

# SEC NEWS DIGEST

Issue 97-181

September 18, 1997

---

## ENFORCEMENT PROCEEDINGS

---

### TEMPORARY RESTRAINING ORDER AND FREEZE OF ASSETS ORDERED AGAINST THE GENEVA GROUP AND NICHOLAS GARCIA

The Commission announced that on September 15 it filed a civil action in U.S. District Court for the Central District of California against The Geneva Group and Nicholas Garcia. The Court ordered defendants Geneva and Garcia to immediately cease their fraudulent activities and temporarily froze Geneva's and Garcia's assets.

The Commission's complaint alleges the defendants engaged in fraudulent conduct by soliciting investors to buy shares of ForceTek Holding, Inc. -- a shell company controlled by Garcia's associates -- with materials that describe the business of Force Technologies, Inc., a different and unrelated Canadian company that trades in Canada under the symbol FRCE. Earlier in the year, Garcia and Geneva had solicited investors to purchase shares of Force Technologies, of which they owned 900,000 shares.

According to the Commission's complaint, Garcia's associates had acquired control of a public shell corporation whose stock had been cleared for quotation on the NASD Bulletin Board, changed its name to ForceTek Holding, Inc., changed its trading symbol to FRCE, the same symbol as that used by Force Technologies in Canada, and then started selling ForceTek stock, using materials very similar to those they had used to offer and sell Force Technologies stock.

The Commission's complaint also alleges that the defendants, through these activities, violated the antifraud and broker-dealer registration provisions of the federal securities laws. The Commission's complaint also seeks injunctive relief, disgorgement, and civil money penalties. The Court has scheduled a hearing for September 26, 1997 at 2:00 p.m. to determine whether the relief granted should be extended. [SEC v. The Geneva Group and Nicholas Garcia, SACV 97-740, AHS, C.D. Cal.] (LR-15496)

### PERMANENT INJUNCTION ENTERED AGAINST PAUL BORG

On September 16, the Commission filed and simultaneously settled an insider trading action against Paul H. Borg, a former semiconductor

product sector sourcing buyer for Motorola, Inc., Borg consented to the entry of a permanent injunction from further violations of the federal securities laws, and agreed to pay disgorgement of \$5,250 of illegal trading profits, plus prejudgment interest, and a civil penalty of \$5,250.

The complaint alleged that Borg purchased 2000 shares of Ibis Technology Corporation, a Danvers, Massachusetts-based company, in advance of an October 2, 1995 public announcement that Ibis had entered into a manufacturing agreement with Motorola. According to the complaint, Borg had worked on the agreement for his employer, Motorola. After the public announcement, on October 3, 1995, the price of Ibis' common stock increased nearly 50%, to \$7-5/8 per share, on heavy trading volume. The complaint alleged that Borg violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. [SEC v. Paul H. Borg, Civil Action No. 97-1914 PHX, EHC, D. Arizona] (LR-15497)

#### FREDDIE STEWART BARRED

The Commission today announced the issuance of an Order Instituting Public Administrative Proceedings Pursuant to Sections 15(b) and 19 (h) of the Securities Exchange Act of 1934 (Exchange Act), Making Findings and Imposing Remedial Sanctions against Freddie Don Stewart (Stewart). The Order finds that on September 12 the Honorable Robert E. Keeton, of the U.S. District Court for the District of Massachusetts entered a Final Judgment against Stewart in connection with his role in a fraudulent unregistered offering of securities.

The Order finds that from April 1994 through April 1995, Stewart was an associated person of a broker-dealer registered with the Commission. The Commission's complaint against Stewart alleged that from September 1992, through at least March 1995, Stewart violated the antifraud and securities registration provisions of the Securities Act of 1933 and the antifraud and broker-dealer registration provisions of the Exchange Act. Specifically, the Commission's complaint alleged that during that period Stewart made false and misleading statements to investors regarding potential returns and risks associated with ostrich breeding ventures in connection with the sale of unregistered securities in the form of partnership interests.

Stewart consented to be barred from association with any broker-dealer, municipal securities dealer, investment adviser or investment company. (Rel. 34-39085)

#### COMMISSION FILES COMPLAINT AGAINST MICROWEST INDUSTRIES, INC., AND ITS AFFILIATES, PRINCIPALS, AND SALES AGENTS

The Commission announced that today it sued MicroWest Industries, Inc., its affiliates, officers, directors and former sales agents for fraud and failure to register as broker-dealers. From June 1993 through May 1996, the defendants raised \$4.25 million from 190 investors. Defendants told investors that their money would be used

to manufacture and market computer equipment designed to capture and transmit medical images and to purchase computer hardware and computer chip manufacturing equipment. The Commission alleges that some investor funds were used for computer equipment but that most funds were used to pay "returns" to earlier investors, pay expenses of a related company, make loans to related companies, purchase an interest in an unrelated company, pay personal expenses, and pay commissions to sales agents.

The Commission sued: MicroWest Industries, Inc., MicroWest Microsystems, Inc., and MicroWest Income Fund for securities registration and antifraud violations; Steven P. Hevell and Ellsworth L. Brouillette for securities registration, antifraud, and broker-dealer registration violations; Joseph B. Obey and Allan T. Matzat for securities registration and antifraud violations; Neal C. Harper, Dwight H. Stephens, Jim D. James, Blake T. Ward, Thomas J. Perkins, and Anthony F. Moss for broker-dealer registration violations. [SEC v. MicroWest Industries, Inc., et al., Civil Action No. SACV-97-748, LHM, ANx, C.D.Cal.] (LR-15498)

#### COMMISSION SUES SIX INDIVIDUALS IN STOCK LEASING FRAUD

On September 17, the Commission filed a securities fraud action in the United States District Court for the Southern District of California seeking injunctions, monetary penalties, and other relief against Charles Anthony Ferracone, James W. Farrell, James L. Ericksteen, Gary L. Moore, Jill Hall and Guido Bensberg.

The complaint alleges that for a period of at least two years beginning in 1992, the defendants engaged in a fraudulent stock leasing scheme in which they acquired hundreds of millions of shares of restricted stock in at least 18 publicly-traded companies by falsely promising the issuing companies that they would pay the issuing companies large monthly rental fees for the stock, that they would not sell, pledge, or otherwise transfer the stock in any way, and that the companies could take the stock back after a year. The complaint further alleges that after acquiring the stock certificates, the defendants repeatedly attempted to transfer the stock to third parties without disclosing the many restrictions that encumbered the shares, in order to fraudulently obtain property, money, or credit. According to the complaint, the defendants' fraudulent scheme resulted in losses to such third parties of at least \$9.5 million. [SEC v. Charles Anthony Ferracone, James W. Farrell, James L. Ericksteen, Gary L. Moore, Jill Hall, and Guido Bensberg, Civil Action No. 97cv1684H, POR, S.D. Cal.] (LR-15499)

---

#### INVESTMENT COMPANY ACT RELEASES

---

#### VARIABLE ANNUITY PORTFOLIOS, ET AL.

A notice has been issued giving interested persons until October 14, 1997, to request a hearing on an application filed by Variable

Annuity Portfolios (Trust) and Citibank, N.A. Applicants seek an order under Section 6(c) of the Investment Company Act 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 the Trust to be sold to and held by: separate accounts funding variable annuity and variable life insurance contracts issued by both affiliated and unaffiliated life insurance companies; qualified pension and retirement plans; and subadvisers to certain series of the Trust. (Rel. IC-22823 - September 17)

#### NEW ENGLAND FUNDS TRUST I, ET AL.

An order has been issued on an application filed by New England Funds Trust I, et al. under Section 6(c) of the Investment Company Act. The order permits applicants to enter into and materially amend contracts with the Trusts' subadvisers without shareholder approval. (Rel. IC-22824 - September 17)

#### TELE-COMMUNICATIONS INTERNATIONAL, INC.

An order has been issued on an application filed by Tele-Communications International, Inc. under Section 6(c) of the Investment Company Act for an exemption from all provisions of the Act. The order permits applicant and its controlled companies to participate in certain foreign tele-media ventures without being subject to the provisions of the Act. (Rel. IC-22825; IS-1101 - September 17)

---

### SELF-REGULATORY ORGANIZATIONS

---

#### APPROVAL OF PROPOSED RULE CHANGE

The Commission has approved a proposed rule change (SR-NASD-97-54) filed by the National Association of Securities Dealers relating to computer-to-computer interface circuit fees for non-NASD members. Publication is expected in the Federal Register during the week of September 15. (Rel. 34-39083)

---

### 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-8 QUIDEL CORP /DE/, 10165 MCKELLAR CT, SAN DIEGO, CA 92121 (619) 552-1100  
- 300,000 (\$1,115,625) COMMON STOCK (FILE 333-35355 - SEP 11) (BR 1)
- S-4 WACHOVIA CORP/ NC, 100 N MAIN ST, WINSTON SALEM, NC 27101 (910) 732-5801  
- 14,310,000 (\$567,105,300) COMMON STOCK. (FILE 333-35357 - SEP 11)  
(BR 7)
- S-8 COMPLETE BUSINESS SOLUTIONS INC, 32605 W TWELVE MILE RD, STE 250,  
FARMINGTON HILLS, MI 48334 (810) 488-2088 - 1,083,634 (\$17,901,633.68)  
COMMON STOCK. (FILE 333-35361 - SEP. 11) (BR 3)
- S-3 FIRST UNION CORP, ONE FIRST UNION CTR, CHARLOTTE, NC 28288  
(704) 374-6565 - 53,000,000 (\$2,592,031,250) COMMON STOCK. (FILE  
333-35363 - SEP 11) (BR 7)
- S-8 KLLM TRANSPORT SERVICES INC, 3475 LAKELAND DR, JACKSON, MS 39288  
(601) 939-2545 - 200,000 (\$2,376,469 25) COMMON STOCK (FILE 333-35365 -  
SEP 11) (BR. 5)
- S-8 QAD INC, 6450 VIA REAL, CARPINTERIA, CA 93013 (805) 684-6614 -  
4,000,000 (\$84,000,000) COMMON STOCK (FILE 333-35367 - SEP 11) (BR 3)
- S-8 PDG ENVIRONMENTAL INC, 300 OXFORD DR, N PARK DR & BROWNING RD,  
MONROEVILLE, PA 15146 (412) 856-2200 - 250,000 (\$90,000) COMMON STOCK  
(FILE 333-35369 - SEP 11) (BR. 4)
- S-8 MEDIA ENTERTAINMENT INC, 8748 QUARTERS LAKE RD, BATON ROUGE, LA 70809  
(504) 922-7874 - 150,000 (\$75,000) COMMON STOCK (FILE 333-35371 -  
SEP 11) (BR. 3)
- S-3 THERMO REMEDIATION INC, 1964 S ORANGE BLOSSOM TRAIL, APOPKA, FL 32703  
(407) 886-2000 - 100,000 (\$731,250) COMMON STOCK (FILE 333-35373 -  
SEP 11) (BR 4)
- S-4 NEW RES INC, 8750 N CENTRAL EXPWY, STE 2000, DALLAS, TX 75231  
(214) 863-8000 - 141,665,880 (\$3,292,315,051) COMMON STOCK (FILE  
333-35377 - SEP. 11) (BR 3 - NEW ISSUE)
- S-8 BARRA INC /CA, 1995 UNIVERSITY AVE STE 400, BERKELEY, CA 94704  
(510) 548-5442 - 700,000 (\$25,200,000) COMMON STOCK (FILE 333-35379 -  
SEP 11) (BR. 3)
- S-8 BARRA INC /CA, 1995 UNIVERSITY AVE STE 400, BERKELEY, CA 94704  
(510) 548-5442 - 100,000 (\$3,600,000) COMMON STOCK (FILE 333-35381 -  
SEP. 11) (BR. 3)
- S-8 MONARCH DENTAL CORP, 4201 SPRING VALLEY RD, STE 320, DALLAS, TX 75244  
(972) 702-7446 - 1,281,042 (\$26,821,816 88) COMMON STOCK (FILE 333-35383  
- SEP 11) (BR. 1)
- S-8 GENESIS HEALTH VENTURES INC /PA, 148 W STATE ST STE 100, KENNETT SQUARE,  
PA 19348 (610) 444-6350 - 750,000 (\$26,062,500) COMMON STOCK (FILE  
333-35385 - SEP 11) (BR 1)
- S-3 INDIVIDUAL INC, 8 NEW ENGLAND EXECUTIVE PARK WEST, BURLINGTON, MA 01803  
(617) 273-6000 - 1,689,530 (\$5,492,600 70) COMMON STOCK. (FILE 333-35387 -  
SEP 11) (BR 3)
- S-8 SAKS HOLDINGS INC, 12 EAST 49TH ST, NEW YORK, NY 10017 (212) 940-4048 -  
100,000 (\$2,318,750) COMMON STOCK (FILE 333-35389 - SEP. 11) (BR 2)
- S-2 ROCKY SHOES & BOOTS INC, 39 EAST CANAL STREET, NELSONVILLE, OH 45764  
(614) 753-1951 - 1,955,000 (\$35,190,000) COMMON STOCK (FILE 333-35391 -  
SEP 11) (BR 2)

S-3 CASEYS GENERAL STORES INC, ONE CONVENIENCE BLVD, ANKENY, IA 50021  
(515) 965-6100 - 500,000 (\$11,875,000) COMMON STOCK. (FILE 333-35393 -  
SEP 11) (BR 2)

S-1 KOS PHARMACEUTICALS INC, 1001 BRICKELL BAY DR STE 25, MIAMI, FL 33131  
(305) 577-3464 - 3,680,000 (\$134,780,000) COMMON STOCK. (FILE 333-35395 -  
SEP 11) (BR 1)

S-2 MIDDLEBY CORP, 2850 W GOLF RD, STE 405, ROLLING MEADOWS, IL 60008  
(708) 741-3300 - 3,001,500 (\$27,201,093 75) COMMON STOCK (FILE 333-35397  
- SEP 11) (BR 6)

S-8 PATTERSON ENERGY INC, 4510 LAMESA HWY, P O DRAWER 1416, SNYDER, TX 79550  
(915) 573-1104 - 350,000 (\$13,781,250) COMMON STOCK (FILE 333-35399 -  
SEP 11) (BR 4)

S-1 SOMNUS MEDICAL TECHNOLOGIES INC, 285 N WOLFE RD, SUNNYVALE, CA 94086  
(408) 773-9121 - \$46,000,000 COMMON STOCK (FILE 333-35401 - SEP. 11)

S-8 MERITOR AUTOMOTIVE INC, 2135 W MAPLE RD, TROY, MI 48084 (248) 435-1000  
- 1,500,000 (\$13,605,000) COMMON STOCK. (FILE 333-35403 - SEP 11)  
(BR 5)

S-8 PEAPOD INC, 9933 WOODS DR, STE 375, SKOKIE, IL 60077 (847) 492-8900 -  
150,000 (\$1,275,000) COMMON STOCK. (FILE 333-35405 - SEP 11) (BR. 6)

S-8 MERITOR AUTOMOTIVE INC, 2135 W MAPLE RD, TROY, MI 48084 (248) 435-1000  
- 7,000,000 (\$63,490,000) COMMON STOCK (FILE 333-35407 - SEP. 11)  
(BR. 5)

S-3 ASSISTED LIVING CONCEPTS INC, 10570 SE WASHINGTON, STE 213, PORTLAND, OR  
97216 (503) 252-6233 (FILE 333-35409 - SEP. 11) (BR 1)

S-1 METRO-GOLDWYN-MAYER INC, 2500 BROADWAY STREET, SANTA MONICA, CA 90404  
(310) 449-9911 - \$250,000,000 COMMON STOCK (FILE 333-35411 - SEP 11)

S-3 HONDA AUTO RECEIVABLES 1997-B GRANTOR TRUST, 700 VAN NESS AVENUE,  
C/O AMERICAN HONDA RECIEVABLES CORP, TORRANCE, CA 90501 (310) 781-4318 -  
1,000,000 (\$1,000,000) STRAIGHT BONDS (FILE 333-35413 - SEP 11)  
(NEW ISSUE)

S-3 GUILFORD PHARMACEUTICALS INC, 6611 TRIBUTARY ST, BALTIMORE, MD 21224  
(410) 631-6300 - 2,200,000 (\$64,487,500) COMMON STOCK (FILE 333-35415 -  
SEP 11) (BR 1)

S-8 FORTUNE NATURAL RESOURCES CORP, 515 WEST GREENS ROAD, SUITE 720,  
HOUSTON, TX 77067 (713) 872-1170 - 20,000 (\$40,000) COMMON STOCK. (FILE  
333-35417 - SEP 11) (BR 4)

S-3 MEDIC COMPUTER SYSTEMS INC, 8601 SIX FORKS RD STE 300, RALEIGH, NC 27615  
(919) 847-8102 - 301,142 (\$9,627,148 37) COMMON STOCK (FILE 333-35419 -  
SEP 11) (BR 3)

S-1 POWER INTEGRATIONS INC, 477 NORTH MATHILDA AVENUE, SUNNYVALE, CA 94086  
(408) 523-9210 - 4,600,000 (\$55,200,000) COMMON STOCK (FILE 333-35421 -  
SEP 11)

S-8 HI TECH PHARMACAL CO INC, 369 BAYVIEW AVENUE, AMITYVILLE, NY 11701  
(516) 789-8228 - 775,000 (\$4,310,937.50) COMMON STOCK. (FILE 333-35425 -  
SEP 11) (BR 1)

S-8 SANO CORP, 3250 COMMERCE PARKWAY, MIRAMAR, FL 33025 (954) 430-3340 -  
50,000 (\$1,012,500) COMMON STOCK. (FILE 333-35427 - SEP 11) (BR 1)

S-3 ATLANTIC COAST AIRLINES INC, 515 A SHAW ROAD, DULLES, VA 20166  
(703) -92-5-60 - 57,500,000 (\$57,500,000) STRAIGHT BONDS (FILE 333-35429  
- SEP. 11) (BR 5)

S-4 FIRST PALM BEACH BANCORP INC, P O BOX 3515, WEST PALM BEACH, FL 33402  
(407) 655-8511 - 35,000,000 (\$35,000,000) STRAIGHT BONDS (FILE 333-35431  
- SEP 11) (BR 7)

- S-3 TAUBMAN CENTERS INC, 200 E LONG LAKE RD, SUITE 300 P O BOX 200,  
BLOOMFIELD HILLS, MI 48303 (810) 258-6800 (FILE 333-35433 - SEP 11)  
(BR 8)
- S-3 VARI L CO INC, 11101 E 51ST AVE, DENVER, CO 80239 (303) 371-1560 -  
795,000 (\$7,651,875) COMMON STOCK (FILE 333-35435 - SEP 11) (BR 9)
- S-3 SILICON GRAPHICS INC /CA/, 2011 N SHORELINE BLVD, MS 6U-710,  
MOUNTAIN VIEW, CA 94043 (415) 960-1980 - 2,969,000 (\$85,915,437.50)  
COMMON STOCK (FILE 333-35439 - SEP. 11) (BR 3)
- S-3 MEDIC COMPUTER SYSTEMS INC, 8601 SIX FORKS RD STE 300, RALEIGH, NC 27615  
(919) 847-8102 - 359,639 (\$11,497,227.26) COMMON STOCK (FILE 333-35443 -  
SEP 11) (BR 3)
- S-8 PEAPOD INC, 9933 WOODS DR, STE 375, SKOKIE, IL 60077 (847) 492-8900 -  
4,300,000 (\$36,550,000) COMMON STOCK. (FILE 333-35445 - SEP 11) (BR 6)
- S-4 STANDARD MANAGEMENT CORP, 9100 KEYSTONE CROSSING STE 600, INDIANAPOLIS,  
IN 46240 (317) 574-6200 - \$21,090,841 COMMON STOCK. (FILE 333-35447 -  
SEP 11) (BR 1)
- S-1 TRIAD MEDICAL INC, 23161 MILL CREEK DRIVE, SUITE 300, LAGUNA HILLS, CA  
92653 (714) 770-0292 - \$55,200,000 COMMON STOCK (FILE 333-35449 -  
SEP 11) (NEW ISSUE)
- S-4 COMFORCE CORP, 2001 MARCUS AVE, LAKE SUCCESS, NY 11042 (516) 328-7300 -  
1,779,000 (\$13,175,718.75) COMMON STOCK (FILE 333-35451 - SEP. 11)  
(BR 6)
- S-3 CINTAS CORP, 6800 CINTAS BLVD, P O BOX 625737, CINCINNATI, OH 45262  
(513) 573-4016 - 21,667 (\$1,520,806.73) COMMON STOCK (FILE 333-35453 -  
SEP 11) (BR. 2)
- S-3 WAVEPHORE INC, 3311 NORTH 44TH STREET, PHOENIX, AZ 85018 (602) 952-5500  
- 2,100,000 (\$15,356,250) COMMON STOCK (FILE 333-35455 - SEP. 11)  
(BR. 3)

**SECURITIES AND EXCHANGE COMMISSION**

**LITIGATION RELEASE NO. 15497 / September 17, 1997**

**SECURITIES AND EXCHANGE COMMISSION v. PAUL H. BORG, Civil Action**  
**No. Civ 97-1914 PHX(EHC) (D. Arizona, filed September 16, 1997)**

The Securities and Exchange Commission ("Commission") today announced the filing of a complaint against Paul H. Borg ("Borg"), of Mesa, Arizona, a former semiconductor product sector sourcing buyer for Motorola, Inc., charging him with insider trading. Simultaneously with the filing of the Commission's complaint, Borg consented to the entry of an order of permanent injunction from further violations of the antifraud provisions of the federal securities laws. Borg also agreed to pay disgorgement of \$5,250 of illegal trading profits, plus prejudgment interest, and to pay a civil monetary penalty of \$5,250.

The complaint alleged that Borg traded in the securities of Ibis Technology Corporation ("Ibis"), a Danvers, Massachusetts-based company, in advance of an October 2, 1995 public announcement that Ibis had entered into a manufacturing agreement with Motorola. According to the complaint, on September 20 and 29, 1995, after having assisted in negotiating the terms of the agreement for his employer, Motorola, Borg illegally purchased a total of 2,000 shares of Ibis common stock. After the public announcement, on October 3, 1995, the price of Ibis' common stock increased nearly 50%, to \$7-5/8 per share, on heavy trading volume. As a result, the complaint alleged, Borg realized illegal trading profits of \$5,250.

Borg neither admitted nor denied the allegations in the complaint. The complaint, which was filed in the United States District Court for the District of Arizona, alleged that Borg violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.



UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 39085 / September 17, 1997

ADMINISTRATIVE PROCEEDING  
File No. 3-9415

---

In the Matter of	:	ORDER INSTITUTING PROCEEDINGS
	:	PURSUANT TO SECTIONS 15(b) AND
FREDDIE DON STEWART,	:	19(h) OF THE SECURITIES
	:	EXCHANGE ACT OF 1934, MAKING
Respondent.	:	FINDINGS AND IMPOSING REMEDIAL
	:	SANCTIONS

---

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that an administrative proceeding be instituted pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 ("Exchange Act") against Freddie Don Stewart ("Stewart").

II.

In anticipation of the institution of this administrative proceeding, Stewart has submitted an Offer of Settlement ("Offer") that the Commission has determined to accept. Solely for the purpose of these proceedings, and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings contained herein, except those findings pertaining to the jurisdiction of the Commission over him and over the subject matter of these proceedings and the entry of the injunction described in paragraph D of Section III below, which he admits, Stewart consents to the entry of the findings and the imposition of the remedial sanctions set forth herein.

Accordingly, IT IS ORDERED that proceedings pursuant to Sections 15(b) and 19(h) of the Exchange Act be, and hereby are, instituted.

### III.

On the basis of this Order Instituting Proceedings Pursuant to Sections 15(b) and 19(h) of the Securities Exchange Act of 1934 Making Findings and Imposing Remedial Sanctions, and the Offer submitted by Stewart, the Commission finds that:

A. During the period from April 1994, through April 1995, Stewart was an associated person of a broker-dealer registered with the Commission pursuant to Section 15(a) of the Exchange Act.

B. On August 14, 1994, the Commission filed a complaint against Stewart in the U.S. District Court for the District of Massachusetts alleging, among other things, that, from September 1992, through at least March 1995, Stewart had violated the antifraud and securities registration provisions of the Securities Act of 1933 ("Securities Act") and the antifraud and broker-dealer registration provisions of the Exchange Act and the rules thereunder.<sup>1</sup>

C. Specifically, the Commission's complaint alleges that during that period Stewart made false and misleading statements to investors regarding potential returns and risks associated with ostrich breeding ventures in connection with the sale of unregistered securities in the form of partnership interests in those ventures.

D. On April 30, 1997, without admitting or denying any of the allegations contained in the complaint, except as to jurisdiction which he admitted, Stewart consented to a final judgment of permanent injunction which was entered on September 12, 1997, pursuant to which Stewart was permanently enjoined from violating Sections 5(a) and (c) and 17(a) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder.

### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to accept the Offer submitted by Stewart and to impose the sanction specified therein.

---

<sup>1</sup> Securities and Exchange Commission v. International Breeders Inc., et. al., Civil Action No. 95-11818 (REK) (filed August 14, 1995).

Accordingly, **IT IS HEREBY ORDERED** that:

A. Freddie Don Stewart be, and hereby is, barred from association with any broker, dealer, municipal securities dealer, investment adviser or investment company.

By the Commission.

Jonathan G. Katz  
Secretary

SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 15498 / September 17, 1997

Securities and Exchange Commission v. MicroWest Industries, Inc. et al., Civil Action No. SACV-97-748 LHM (ANx) (C.D.Cal.)

The Securities and Exchange Commission announced that today it sued MicroWest Industries, Inc. of Irvine, California and its affiliates, principals and sales agents for fraud and failure to register as broker-dealers. The Commission filed the complaint in federal district court in Los Angeles. The complaint alleges that from June 1993 through May 1996, the Defendants raised over \$4.25 million from over 190 investors nationwide. The Defendants told investors that their money would be used to manufacture and market computer equipment designed to capture and transmit medical images, to purchase computer hardware and computer chip manufacturing equipment, and for working capital. The Commission alleges that only a small portion of investor funds were used to purchase computer equipment and that most funds were used to: (1) pay "returns" to earlier investors in a "Ponzi" scheme, (2) pay the expenses of a related company, (3) make loans to related companies, (4) purchase an interest in an unrelated company, (5) pay personal expenses, and (6) pay commissions to sales agents.

The Commission sued Microwest Industries, Inc., MicroWest Microsystems, Inc. (Irvine), and MicroWest Income Fund (Las Vegas, Nevada) for violations of the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933 and the antifraud provisions of 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 sued Steven P. Hevell (Newport Beach, California), chairman of MicroWest Industries and president and CEO of MicroWest Microsystems, and Ellsworth L. Brouillette (Scottsdale, Arizona), vice-president of MicroWest Industries, for violations of the registration provisions of Sections 5(a) and 5(c), the antifraud provisions of Section 17(a) and Section 10(b) and Rule 10b-5, and the broker-dealer registration provisions of Section 15(a)(1) of the Securities Exchange Act of 1934. In addition, the Commission sued Joseph G. Obey (Irvine), CEO and president of MicroWest Industries, and Allan T. Matzat (Mission Viejo, California), CFO of MicroWest Industries, for violations of the registration provisions of Sections 5(a) and 5(c) and the antifraud provisions of Section 10(b) and Rule 10b-5. Finally, the Commission sued former MicroWest Industries sales agents Neal C. Harper (Scottsdale), Dwight H. Stephens (Scottsdale), Jim D. James (Fountain Valley, California), Blake T. Ward (Laguna Hills, California), Thomas J. Perkins (Castro Valley, California), and Anthony F. Moss (Costa Mesa, California) for violations of the broker-dealer registration provisions of Section 15(a)(1).