

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

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 51883 / June 20, 2005**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-11957**

**In the Matter of**

**JOE D. THOMAS,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Joe D. Thomas (“Thomas” or “Respondent”).

**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, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

**III.**

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

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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.

A. RESPONDENT

Thomas, age 50, is a Salt Lake City, Utah resident. Thomas owns and operates a mortgage banking business. Between October 18, 2001, and January 24, 2002, Thomas was the president and sole director of a publicly held company, Gateway International Holdings, Inc. (“Gateway”).

B. RELATED ENTITY

Gateway International Holdings, Inc. f/k/a Gourmet Gifts, Inc. is a Nevada corporation with offices in Anaheim, California. Following its inception in 1997, the company unsuccessfully attempted to sell seasonal gourmet food and beverage items. By August 1999 it had become an inactive shell with no significant assets, revenues or operations. On January 25, 2002, Gateway engaged in a reverse merger under which it combined with a privately held machine tool manufacturing company through a stock-for-stock exchange. In July 1999, Gateway registered its stock pursuant to Section 12(g) of the Exchange Act. Gateway stock was quoted on the Bulletin Board (a quotation service operated by the NASD) until August 28, 2003. Gateway stock is currently quoted in the electronic quotation service operated by the Pink Sheets, LLC. As of February 10, 2003, there were 26,426,300 shares of its common stock issued and outstanding.

C. INACCURATE AND UNTIMELY DISCLOSURES ABOUT SHARE OWNERSHIP AND TERMS OF REVERSE MERGER

1. In late August and early September 2001, Thomas and others, who did not then own any Gateway stock, met with representatives of a privately held corporation concerning a possible reverse merger with Gateway. On about September 4, 2001, the parties informally agreed that Gateway would acquire all of the outstanding shares of the privately held corporation in exchange for newly issued shares of Gateway stock. On January 25, 2002 (“Effective Date”), Gateway engaged in a reverse merger with the privately held corporation.

2. On or before September 24, 2001, Thomas was informed that in addition to transferring the private corporation’s stock to Gateway, certain obligations had to be paid to successfully consummate the transaction. In turn, Thomas told an officer of the private corporation to make \$160,000 in payments, \$25,000 of which went to Gateway to eliminate its existing debts, and \$135,000 of which went directly to Gateway shareholders. Of the \$135,000, \$100,000 was paid to a Gateway shareholder as a finder’s fee; \$15,000 was paid to another shareholder to purchase shares; and \$20,000 was divided among three other shareholders who collectively held one million shares of Gateway stock.

3. Between September 24, 2001 and approximately February 2003, Thomas owned outright 800,000 shares issued to Thomas by Gateway in October 2001.<sup>2</sup>

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<sup>2</sup> A four-for-one forward split of Gateway’s outstanding common stock became effective on December 7, 2001. The quantities discussed herein are post-split.

4. Between approximately September 24, 2001 and early January 2002, Thomas owned or exercised control over 200,000 additional Gateway shares purchased from the shareholder who received \$15,000. As a result, Thomas is deemed to either have owned outright, or indirectly controlled, as many as 23% of Gateway's 4,384,000 outstanding shares.

5. On the Effective Date, 13.5 million new shares of Gateway stock were issued to the private company's shareholders. By shortly after that date, Thomas owned less than 5% of the nearly 18 million shares of Gateway stock that were then issued and outstanding.

6. Thomas was required to make filings with the Commission disclosing his beneficial ownership of Gateway stock, but in certain instances omitted to do so. Thomas never filed a Schedule 13D with the Commission reporting his ownership or disposition of any Gateway shares, and never filed an annual statement of beneficial ownership on Form 5.

8. On April 30, 2004, Thomas filed Forms 3 and 4 belatedly reporting his acquisition and subsequent sale in 2003 of 800,000 shares of Gateway stock, but omitted reference to the other shares described above. The effect of this omission was to render the Forms 3 and 4 misleading.

9. Between October 24, 2001 and January 25, 2002, Thomas signed, and/or caused Gateway to file, two preliminary or definitive information statements pursuant to Section 14(c) of the Exchange Act, an information statement pursuant to Section 14(f) of the Exchange Act, and a current report on Form 8-K.

10. Gateway's information statements filed pursuant to Section 14(c) of the Exchange Act indicated that the reverse merger was effected solely through a stock-for-stock exchange, but did not disclose the \$160,000 in payments to Gateway and certain of its shareholders. The effect of this omission was to render the information statements misleading.

11. Further, in purporting to identify all persons known to beneficially own more than 5% of Gateway's stock, the Form 8-K stated that Thomas owned stock representing 18.25% of Gateway's outstanding shares, but omitted reference to the other shares described above. The effect of this omission was to render the Form 8-K misleading.

12. All of Gateway's information statements stated that, "to the Company's knowledge . . . all Section 16(a) [of the Exchange Act] filing requirements applicable to its officers, directors, and greater than 10% beneficial owners were complied with for the [fiscal] year ended September 30, 2001," but omitted reference to Thomas' failure to file a Form 3 reporting his share ownership of more than 10% of Gateway's outstanding shares. The effect of this omission was to render the information statements misleading.

13. Thomas should have known that the effect of the omissions described in Paragraphs II. C. 8, and C. 10-C. 12 above was to render the Form 8-K and information statements misleading, since he knew about the undisclosed payments to certain Gateway shareholders, certain of which tended to demonstrate his ownership or control over the 200,000 unreported shares described in Paragraph 4, and knew about his failure to file a Form 3.

14. Section 13(a) of the Exchange Act and Rule 13a-11 requires reporting issuers to file a Form 8-K disclosing certain events, including any change in control. Rule 12b-20 requires that statements and reports contain all information necessary to ensure that statements made in them are not materially misleading. By signing Gateway's Form 8-K, Thomas caused Gateway's violations of Section 13(a) and Rules 12b-20 and 13a-11 thereunder.

15. Section 14(c) of the Exchange Act and Rule 14c-6 thereunder prohibit misleading statements in information statements. By causing the filing of Gateway's information statements filed pursuant to Section 14(c), Thomas caused Gateway's violations of Section 14(c) of the Exchange Act and Rule 14c-6 thereunder.

16. Section 14(f) of the Exchange Act and Rule 14f-1 thereunder require issuers replacing a majority of their directors in connection with an acquisition or tender offer to file with the Commission and transmit to certain holders of securities of the issuer information required by certain items of the Commission's proxy rules. Rule 12b-20 requires that information statements contain all information necessary to ensure that statements made in them are not materially misleading. By causing the filing of Gateway's information statement filed pursuant to Section 14(f), Thomas caused Gateway's violations of Section 14(f) of the Exchange Act and Rule 14f-1 thereunder.

17. Section 13(d) of the Exchange Act and Rule 13d-1 require any person who acquires more than five percent of an issuer's common stock to file a Schedule 13D with the Commission within ten days after the acquisition. A Schedule 13D must be "promptly" amended to disclose any "material increase or decrease" in the percentage of stock owned by the filing person. *See* Rule 13d-2(a). Thomas violated Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder because he never filed a Schedule 13D disclosing his individual acquisition of more than five percent of Gateway stock and did not file amendments to such a schedule disclosing subsequent material decreases in the number of shares he owned.

18. Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder require corporate officers, directors and holders of more than 10 percent of any class of a company security to file reports (on Forms 3, 4 and/or 5) with the Commission disclosing purchases and sales of company stock. Thomas owned more than 10 percent of Gateway stock between about September 24, 2001 and January 25, 2002. Thomas' Forms 3 and 4 that were filed on April 30, 2004 were late and understated his personal holdings. Further, Thomas never filed an annual statement of beneficial ownership with regard to his Gateway holdings on Form 5. Thomas therefore violated Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder.

### III.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Thomas' Offer.

Accordingly, it is hereby ORDERED that Respondent cease and desist from committing or causing any violations and any future violations of Sections 13(d) and 16(a) of the Exchange Act and Rules 13d-1, 13d-2, 16a-2 and 16a-3 thereunder, and from causing violations and any future violations of Sections 13(a), 14(c), and 14(f) of the Exchange Act and Rules 12b-20, 13a-11, 14c-6, and 14f-1 thereunder.

By the Commission.

Jonathan G. Katz  
Secretary