF TO BAY BLVD, CLEARWATER, FL 34615 (727) 446-7981 - 2,000,000 ($4,000,000) COMMON STOCK. (FILE 333-46296 SEP. 21) (BR. 9 - NEW ISSUE)

S-8    HUMAN GENOME SCIENCES INC, 9410 KEY W AVE, ROCKVILLE, MD 20850 (301) 309-8504 - 24,682 ($3,727,105) COMMON STOCK. (FILE 333-46298 - SEP. 21) (BR. 1)

S-3    SOLECTRON CORP, 777 GIBRALTAR DR, MILPITAS, CA 95035 (408) 957-8500 - 2,491,272 ($116,466,966) COMMON STOCK. (FILE 333-46300 - SEP. 21) (BR. 5)

S-8    FOCAL COMMUNICATIONS CORP, 200 NORTH LASALLE ST, CHICAGO, IL 60601 (312) 895-8400 - 375,000 ($7,803,750) COMMON STOCK. (FILE 333-46302 - SEP. 21) (BR. 7)

S-8    SOLECTRON CORP, 777 GIBRALTAR DR, MILPITAS, CA 95035 (408) 957-8500 - 57,705 ($2,697,709) COMMON STOCK. (FILE 333-46304 - SEP. 21) (BR. 5)
S-8 GLOBIX CORP, 139 CENTRE STREET, NEW YORK, NY 10013 (212) 594-5300 - 1,675,000 ($40,305,525) COMMON STOCK. (FILE 333-46306 - SEP. 21) (BR. 3)

S-8 CHEROKEE INTERNATIONAL LLC, 2841 DOW AVENUE, TUSIN, CA 92780 (714) 544-6665 - 4,470,000 ($25,523,700) COMMON STOCK. (FILE 333-46308 - SEP. 21) (BR. 5)

S-8 LONE STAR TECHNOLOGIES INC, 15660 N DALLAS PKWY, SUITE 500, DALLAS, TX 75248 (972) 770-6401 - 50,000 ($2,441,000) COMMON STOCK. (FILE 333-46310 - SEP. 21) (BR. 6)

S-8 LONE STAR TECHNOLOGIES INC, 15660 N DALLAS PKWY, SUITE 500, DALLAS, TX 75248 (972) 770-6401 - 1,000,000 ($48,820,000) COMMON STOCK. (FILE 333-46312 - SEP. 21) (BR. 6)

SB-2 FEMALE HEALTH CO, 919 N MICHIGAN AVE, STE 2208, CHICAGO, IL 60611 (312) 280-2201 - 650,000 ($312,000) COMMON STOCK. (FILE 333-46314 - SEP. 21) (BR. 6)

SB-2 RETRAC MEDICAL INC, 22 SOUTH MAIN STREET, NEW CITY, NY 10956 (914) 639-9598 - 2,530,000 ($30,912,000) COMMON STOCK. (FILE 333-46316 - SEP. 21) (NEW ISSUE)

SB-2 WINTECH DIGITAL SYSTEM TECHNOLOGY CORP, 233 EAST FM #1382 SUITE 12720, CEDAR HILL, TX 75104 - 2,500,000 ($4,050,000) COMMON STOCK. (FILE 333-46318 - SEP. 21) (BR. 9)

S-8 PATH 1 NETWORK TECHNOLOGIES INC, 3636 NOSEL DR, SUITE 275, SAN DIEGO, CA 92101 (858) 450-4220 - 885,111 ($681,535) COMMON STOCK. (FILE 333-46320 - SEP. 21) (BR. 8)

S-8 BLUE ZONE INC, 329 RAILWAY ST, 5TH FLOOR, VANCOUVER, BRITISH COLUMBIA, CANADA V6A 1A4, A1 000000 (604) 685-4310 - 6,780,000 ($39,900,375) COMMON STOCK. (FILE 333-46322 - SEP. 21) (BR. 3)

S-8 NEUROGEN CORP, 35 NORTHEAST INDUSTRIAL RD, BRANFORD, CT 06405 (203) 488-8201 - 200,000 ($6,975,000) COMMON STOCK. (FILE 333-46324 - SEP. 21) (BR. 1)

S-3 WAVE SYSTEMS CORP, 480 PLEASANT ST, LEE, MA 01238 (413) 243-1600 - 1,182,678 ($21,477,432) COMMON STOCK. (FILE 333-46330 - SEP. 21) (BR. 3)

S-3 RSL COMMUNICATIONS LTD, CLARENDON HOUSE CHURCH ST, HAMILTON HM CX BERMDUA, (441) 295-2832 - 3,500,000 ($12,578,300) COMMON STOCK. (FILE 333-46332 - SEP. 21) (BR. 7)

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S-8  ZENGINE INC, 6100 STEWART AVE, FREEMONT, CA 94538 (510) 651-6500 - 
3,384,300 ($27,334,103) COMMON STOCK.  (FILE 333-46334 - SEP. 21) (BR. 
3)

S-8  COMPOSITE SOLUTIONS INC, 3655 NOBEL DRIVE, SUITE 440, SAN DIEGO, CA 
92122 (858) 459-4843 - 1,000,000 ($610,000) COMMON STOCK.  (FILE 333- 
46336 - SEP. 21) (BR. 9)

S-3  AXONYX INC, 750 LEXINTTON AVE, STE 1400, NEW YORK, NY 10022 
(212) 688-4770 - $25,000,000 COMMON STOCK.  (FILE 333-46340 - SEP. 21) 
(BR. 9)

S-8  FOCAL COMMUNICATIONS CORP, 200 NORTH LASALLE ST, CHICAGO, IL 60601 
(312) 895-8400 - 800,000 ($16,648,000) COMMON STOCK.  (FILE 333-46342 - 
SEP. 21) (BR. 7)

S-8  FIRST ENTERTAINMENT HOLDING CORP, 5495 MARION ST, DENVER, CO 80216 
(303) 382-1500 - $375,000 COMMON STOCK.  (FILE 333-46344 - SEP. 21) 
(BR. 5)

S-1  O GARA CO, 9113 LASAINT DR, FAIRFIELD, OH 45014 (513) 874-2112 - 
6,000,000 ($46,712,000) COMMON STOCK.  (FILE 333-46346 - SEP. 21) 
(NEW ISSUE)

S-3  SEMITOOL INC, 655 WEST RESERVE DR, KALISPELL, MT 59901 (406) 752- 
2107 - 500,000 ($5,906,250) COMMON STOCK.  (FILE 333-46348 - SEP. 21) (BR. 5)

S-3  ORTEC INTERNATIONAL INC, 3960 BROADWAY, BLDG 28, NEW YORK, NY 10032 
(718) 326-4698 - 1,247,566 ($10,175,460) COMMON STOCK.  (FILE 333-46352 - 
SEP. 21) (BR. 1)

S-1  KROLL RISK CONSULTING SERVICES INC, 900 THIRD AVENUE, NEW YORK, NY 
10022 (212) 833-3392 - 8,500,000 ($101,232,000) COMMON STOCK.  (FILE 333- 
46354 - SEP. 21) (NEW ISSUE)

S-8  FONECASH INC, 90 PARK AVE, STE 1700, NEW YORK, NY 10016 - 800,000 
($600,000) COMMON STOCK.  (FILE 333-46356 - SEP. 21) (BR. 9)

S-8  FOCAL COMMUNICATIONS CORP, 200 NORTH LASALLE ST, CHICAGO, IL 60601 
(312) 895-6400 - 10,282,000 ($213,968,420) COMMON STOCK.  (FILE 333- 
46358 - SEP. 22) (BR. 7)

S-8  AMERICAN ELECTRIC POWER COMPANY INC, 1 RIVERSIDE PLZ, COLUMBUS, OH 
43215 (614) 223-1000 - 15,700,000 ($593,460,000) COMMON STOCK.  (FILE 333- 
46360 - SEP. 21) (BR. 2)

S-1  TELLIUM INC, 2 CRESCENT PLACE, OCEANPORT, NJ 07757 - $250,000,000 
COMMON STOCK.  (FILE 333-46362 - SEP. 22)
SB-2 PARADIGM BANCORPORATION INC, PO BOX 73608, HOUSTON, TX 77273
(281) 443-6036 - 10,000,000 ($10,000,000) PREFERRED STOCK. (FILE 333-46364 - SEP. 22) (BR. 9)

S-3 ONYX PHARMACEUTICALS INC, 3031 RESEARCH DR, BLDG A, RICHMOND, CA 94806
(510) 222-9700 - 3,450,000 ($74,278,500) COMMON STOCK. (FILE 333-46366 - SEP. 22) (BR. 1)

S-4 WHITMAN CORP/NEW/, 3501 ALGONQUIN ROAD, ROLLING MEADOWS, IL 60008
(847) 818-5000 - 33,500,000 ($372,454,344) COMMON STOCK. (FILE 333-46368 - SEP. 22) (BR. 2)