

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF  
CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCE AND CORPORATE SECURITIES  
STATE OF OREGON**

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In the Matter of:

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

Respondents.

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No. A-00-0023

**ORDER TO CEASE AND DESIST**

**AND**

**STIPULATIONS AND CONSENT TO  
ENTRY OF ORDER BY  
RESPONDENTS ACRO-TECH, INC  
AND REGGIE D. HUFF**

DIVISION OF FINANCE AND CORPORATE SECURITIES  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
STATE OF OREGON  
360 Winter Street, NE, Suite 410  
Salem OR 97310

**WHEREAS**, the Director of the Department of Consumer and Business Services for the State of Oregon (hereafter the "Director"), acting by and pursuant to the authority of Oregon Securities Law, Chapter 59 of the Oregon Revised Statutes (hereinafter cited as ORS Chapter 59), and other applicable authority, has a pending investigation into certain business activities conducted by the above named Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF** (hereafter collectively referred to as "Respondents");

**WHEREAS**, Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF**, without admitting or denying the allegations by the Director, want to avoid the time and expense of further investigation and an action by or before the Director and desire to obtain disposition of the above captioned matter as to **ACRO-TECH, INC** and **REGGIE D. HUFF** without invoking any rights to a hearing before the Director;

**WHEREAS**, Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF** have acknowledged fully reading and understanding the contents of this **ORDER TO**

1 **CEASE AND DESIST** (hereafter referred to as the "Order") and have waived any  
2 right to a hearing with respect to this matter and to challenge or appeal this Order;

3 **WHEREAS**, Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF** have  
4 consented to the jurisdiction of the Director for the purpose of this Order and the  
5 issuance thereof;

6 **WHEREAS**, Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF** have  
7 been notified and understand that a violation of this Order will potentially subject  
8 **ACRO-TECH, INC** and **REGGIE D. HUFF** to other action by the Director for violation  
9 of this Order or for violations of Oregon Securities Law;

10 **NOW, THEREFORE**, the Director hereby makes the following Findings of  
11 Fact and Conclusions of Law, which **ACRO-TECH, INC** and **REGGIE D. HUFF**  
12 **NEITHER ADMIT NOR DENY**, and issues the following Order, to which **ACRO-**  
13 **TECH, INC** and **REGGIE D. HUFF** have consented, as is evidenced by the  
14 signatures of **ACRO-TECH, INC** and **REGGIE D. HUFF** on the Stipulations and  
15 Consent to Entry of Order attached hereto.

16 **FINDINGS OF FACT**

17  
18 The Director **FINDS** that:

19 1. Respondent **ACRO-TECH, INC** was, at all times material herein, a for  
20 profit Oregon corporation with its principal place of business located at 51377 SW  
21 Old Portland Road, Scapoose, Oregon 97056.

22 2. Respondent **REGGIE D. HUFF** was, at all times material herein, the  
23 President and Chief Executive Officer of Acro-Tech, Inc. Mr. Huff's business address  
24 is 51377 SW Old Portland Road, Scapoose, Oregon 97056.

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1           3.       Respondent **ACRO-TECH, INC** has developed and patented valve  
2 technology that is used to enhance the performance of internal combustion engines  
3 in automotive and motorcycle applications.

4           4.       Respondent **ACRO-TECH, INC** has raised capital from a variety of  
5 sources to funds its research and development efforts. Of note, the company had  
6 an effective SCOR (Small Company Offering Registration) offering in the State of  
7 Oregon between February 10, 1995 and February 10, 1996 and again from between  
8 March 26, 1996 to March 26, 1997.

9           5.       Respondent **ACRO-TECH, INC** priced its SCOR offering at six dollars  
10 (\$6.00) per share. Pursuant to SCOR regulations, all potential shareholders were  
11 required to be offered shares in the company at this price during the pendency of  
12 the offering. The six dollar (\$6.00) per share price was listed in the company's  
13 offering prospectus.

14           6.       As an incentive for potential investors to purchase larger blocks of  
15 company stock, Respondent **REGGIE D. HUFF**, President and majority shareholder  
16 of Acro-Tech, Inc offered some, but not all, potential investors his own personal,  
17 unregistered shares at no price, effectively reducing the price of purchase of the  
18 SCOR shares for these investors. For example, a shareholder purchased 8,334  
19 registered shares on July 16, 1996. At six dollars per share, this reflects a fifty  
20 thousand dollar (\$50,000.00) purchase price. Yet the shareholder was also given  
21 2,193 of Respondent **REGGIE D. HUFF**'s personal, unregistered shares at no price,  
22 creating an effective purchase price of \$4.75 per share.

23           7.       Respondent **ACRO-TECH, INC**'s offering prospectus did not disclose  
24 that a larger share purchase would entitle potential investors to receive additional  
25 benefits. Specifically, those purchasers that did not receive free unregistered shares  
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1 were not notified that other individuals received such shares, nor was the "free  
2 share" offer disclosed in the SCOR offering materials.

3 8. As an incentive for potential investors to purchase larger blocks of  
4 company stock, Respondent **REGGIE D. HUFF**, President and majority shareholder  
5 of Acro-Tech, Inc offered some, but not all, potential SCOR investors an "investment  
6 return protection contract." The pertinent terms of the contract state that

7  
8 *The undersigned hereby agree(s) that certain special privileges and/or*  
9 *provisions shall apply to certain shares of common stock in ACRO-TECH,*  
10 *Inc, an Oregon Corporation..... Mr. Reggie D. Huff hereby agrees to adjust the*  
11 *purchaser's effective stock holdings value to equal an average yearly increase of*  
12 *39% per year, or \$16.11 per share, effective three (3) years from the date of the*  
13 *execution of this contract. Said adjustment is to be accomplished through the*  
14 *compulsory free and clear transfer to the above registered owner of shares of*  
15 *common stock in ACRO-TECH, Inc held by Mr. Reggie D. Huff, to the purchaser.*  
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17 9. Respondent **ACRO-TECH, INC**'s offering prospectus did not disclose  
18 that a larger share purchase would entitle potential investors to receive additional  
19 benefits. Specifically, those purchasers that did not receive an "investment return  
20 protection contract" were not notified that other investors received such a contract,  
21 nor was the "investment return protection contract" offer disclosed in the SCOR  
22 offering materials.

23 10. Respondent **ACRO-TECH, INC** continued to engage in capital raising  
24 activities after the expiration of its last SCOR offering on March 26, 1997.

25 11. In November, 1998 Respondent **ACRO-TECH, INC** sent shareholders  
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1 a letter offering them a "low risk investment opportunity" by purchasing HDV kits (an  
2 automotive engineering component) from the company. The offer stated that

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4 *We will sell you as many HDV kits as you want at \$150.00 below dealer cost. Due*  
5 *to some recent advances in design we have lowered the cost of manufacturing V*  
6 *valves significantly. (See news page on the website). We are now projecting a retail*  
7 *price for an entire V system at around \$990.00. The dealer cost would be \$650.00,*  
8 *and your cost would be \$500.00. Our cost to purchase the parts, cams, pushrods,*  
9 *and gaskets, and build the square valves is estimated to be \$160-180.00. Sometime*  
10 *between now and 10 months from now ACRO-TECH will, at your request, buy back*  
11 *the kits you control at the dealer cost and the kits you controlled will be resold direct*  
12 *to a customer or dealer. Either way you get an extremely low risk investment*  
13 *opportunity that delivers a 30% return in less than a year with a clearly defined*  
14 *guaranteed exit strategy. How can we use terms such as "guaranteed" and*  
15 *"extremely low risk" in this context? Well, keep in mind that some of the money you*  
16 *put in will go directly to build and purchase tangible products which will be sold. All*  
17 *of the peripheral parts sold aside from the square valves are very commonly*  
18 *purchased items which have an actual proven market value of \$300.00 or more by*  
19 *themselves. Even in the absolute worst case scenario we could cover your costs*  
20 *and still make money on the transaction. If you have a friend or neighbor who is a*  
21 *Harley enthusiast you could sell your HDV kit to them for whatever price you can*  
22 *get, or you can take delivery for your own use. Or you can return it to us for resale.*  
23 *The choice is yours, and you need not actually take delivery of the products.*

24 12. The November, 1998 "low risk investment opportunity" HDV kit offer  
25 was not registered with the Oregon Division of Finance and Corporate Securities.

26 13. In connection with the offer and sale of the above referenced HDV kit

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offer, Respondent **ACRO TECH, INC** omitted or failed to adequately inform investors of material information prior to their investment including, but not limited to, the following:

- (A) A description of the source of Respondent **ACRO-TECH, INC's** financial ability to re-purchase the kits;
- (B) A description of the likelihood of finding a "friend or neighbor" who would purchase the kit at an amount sufficient to garner the investor the promised 30% return;
- (C) Disclosure of the company's reliance on a single product;
- (D) Disclosure of the company's reliance on key employees;
- (E) Disclosure of the company's lack of recent profits from operations.

**CONCLUSIONS OF LAW**

The Director, based upon the findings of fact above, **CONCLUDES** that:

9. Respondent **ACRO-TECH, INC's** failure to disclose the existence of the conveyance of Respondent **REGGIE D. HUFF's** personal, unregistered shares at no price in its offering prospectus constitutes the failure to state a material fact necessary in order to make the statements made in the SCOR offering prospectus, in the light of the circumstances under which they were made, not misleading, in contravention of ORS 59. 135 (2).

10. Respondent **ACRO-TECH, INC's** failure to disclose the existence of the "investment return protection contract" in its offering prospectus constitutes the failure to state a material fact necessary in order to make the statements made in the SCOR offering prospectus, in the light of the circumstances under which they

1 were made, not misleading, in contravention of ORS 59. 135 (2).

2 11. The "HDV kit" which was offered and sold in or from Oregon or to  
3 Oregon residents by Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF** in  
4 November, 1998, as described herein above, is an "investment contract" and a  
5 "security" under ORS 59.015(19)(a) and other applicable authority.

6 12. Respondent **ACRO-TECH, INC's** failure to disclose the existence of  
7 the risks inherent in its investment contract offer constitutes the failure to state a  
8 material fact necessary in order to make the statements made in the November,  
9 1998 letter containing the offer, in the light of the circumstances under which they  
10 were made, not misleading, in contravention of ORS 59. 135 (2).

11  
12 **ORDER**

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14 **NOW, THEREFORE, THE DIRECTOR ORDERS** that:

15 1. Respondents **ACRO-TECH, INC** and **REGGIE D. HUFF** shall  
16 **CEASE AND DESIST** from offering, selling, and transferring, directly or indirectly,  
17 any of the above described securities, or any other security, in or from the State of  
18 Oregon or to Oregon residents, in violation of ORS Chapter 59, Oregon  
19 Administrative Rules Chapter 441, or Oregon Securities Law.

20 2. Respondent **ACRO-TECH, INC** shall, at any point in which it seeks  
21 to raise capital using ORS 59.035 (3) as a means for avoiding registration  
22 requirements imposed by the Oregon Securities Law, be required to make any such  
23 offering to each and every shareholder of record as of the date of said offering.

24 3. Respondent **ACRO-TECH, INC** shall, in any calendar quarter during  
25 which Acro-Tech, Inc raises funds using ORS 59.035 (5) as a means for avoiding  
26 registration requirements imposed by the Oregon Securities Law, be required to file

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a report with the Division of Finance and Corporate Securities listing the name and address of every investor along with the date and amount of their purchase for a period of four (4) years following the entry of this order.

4. Respondent **ACRO-TECH, INC** shall, in any calendar quarter during which Acro-Tech, Inc raises funds using ORS 59.035 (12) as a means for avoiding registration requirements imposed by the Oregon Securities Law, be required to file a report with the Division of Finance and Corporate Securities listing the name and address of every investor along with the date and amount of their purchase for a period of four (4) years following the entry of this order.

5. Entry of this Order shall in no way cause the implementation of the disqualification ("bad boy") provisions of OAR 441-065-0130, which are hereby waived.

6. Entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may be available to the Director under Oregon law to enforce this Order, for violations of this Order, for conduct or actions of Respondents which are not covered by this Order, or against any party not covered by this Order.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2000 at Salem, Oregon.

\_\_\_\_\_  
**MARY NEIDIG, DIRECTOR**  
**DEPARTMENT OF CONSUMER & BUSINESS SERVICES**  
**STATE OF OREGON**

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1 **APPROVED AS TO FORM:**

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\_\_\_\_\_  
Reggie D. Huff  
Individually

Dated: \_\_\_\_\_

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\_\_\_\_\_  
Reggie D. Huff  
President  
Acro-Tech, Inc

Dated: \_\_\_\_\_

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\_\_\_\_\_  
David T. Weiss  
Securities Compliance Officer  
Division of Finance and Corporate Securities  
Department of Consumer and Business Services  
State of Oregon

Dated: \_\_\_\_\_

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3330\_E.ORD

**STIPULATIONS AND CONSENT TO ENTRY OF ORDER OF  
RESPONDENT REGGIE D. HUFF**

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I, **REGGIE D. HUFF**, having been duly sworn, hereby state the following:

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1. I **CONSENT** to the jurisdiction of the Director of the Department of Consumer and Business Services, State of Oregon (hereafter referred to as the "Director") for the purpose of the issuance and entry by the Director of the **ORDER TO CEASE AND DESIST AS TO RESPONDENTS ACRO-TECH, INC AND REGGIE D. HUFF** (hereafter referred to as the "Order") stated above.

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2. I **HAVE FULLY READ AND UNDERSTOOD** the contents of the Order and hereby **CONSENT**, voluntarily and without any force or duress, to the issuance and entry of the Order without admitting or denying the Findings of Fact and Conclusions of Law stated therein.

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3. I **ACKNOWLEDGE** having been fully advised of the right to a hearing and hereby **WAIVE** any such right and all rights to challenge or appeal the Order. I **AGREE** to pay all attorney fees and costs incurred by the Director in any proceeding for enforcement of the Order and on any appeal thereof.

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4. I **REPRESENT** and **WARRANT** that I am authorized to enter into this Order on behalf of Acro-Tech, Inc.

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5. I **REPRESENT** and **WARRANT** that I will fully comply with the terms of the Order and this Stipulations and Consent to Entry of Order, and that neither I, nor any agent or representative of mine, will effect securities transactions in Oregon or with Oregon residents unless and until such activities are in full compliance with the Order, ORS Chapter 59, Chapter 441 of Oregon Administrative Rules (hereafter cited as "OAR Chapter 441"), and every other applicable provision of Oregon

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Securities Law.

1           6.       I **ACKNOWLEDGE** that I have been represented by counsel or have  
2 had the opportunity to be represented by counsel of my choice throughout the  
pendency of these proceedings.

3           7.       I further **ACKNOWLEDGE** and **UNDERSTAND** that issuance of the  
4 Order in no way limits or prevents the Director from taking action or seeking  
5 sanctions or remedies which may be available to the Director under Oregon law  
against any other party or against me for conduct or actions not covered by the  
Order or to enforce the Order.

6           8.       I further **ACKNOWLEDGE** and **UNDERSTAND** that this Order and  
7 Stipulation and Consent to Entry of Order is a public document.

8 \_\_\_\_\_ Dated: \_\_\_\_\_

9 **REGGIE D. HUFF**

10 State of \_\_\_\_\_ ) ss.

11 County of \_\_\_\_\_ )

12           **SUBSCRIBED AND SWORN TO** voluntarily before me this \_\_\_\_\_ day of  
13 \_\_\_\_\_, 2000, by Reggie D. Huff, an individual.

14 \_\_\_\_\_  
15 \_\_\_\_\_ (Print)

16 Notary Public for the State of

17 My commission expires: \_\_\_\_\_

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19 \_\_\_\_\_ Dated: \_\_\_\_\_

20 **REGGIE D. HUFF, President**  
**ACRO-TECH, INC**

21 State of \_\_\_\_\_ ) ss.

22 County of \_\_\_\_\_ )

23           **SUBSCRIBED AND SWORN TO** voluntarily before me this \_\_\_\_\_ day of  
24 \_\_\_\_\_, 2000, by Reggie D. Huff, President, Acro-Tech, Inc.

25 \_\_\_\_\_  
26 \_\_\_\_\_ (Print)

DIVISION OF FINANCE AND CORPORATE SECURITIES  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
STATE OF OREGON  
360 Winter Street, NE, Suite 410  
Salem OR 97310

Notary Public for the State of \_\_\_\_\_  
My commission expires: \_\_\_\_\_

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