

SEC NEWS DIGEST

Issue 2002-2

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ENFORCEMENT PROCEEDINGS

SEC SUSPENDS TRADING IN COMMON STOCK OF WSF CORPORATION AND INSTITUTES PROCEEDING TO DETERMINE IF REGISTRATION OF WSF COMMON STOCK SHOULD BE SUSPENDED OR REVOKED

On January 3, the Commission ordered the temporary suspension of trading in the common stock of WSF Corporation. WSF is headquartered in Honolulu, Hawaii. The suspension concludes at 11:59 p.m. EST on January 16, 2002. The Commission ordered this trading suspension because questions have been raised about the adequacy and accuracy of publicly disseminated information in that WSF has not filed its annual report on Form 10-KSB for the year ended December 31, 2000, and has not filed its quarterly reports on Form 10-QSB for the periods ending March 31, 2001, June 30, 2001, and September 30, 2001. Moreover, as of early December 2001, WSF management informed the Commission staff that WSF still had not retained a public auditor for its financial statements for the fiscal year ended December 31, 2000. The Commission determined that the public interest and the protection of investors require a suspension of trading in WSF's common stock.

The Commission today also announced the institution of an administrative proceeding against WSF pursuant to Section 12(j) of the Securities Exchange Act of 1934 (Exchange Act). The purpose of the proceeding is to determine whether the registration of WSF's common stock should be suspended or revoked. The Division of Enforcement alleges that WSF failed to comply with Section 13(a) of the Exchange Act, and Exchange Act Rules 13a-1 and 13a-13, by not filing its required periodic reports for any period subsequent to the quarter ended September 30, 2000.

A hearing will be scheduled to take evidence on the Division's allegations, to afford WSF the opportunity to establish defenses to these allegations, and to determine whether the registration of WSF's common stock should be suspended or revoked.

Persons with questions regarding these matters should telephone James T. Coffman of the Washington, D.C. office of the Securities and Exchange Commission at (202) 942-4574 or Carleasa Coates, of that office, at (202) 942-4514. (Rel. 34-45222; File No. 3-10668)

SEC SANCTIONS THOMAS PALAZZOLO FOR CHARGING UNDISCLOSED AND EXCESSIVE MARKUPS

The Commission announced that on January 2 the Commission entered an Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions and a Cease and Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, by consent, against Thomas J. Palazzolo. Palazzolo neither admitted nor denied the findings of the Order. In the Order, the Commission found that Palazzolo worked as an assistant equity trader for a New York broker-dealer and was responsible for calculating the prevailing market price from which markups were calculated on principal transactions for the broker-dealer. The Commission further found that from April through October 1997, for at least one microcap security, Palazzolo calculated the prevailing market price for the markups using the price at which the broker-dealer offered the security to other market makers even though the broker-dealer dominated and controlled the market for the security. Because there was no active and competitive market for the security, Palazzolo should have used the broker-dealer's contemporaneous cost as the prevailing market price when calculating the markups. The undisclosed, excessive markups resulted in inflated commissions to the broker-dealer and its traders. The Commission ordered Palazzolo to cease and desist from committing or causing future violations of the federal securities laws and suspended him from association with any broker or dealer for a period of twelve months. The Commission also ordered Palazzolo to pay a civil penalty of \$5,000 as well as disgorgement and prejudgment interest in the amount of \$10,978.00. (Rel. 33-8051; File No. 3-10667)

COMMISSION INSTITUTES ADMINISTRATIVE PROCEEDING AGAINST REED SLATKIN

On January 2, the Commission instituted a public administrative proceeding against Reed E. Slatkin (Slatkin) pursuant to Section 203(f) of the Investment Advisers Act of 1940. Simultaneous with the institution of this proceeding, Slatkin submitted an Offer of Settlement in which, while neither admitting nor denying the Commission's findings, Slatkin consented to the entry of an Order barring him from association with any investment adviser. The Order was based on the entry of a permanent injunction by consent in a related civil action against Slatkin. The Commission's complaint in the civil action alleged that Slatkin violated the investment adviser registration and antifraud provisions by, among other things, operating a massive Ponzi scheme involving approximately \$230 million and over 500 investors. (Rel. IA-2006; File No. 3-10669)

COMMISSION ENTERS SETTLED CEASE-AND-DESIST ORDER AGAINST BROKER-DEALER AND ITS OFFICERS

On January 3, the Commission entered a settled cease-and-desist order against Financial Asset Management, Inc. (FAM), a registered broker-dealer in Columbus, Ohio, and its two principal officers, James B. Rader and Debra L. Kennedy. In its order, the

Commission found that FAM, Rader, and Kennedy were causes of securities law violations committed by a hedge fund and its adviser, and ordered FAM, Rader, and Kennedy to cease and desist from causing such violations in the future. The Commission also ordered FAM to disgorge \$641,877 in commissions earned from the hedge fund's trading, but waived payment of all amounts in excess of \$25,000 based on FAM's documented financial condition. Without admitting or denying the findings set forth in the order, FAM, Rader, and Kennedy consented to its entry.

The cease-and-desist order is related to a hedge fund securities fraud case the Commission filed in January 2000 against Michael W. Berger, Manhattan Investment Fund Ltd. (Fund), and Manhattan Capital Management, Inc. (MCM), in the United States District Court for the Southern District of New York. In that case, the Commission charged Berger, the Fund, and MCM with 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 Exchange Act Rule 10b-5. The Commission also charged Berger and MCM with violating Section 206(1) and 206(2) of the Investment Advisers Act of 1940 (Advisers Act). The Commission's complaint alleges that between September 1996 and January 2000, Berger raised over \$593 million from approximately 280 investors of record by grossly overstating the investment performance and market value of the Fund's holdings. According to the complaint, Berger created phony account statements that portrayed the Fund as profitable, with hundreds of millions of dollars in assets in an account held by FAM, the Fund's executing broker, when in reality the Fund held no assets at FAM and had lost nearly \$400 million of investors' money during the late 1990s through an investment strategy centered on the short-selling of Internet stocks. The Commission recently obtained summary judgment against Berger, holding him jointly and severally liable, along with MCM, for more than \$20 million in disgorgement and interest, and requiring Berger to pay a civil money penalty. For further details on the case, see Litigation Release No. 16412 (January 19, 2000), Litigation Release No. 16414 (January 20, 2000), Litigation Release No. 17193 (October 16, 2001), and Litigation Release No. 17230 (November 13, 2001).

In today's cease-and-desist order, the Commission found that FAM, Rader, and Kennedy engaged in conduct that contributed to the fraudulent scheme perpetrated by Berger. In particular, the Commission found that FAM, Rader, and Kennedy acceded to extraordinary requests from Berger that made it possible for Berger to send fictitious audit confirmations to the Fund's auditors and mislead the Fund's administrator and investors about the Fund's assets and investment performance. Based on these findings, the Commission concluded that FAM, Rader, and Kennedy were causes, within the meaning of Securities Act Section 8A, Exchange Act Section 21C, and Advisers Act Section 203(k), of violations by Berger, MCM, and the Fund of Securities Act Section 17(a), Exchange Act Section 10(b) and Rule 10b-5 thereunder, and Advisers Act Section 206(1) and 206(2). (In the Matter of Financial Asset Management, Inc., James B. Rader and Debra L. Kennedy, Rels. 33-8052 and 34-45224; IA-2007; AAE Rel. 1485; File No. 3-10670)

BRUCE ACACIO CONSENTS TO INJUNCTION AND PAYMENT OF PENALTIES

A complaint has been filed against R. Bruce Acacio, the Chairman and Chief Executive Officer of California Software Corp., alleging Acacio: (1) violated the provisions of the federal securities laws which prohibit providing false and misleading information in the offer and sale of securities, falsifying the books and records of an issuer of securities and providing false information to auditors in connection with the audit of financial statements; and (2) aided and abetted California Software's violations of the provisions of the federal securities laws which require issuers to file accurate annual and quarterly reports, maintain manually signed signature pages for reports filed with the Commission, and maintain books and records that accurately reflect a company's financial condition. Simultaneously with the filing of the complaint, Acacio consented to the entry of an injunction enjoining him from future violations of Sections 17(a)(2) and (3) of the Securities Act of 1933 and Rules 13b2-1 and 13b2-2 under the Securities Exchange Act of 1934, and from aiding and abetting violations of Sections 13(a) and 13(b)(2) of the Securities Exchange Act of 1934 and Rules 12b-11, 12b-20, 13a-1 and 13a-13 thereunder. Acacio also agreed to pay \$30,000 in penalties in the action.

The complaint alleges that from September 1999 through May 2000, California Software filed periodic reports containing audited and unaudited financial statements overstating the company's revenues, earnings, assets and shareholders equity, primarily as a result of an improper revenue recognition practice utilized by the company. It is further alleged that the overstatements of revenues and earnings were included in a private placement memorandum used in an offering of California Software stock. It is also alleged that Acacio failed to sign, and caused California Software to fail to maintain manually-signed signature pages for its filings with the Commission. [SEC v. R. Bruce Acacio, Civil Action No. 2:01CV-1010ST] (LR-17292; AAE Rel. 1484)

FINAL JUDGMENT ENTERED AGAINST JERRY WOMACK

On December 17, 2001, United States District Court for the Central District of California granted the Commission's motion for entry of default judgment and entered a Final Judgment Of Permanent Injunction And Other Relief Against Jerry A. Womack. Womack is enjoined from violating the securities registration and the antifraud provisions of the securities laws. Womack is also required to pay disgorgement of \$18,993,869.06, prejudgment interest, and a civil penalty of \$110,000.

In November 2000, the Commission charged Womack with fraudulently offering and selling \$19 million in securities to about 400 investors nationwide between August 1997 and June 1999. Womack represented to investors that he would invest their money in the stock market pursuant to an investment strategy that he claimed to have developed and used successfully. In fact, Womack misused the majority of investor funds for personal and unrelated expenses and to pay some investors their purported profits and principal.

In May 2001, Womack was convicted of wire fraud and money laundering in a criminal proceeding in the United States District Court for the Central District of California, arising out of the same facts and circumstances as the Commission's case. He is currently in custody and awaiting sentencing. [SEC v. Jerry A. Womack, Civil Action No. 01-1037 DOC, RCx, C.D. Cal.] (LR-17293)

INVESTMENT COMPANY ACT RELEASES

TOUCHSTONE VARIABLE SERIES TRUST, ET AL.

An order has been issued pursuant to Section 6(c) of the Investment Company Act granting exemptive relief from 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 Touchstone Variable Series Trust (TVST) and Touchstone Advisors, Inc. (Touchstone Advisors) 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 advisors, retained by the manager to manage the portfolio securities of a Touchstone Advisors fund, and any affiliate of the manager and affiliates of the sub-advisers. (Rel. IC-25352 – December 31)

DRW VENTURE PARTNERS LP AND RBC DAIN RAUSCHER CORP.

A notice has been issued giving interested persons until January 28, 2002, to request a hearing on an application filed by DRW Venture Partners LP and RBC Dain Rauscher Corp. (DRC) for an order under Sections 6(b) and 6(e) of the Investment Company Act in connection with the formation of certain limited partnerships and limited liability companies (Partnerships) to be offered to certain key employees of (DRC) and certain of its affiliates. Each Partnership will be an "employees' securities company" within the meaning of Section 2(a)(13) of the Act. (Rel. IC-25353 – January 2)

HOLDING COMPANY ACT RELEASES

ALLEGHENY ENERGY, INC., ET. AL

A order has been issued authorizing 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. 35-27486)

NATIONAL FUEL GAS COMPANY

An order has been issued authorizing National Fuel Gas Company National), a registered holding company, and its wholly owned nonutility subsidiary company, Horizon Energy Development, Inc. (Horizon), and Horizon's wholly owned nonutility subsidiary company, Horizon Energy Holdings, Inc. (Holdings), and Holdings' subsidiary companies, to, through September 30, 2006, develop, organize, reorganize, finance and provide services for special purpose subsidiaries that will invest in nonutility subsidiaries, including "exempt wholesale generators" and "foreign utility companies," as defined in Sections 32 and 33 of the Public Utility Holding Company Act of 1935, as amended (Act) and "energy related" companies, as defined in Rule 58 under the Act. Horizon and its nonutility subsidiaries also were authorized to pay dividends out of capital and unearned surplus and to provide certain energy consulting services to unaffiliated third parties in both the United States and foreign countries. (Rel. 35-27487)

AMERICAN ELECTRIC POWER COMPANY, INC.

A notice has been issued giving interested persons until January 28, 2002, to request a hearing on a proposal by American Electric Power Company, Inc. (AEP), a registered holding company. AEP was previously authorized to organize and acquire all of the common stock or other equity interests of one or more financing subsidiaries (FS) for the purpose of effecting various financing transactions through June 30, 2004. These transactions involved the issuance and sale of up to \$1.5 billion unsecured in any combination of preferred securities, debt securities, interest rate hedges, anticipatory hedges, stock purchase contracts, and stock purchase units, as well as stock issued under the stock purchase contracts and stock purchase units. AEP was further authorized to effect directly financing transactions involving preferred securities, debt securities, stock

purchase contracts, or stock purchase units. AEP now requests authorization to increase the investment limit from \$1.5 billion to \$3.0 billion. AEP also requests authorization to issue common stock directly and through FS. The proceeds of the preferred securities, debt securities, stock purchase contracts and stock purchase units may be utilized to pay dividends to AEP and to acquire the securities of associate companies and interests in other businesses, including exempt wholesale generators and foreign utility companies, or other general corporate purposes, including the refunding of short-term indebtedness. (Rel. 35-27488)

SELF-REGULATORY ORGANIZATIONS

PROPOSED RULE CHANGE

A proposed rule change has been filed by the American Stock Exchange (SR-Amex-2001-103) relating to a utilization fee for the 'smart' wiring program. Publication of the proposal is expected in the Federal Register during the week of December 31. (Rel. 34-45177)

APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change (SR-Amex-2001-98) filed by the American Stock Exchange to reinstate and increase options transaction charges in select products. Publication of the proposal is expected in the Federal Register during the week of December 31. (Rel. 34-45211)

ACCELERATED APPROVAL OF PROPOSED RULE CHANGE

The Commission granted accelerated approval to a proposed rule change (ISE-2001-33) and Amendments No. 1 and granted accelerated approval of Amendment No. 2 to the proposed rule change submitted by the International Securities Exchange that amends the original listing criteria for underlying securities in ISE Rule 502. (Rel. 34-45220)

PROPOSED RULE CHANGE

The Chicago Board Options Exchange filed Amendment No. 2 to a proposed rule change (SR-CBOE-99-45) clarifying certain aspects of Interpretation and Policy .02 to Exchange Rule 6.8. Publication of the proposal is expected in the Federal Register during the week of January 7. (Rel. 34-45221)

DELISTINGS GRANTED

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Common Stock, \$.01 par value, of House2Home, Inc., effective at the opening of business on December 28, 2001. (Rel. 34-45200)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the 4 1/2% Convertible Subordinated Debentures (due December 15, 2003) of MascoTech, Inc., effective at the opening of business on December 28, 2001. (Rel. 34-45201)

An order has been issued granting the application of the Philadelphia Stock Exchange to strike from listings and registration the Common Stock, \$.01 par value, of Cover-All Technologies, Inc., effective at the opening of business on December 27, 2001. (Rel. 34-45202)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Common Stock, \$.001 par value, of The Indonesia Fund, Inc., effective at the opening of business on December 28, 2001. (Rel. 34-45203)

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 Aames Financial Corporation, effective at the opening of business on December 28, 2001. (Rel. 34-45204)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Fixed/Adjustable Rate Cumulative Preferred Stock, Series B, of Donaldson, Lufkin & Jenrette, Inc., effective at the opening of business on December 31, 2001. (Rel. 34-45209)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the 8.15% Subordinated Debentures (due August 1, 2009) of Associates Corporation of North America, effective at the opening of business on December 31, 2001. (Rel. 34-45210)

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 Lodgian, Inc., effective at the opening of business on December 31, 2001. (Rel. 34-45212)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the 9.25% Senior Subordinated Notes (due June 15, 2004) of Louis Dreyfus Natural Gas Corp., effective at the opening of business on December 31, 2001. (Rel. 34-45213)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the 9 1/4% Debentures (due October 15, 2009), 7 3/4% Debentures (due October 1, 2015), 9.30% Debentures (due May 1, 2021), 8 5/8% Debentures (due February 15, 2022), 8 1/8% Debentures (due February 1, 2023) and 7 7/8% Debentures (due June 15, 2025) of Ralston-Ralston Purina Group, effective at the opening of business on December 31, 2001. (Rel. 34-45214)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Common Stock, \$.01 par value, of Birmingham Steel Corporation, effective at the opening of business on December 31, 2001. (Rel. 34-45215)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Common Stock, \$.01 par value, of Burlington Industries, Inc., effective at the opening of business on December 31, 2001. (Rel. 34-45216)

An order has been issued granting the application of the New York Stock Exchange to strike from listing and registration the Common Stock, \$.01 par value, of U.S. Aggregates, Inc., effective at the opening of business on December 31, 2001. (Rel. 34-45217)

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 Entrade, Inc., effective at the opening of business on December 31, 2001. (Rel. 34-45218)

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 Campbell Resources, Inc., effective at the opening of business on December 31, 2001. (Rel. 34-45219)

WITHDRAWALS GRANTED

An order has been issued granting the application of Spinnaker Industries, Inc. to withdraw its Common Stock, no par value, and Class A Common Stock, no par value, from listing and registration on the American Stock Exchange, effective at the opening of business on December 28, 2001. (Rel. 34-45205)

An order has been issued granting the application of Quicksilver Resources Inc., to withdraw its Common Stock, \$.001 par value, from listing and registration on the American Stock Exchange, effective January 3, 2002. (Rel. 34-45223)

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 TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD, NO 121 PARK AVE III, SCIENCE BASED INDUSTRIAL PARK, HSINCHU TAIWAN, W1 (886) 578-0221 - 293,250,000 (\$1,005,847,500) FOREIGN COMMON STOCK. (FILE 333-14218 - DEC. 21) (BR. 5)
- F-3 PARTNER COMMUNICATIONS CO LTD, 8 AMAL STREET AFEQ INDUSTRIAL PARK, 972 3 905 4888, ROSH HAAYIN 48103 ISRAEL, L3 00000 - 400,000,000 (\$400,000,000) FOREIGN GOVERNMENT AND AGENCY DEBT. (FILE 333-14222 - DEC. 26) (BR. 7)
- S-8 THOMSON MULTIMEDIA, 46 QUAI A LE GALLO, 92100, BOULOGNEFRANCE, IO 00000 - 1,800,000 (\$51,256,800) FOREIGN COMMON STOCK. (FILE 333-14224 - DEC. 20) (BR. 2)
- S-8 WOLSELEY PLC, PO BOX 18 VINES LANE, DROITWITCH SPA WORCHESTERSHIRE WR9 8ND, UNITED KINGDOM, X0 00000 (011) 449-0577 - 21,000,000 (\$164,967,600) FOREIGN COMMON STOCK. (FILE 333-14226 - DEC. 20) (BR. 6 - NEW ISSUE)
- F-6 HONDA MOTOR CO LTD /ADR, 60 WALL ST, NEW YORK, NY 10260 - 65,000,000 (\$3,250,000) DEPOSITARY RECEIPTS FOR COMMON STOCK. (FILE 333-14228 - DEC. 20)