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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

ACRO-TECH, INC. and REGGIE D. HUFF,

Respondents.

SDO - 49 - 00

CONSENT ORDER

Case No: 99-07-234

THE STATE OF WASHINGTON TO: Acro-Tech, Inc. Reggie D. Huff
Reggie D. Huff, President 51377 SW Old Portland Rd
51377 SW Old Portland Road Scappoose, OR 97056
Scappoose, OR 97056

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions, State of Washington, and Respondents, Acro-Tech, Inc., and Reggie D. Huff do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents wish to obtain final disposition of this matter without invoking any rights to a hearing before the Securities Division. Respondents neither admit nor deny the following Findings of Fact and Conclusions of Law made by the Securities Administrator.

FINDINGS OF FACT

I. BACKGROUND

1. Acro-Tech, Inc. (Acro-Tech) was incorporated in Oregon on October 11, 1994. Shortly thereafter Acro-Tech started selling unregistered shares of stock in the corporation to Oregon and Washington investors. Discovering their error, Acro-Tech registered a rescission offering with the State of Oregon and was issued a permit under Oregon's Small Company Offering Registration (SCOR) rules.

1 The Oregon permit allowed Acro-Tech to offer up to 129,000 shares of common stock at \$6.00 a share
2 for a maximum offering of \$774,000. Of that amount \$71,610 was subject to rescission for the earlier,
3 unregistered sales. The permit was valid for one year, from February 10, 1995 to February 10, 1996.

4 2. On or about April 7, 1995, Acro-Tech filed a Uniform Limited Offering Registration
5 (ULOR) Application to register securities with the Securities Division of the State of Washington. The
6 Division issued a permit allowing Acro-Tech to offer up to 129,000 shares of common stock at \$6.00 a
7 share, or a maximum offering of \$774,000. The Washington permit was valid for one year, from July 13,
8 1995 to July 13, 1996.

11 II. RESPONDENTS

12 3. Acro-Tech is an Oregon for-profit corporation with its principal place of business located at
13 51377 SW Old Portland Road, Scappoose, Oregon. Acro-Tech is a start-up company whose primary
14 business is designing, developing, marketing, and licensing proprietary valves and other components used
15 to enhance performance of internal combustion engines.

16 4. Reggie D. Huff (Mr. Huff) is the founder and President of Acro-Tech, Inc. Mr. Huff is a
17 resident of the state of Oregon and resides at 34685 Bachelor Flat Road, Saint Helens, Oregon.

19 III. UNREGISTERED OFFER AND SALES 20 OF SECURITIES IN WASHINGTON

21 5. Acro-Tech's permit to offer and sell securities in the State of Washington expired on July
22 13, 1996. Acro-Tech continued to offer and sell securities to Washington investors after that date.

23 6. Beginning in September 1996 Mr. Huff started offering and selling control stock in Acro-
24 Tech from his personal holdings. He sold the stock to both new Washington investors and existing Acro-
25

1 Tech shareholders in Washington. The offer and sale of Mr. Huff's control stock was not registered with
2 the Securities Division in Washington.

3 7. Beginning on or about November 27, 1995, Mr. Huff offered and sold some Washington
4 investors investment contracts. In consideration for their purchase of Acro-Tech stock, Mr. Huff
5 provided the investors with a "Investment Protection Return Contract." The contract required Mr. Huff
6 to adjust the investor's stock value to equal an average yearly increase of 39% effective three years from
7 the date of sale. The adjustment was to be made by issuing no more than six shares of control stock, held
8 by Mr. Huff, for each share of stock purchased. Investors were not required to do anything other than
9 purchase shares of Acro-Tech stock in order to receive the guaranteed return. They expected to receive,
10 and did receive, profits from their investments solely from the efforts of Mr. Huff and Acro-Tech. The
11 offer and/or sale of Investment Return Protection Contracts was not registered with the Securities
12 Division in Washington.
13

14 8. In November 1998, Acro-Tech sent the Washington shareholders a letter offering another
15 form of investment contract. The letter promoted "a low risk investment opportunity" through the
16 purchase of interests in Harley-Davidson Valve² (H-D V²) kits. At least two Washington investors
17 purchased interests in the H-D V² kits, paying \$500 for each kit purchased. Acro-Tech agreed to retain
18 possession of the kits, and promised that within 10 months it would either repurchase the kits for \$650 or
19 re-sell the kits controlled by the investors. While investors could take possession of the kits and attempt
20 to sell them on their own, they were not required to do anything other than purchase the kits in order to
21 receive the guaranteed return. They expected to receive, and did receive, profits from their investments
22 solely from the efforts of Mr. Huff and Acro-Tech. Acro-Tech described this as a guaranteed 30% return
23 on the investment within less than a year. The offer and sale of the H-D V² kit investment was not
24 registered with the Securities Division in Washington.
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IV. DISCLOSURES

9. The Washington ULOR disclosure document represented the purchase price of Acro-Tech stock to be \$6.00 per share. However, Mr. Huff offered and issued some investors shares of his control stock, for free, to induce their investment in the offering. Respondent Acro-Tech failed to disclose the opportunity to obtain free stock in its ULOR disclosure document.

10. Neither Mr. Huff nor the letter describing the H-D V² investment disclosed the risks associated with the investment, including the risk of Acro-Tech not being able re-purchase the kits for cash or the risk of not being able to find purchasers for the HD V² kits.

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CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact, the following Conclusions of Law are made:

I. Securities

The offer and/or sale of Acro-Tech stock, Mr. Huff's control stock, and the investment contracts as described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

II. Violation of RCW 21.20.140

The offer and/or sale of Acro-Tech stock after July 13, 1996, the offer and/or sale of Mr. Huff's control stock, and the offer and/or sale of investment contracts by Acro-Tech, Inc. and Reggie D. Huff violated RCW 21.20.140, because the offers and/or sales were not registered in Washington.

III. Violation of RCW 21.20.010(2)

Respondents Acro-Tech, Inc. and Reggie D. Huff have each violated RCW 21.20.010(2) in connection with the offer and/or sale of securities by misrepresenting facts and omitting facts necessary in order to make their statements, in light of the circumstances in which they were made, not misleading.

ORDER AND CONSENT

The Securities Division and Respondents Acro-Tech, Inc. and Reggie D. Huff have agreed upon a basis for resolution of the matters alleged above. Respondents agree to the entry of this Consent Order pursuant to the Securities Act of Washington without admitting or denying the Securities Division’s findings and/or conclusions. Both Respondents acknowledge the Securities Division’s jurisdiction over this matter and its authority to enter this order.

Based upon the foregoing:

IT IS AGREED AND ORDERED that Respondents Acro-Tech, Inc., Reggie D. Huff, and their agents, employees, affiliates, and successors, shall each cease and desist from offering and/or selling unregistered securities in violation of RCW 21.20.140, the registration section of the Securities Act of Washington.

IT IS ALSO AGREED AND ORDERED that Respondents Acro-Tech, Inc., Reggie D. Huff, and their agents, employees, affiliates, and successors, shall each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS ALSO AGREED AND ORDERED that Respondents Acro-Tech, Inc., Reggie D. Huff, and their agents, employees, affiliates, and successors, shall each provide thirty (30) days advance notice to the Securities Division prior to offering and/or selling securities in the State of Washington in reliance upon any exemption available to them. The notice required under this provision shall include a complete copy of all offering materials intended to be distributed in Washington.

IT IS ALSO AGREED that in consideration of the foregoing, Respondents Acro-Tech, Inc. and Reggie D. Huff each waive their right to a hearing on this matter, and the Securities Division waives the

1 "bad-boy" provisions of WAC 460.44A.505(2)(d) that would prohibit Acro-Tech, Inc. or Reggie D. Huff
2 from claiming the exemptions otherwise available to them under RCW 21.20.320.

3
4 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

5
6 SIGNED this 31 day of May, 2000.

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8 Signed by:

9 Reggie D. Huff
10 Reggie D. Huff, individually and as
11 President of Acro-Tech, Inc.

12 ENTERED this 16th day of June, 2000.

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16 DEBORAH R. BORTNER
17 Securities Administrator

18 Approved by:

19
20 Michael E. Stevenson
21 Michael E. Stevenson
22 Chief of Enforcement

Presented by:

23
24 Anthony W. Carter
25 Anthony W. Carter
26 Securities Examiner