

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 8712 / June 15, 2006**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 53993 / June 15, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12336**

**In the Matter of**

**GEORGE J. CANNAN, JR.,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST 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)(6) AND 21C OF  
THE SECURITIES EXCHANGE ACT OF  
1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against George J. Cannan, Jr. (“Respondent” or “Cannan Jr.”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which 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 herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist 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)(6) and 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **Respondent**

1. Respondent is a resident of Ft. Lauderdale, Florida. He worked as a registered representative of A.G. Edwards & Sons, Inc., where he was the representative for separate accounts that he, other Cannan family members, and a corporation controlled by Harris Ballow owned. After A.G. Edwards, he has been employed as a day trader.

#### **Other Relevant Persons**

2. EpicEdge, Inc., a Texas corporation, is the product of a 1999 merger between Design Automation Systems, Inc. ("DASI"), a closely-held computer equipment reseller, and a public shell called Loch Exploration, Inc. Immediately after the merger the public company retained the Loch Exploration name, then took on the DASI name later in 1999 and finally the EpicEdge name in March 2000. The Order will use the name EpicEdge to identify the public company at all times after the merger. EpicEdge was an Internet consulting firm. At times relevant to this Order EpicEdge's stock traded over-the-counter and on the American Stock Exchange.

3. EVTC, Inc., a Delaware corporation, was engaged in the sale of refrigerants and related products. At times relevant to this Order, EVTC's stock traded on the Nasdaq Small-Cap Market.

4. George J. Cannan, Sr., is a resident of Ft. Lauderdale, Florida and Ocean Gate, New Jersey. Cannan, Sr. was the chairman and CEO of EVTC and its largest shareholder. Cannan, Sr. resigned his positions as CEO of EVTC in May 2001 and chairman in May 2002.

5. Harris D. "Butch" Ballow ("Ballow") is a four-time convicted felon who resided in Galveston, Texas, until he was incarcerated after being indicted on federal charges in Houston in early 2003. On July 9, 2004, the Commission filed an action against Ballow and others in federal district court in connection with the matters described herein. SEC v. Rose, et al., Civil Action No. H-04-CV-2799 (S.D. Texas). Ballow is currently a fugitive from justice.

#### **Facts and Violations**

6. During 1999 and 2000, Ballow and others engaged in manipulative trading and unregistered distributions of the stocks of EpicEdge and EVTC. This Order concerns Respondent Cannan Jr.'s role in the manipulation of EpicEdge and EVTC stocks.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

7. To carry out the scheme, Ballow acquired large amounts of EpicEdge stock in 1999 in a transaction registered with the Commission on Form S-8. He used this stock to finance purchases of EVTC stock, sharply diminishing the supply of EVTC stock, for the purpose of driving up the price of EVTC stock. An EVTC officer purchased EpicEdge stock on Ballow's recommendation, and such purchases helped maintain the price of the EpicEdge stock that Ballow was using to finance the purchases of EVTC stock. To enhance the effects of the purchases, Ballow made many purchases at rising prices, particularly in the last half hour of trading, and engaged in simultaneous or near simultaneous purchases and sales of stock.

8. Cannan Jr. became a registered representative at A.G. Edwards in approximately June 1999. Cannan Sr. opened an account at A.G. Edwards shortly thereafter but did little in the account until December 1999. Cannan Sr. referred Ballow to Cannan Jr., and Ballow and his associate opened an account in the name of Belsly Investment at A.G. Edwards with Cannan Jr. as the registered representative. Between January and September 2000, Ballow and his associates through Respondent placed approximately two hundred trades of EVTC and EpicEdge.

9. Cannan Jr. generally discussed the trades at A.G. Edwards with both Ballow and Cannan Sr. Respondent was reckless in not knowing that Ballow and others were engaged in a manipulation of EVTC and EpicEdge.

10. The trades placed by Respondent for Ballow included sales of EpicEdge stock that were not registered with the Commission and were not exempt from registration. The trades also included purchases of both EpicEdge and EVTC stock that occurred while Ballow was engaged in distributions of those securities.

11. As a result of the conduct described above, Cannan Jr. willfully aided and abetted and caused: (A) violations of Sections 5(a) and (c) of the Securities Act, which prohibit sales and offers of securities made without a registration statement being in effect or filed with the Commission; (B) violations of Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer and sale of securities; (C) violations of Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities; and (D) violations of Rule 101 of Regulation M, which, among other things, prohibits persons participating in a distribution of a security from purchasing or inducing others to purchase the security.

#### **IV.**

Respondent has submitted a sworn Statement of Financial Condition dated November 30, 2005 and other evidence and has asserted his inability to pay disgorgement plus prejudgment interest and a civil penalty.

#### **V.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Cannan Jr.'s Offer.

Accordingly, it is hereby ORDERED:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, that Respondent Cannan Jr. cease and desist from committing or causing any violations and any future violations of Sections 5(a) and (c) and 17(a) of the Securities Act, Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and Rule 101 of Regulation M.

B. Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Cannan Jr. be, and hereby is, suspended from association with any broker or dealer for a period of six (6) months, effective on the second Monday following the entry of this Order.

C. Respondent shall pay disgorgement of \$18,454.00 plus prejudgment interest, but based upon Respondent's sworn representations in his Statement of Financial Condition dated November 30, 2005 and other documents submitted to the Commission, payment of such disgorgement amount is waived and the Commission is not imposing a penalty against Respondent.

D. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest and the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest and a penalty should not be ordered; (3) contest the amount of disgorgement and interest as found in this Order; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Nancy M. Morris  
Secretary