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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
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MEMBER

### SSB Docket No. 02-44

IN THE MATTER OF  
A.B.B. SANITEC WEST, INC.;  
STRATEGIC FINANCIAL ADVISORS, INC.;  
DAVID KAYE; SAM FOSTER; MICHAEL  
LAWRENCE AND SIDNEY GREEN

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§  
§

Order No. CDO-1489

TO: A.B.B. Sanitec West, Inc.  
9065 Norris Avenue  
Sun Valley, California 91352

Strategic Financial Advisors, Inc.  
17555 Ventura Boulevard, Suite 200  
Encino, California 91316

David Kaye  
17555 Ventura Boulevard, Suite 200  
Encino, California 91316

Michael Lawrence  
17555 Ventura Boulevard, Suite 200  
Encino, California 91316

Sam Foster  
17555 Ventura Boulevard, Suite 200  
Encino, California 91316

Sidney Green  
17555 Ventura Boulevard, Suite 200  
Encino, California 91316

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Deputy Securities Commissioner of the State of Texas ("Deputy Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2002) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Deputy Securities Commissioner to find that:

#### FINDINGS OF FACT

1. A.B.B. Sanitec West, Inc. ("Respondent Sanitec"), is a California corporation formed in August 2001 to engage in the business of providing waste treatment and related services to medical institutions located in Washington, Oregon and California. The last

known address of Respondent Sanitec is 9065 Norris Avenue, Sun Valley, California 91352.

2. Strategic Financial Advisors, Inc. ("Respondent SFA"), is a California corporation that is a consultant for Respondent Sanitec. The last known business address of Respondent SFA is 17555 Ventura Boulevard, Suite 200, Encino, California 91316.
3. David Kaye ("Respondent Kaye") is an individual that previously served as President, Chief Executive Officer and Director of Respondent Sanitec and currently serves as President of Respondent SFA. The last known business address of Respondent Kaye is the same as that of Respondent SFA.
4. Michael Lawrence ("Respondent Lawrence") is an individual who identifies himself as an accountant employed by Respondent SFA and who acted as a salesman of Respondent SFA as described herein. The last known business address of Respondent Lawrence is the same as that of Respondent SFA.
5. Sam Foster ("Respondent Foster") is an individual who acted as a salesman of Respondent SFA as described herein and has the same last known business address as Respondent SFA.
6. Sidney Green ("Respondent Green") is an individual who acted as a salesman of Respondent SFA as described herein and has the same last known business address as Respondent SFA.
7. On or about December 4, 2002, Respondent Green contacted at least one Texas resident (the "Offeree") through a telephone "cold call" and requested to speak with the Offeree's spouse. The Offeree indicated that the Offeree's spouse was unavailable and Respondent Green thereafter made an oral sales presentation to the Offeree that regarded the purchase of a whole or fractional Sanitec Unit.

Respondent Green described a Sanitec Unit as a debenture, indicated that the minimum purchase price was \$10,000.00 and informed the Offeree that the Sanitec Units were being sold in an effort to raise capital prior to a time when Respondent Sanitec would engage in an Initial Public Offering. Respondent Green indicated that Respondent Foster would subsequently contact the Offeree to discuss the purchase of a Sanitec Unit in greater detail.

8. On or about December 4, 2002, Respondent Foster contacted the Offeree and made available the opportunity to purchase a whole or fractional Sanitec Unit. Respondent Foster identified a Sanitec Unit as consisting of a \$20,000.00 promissory note that bears twelve percent per annum interest and matures on December 31, 2006, and five thousand common stock purchase warrants. Respondent Foster indicated that the five thousand common stock purchase warrants would be converted into five thousand shares of common stock of Respondent Sanitec when and if Respondent Sanitec

engages in an Initial Public Offering. Respondent Foster indicated that the purchase price of a Sanitec Unit was \$20,000.00 and that the purchase price of one-half of a Sanitec Unit was \$10,000.00.

Respondent Foster informed the Offeree that the purchase of a Sanitec Unit constituted the purchase of a "guaranteed" investment because a "sinking fund" would be used to ensure that interest payments would be made to purchasers of Sanitec Units. Respondent Foster described this "sinking fund" as a "special fund" that held a pool of money that would be used to satisfy interests payments made pursuant to the Sanitec Units.

Respondent Foster inquired as to whether the Offeree was an "accredited investor" and defined that term to include any individual with a net worth equal to or greater than \$500,000.00. The Offeree informed Respondent Foster that the Offeree did not know whether the Offeree was an accredited investor. Respondent Foster informed the Offeree that the inquiry constituted nothing more than a routine question and would not impact the purchase of a Sanitec Unit. Respondent Foster thereafter sent or caused to be sent a Private Placement Memorandum, sales literature and a video cassette to the Offeree.

9. The Private Placement Memorandum identified Respondent Sanitec as issuing 100 Sanitec Units whereby each Sanitec Unit consists of one \$20,000.00 twelve percent note and five thousand common stock purchase warrants. The Private Placement Memorandum indicated that Sanitec Units were to be sold exclusively to accredited investors and that the purchase thereof involved substantial risk. The Private Placement Memorandum further directed prospective investors to contact Respondent Kaye, the "key consultant," with questions and inquiries regarding the purchase of a Sanitec Unit.

The Private Placement Memorandum and other sales literature did not reference a "sinking fund" or any form of escrow account or monetary source whereby funds would be maintained and used to ensure timely interest payments to purchasers of Sanitec Units. The Private Placement Memorandum did, however, indicate that prospective investors were not to rely on oral representations that were inconsistent with the Private Placement Memorandum.

The sales literature included a Subscription Agreement that was to be completed by the Offeree and submitted with payment to the attention of Respondent Kaye at the last known business address of Respondent SFA. The Subscription Agreement required the Offeree to verify that the Offeree was not solicited by means of any form of cold calling and that the Offeree had a pre-existing business relationship with an officer, director, employee, consultant or other affiliate of Respondent Sanitec.

10. On or about December 12, 2002, and on or about December 16, 2002, Respondent Lawrence conversed with the Offeree by telephone and made available the opportunity

to purchase a whole or fractional Sanitec Unit. The Offeree informed Respondent Lawrence that the Offeree was likely not an accredited investor. Respondent Lawrence informed the Offeree that the Offeree qualified for the purchase of a Sanitec Unit regardless of whether the Offeree was an accredited investor.

Respondent Lawrence informed the Offeree that Respondent Lawrence was employed by Respondent SFA. Respondent Lawrence identified Respondent SFA as the "funding arm" of Respondent Sanitec, indicated that Respondent Kaye was the President of Respondent SFA and noted that Respondent Kaye was responsible for "all the financial arrangements" that related to Respondent Sanitec. Respondent Lawrence further indicated that Respondent Lawrence directly reported to Respondent Kaye and that Respondent Green and Respondent Foster were also employed by Respondent SFA.

Respondent Lawrence indicated that certain risks were only disclosed in the Private Placement Memorandum due to government regulation and that the purchase of a whole or fractional Sanitec Unit did not constitute an investment that was as "high risk" as indicated in the Private Placement Memorandum and sales literature. Respondent Lawrence further indicated that several million dollars had been allocated in part to insure that individuals who purchased whole or fractional Sanitec Units received timely interest payments.

11. Respondent SFA, Respondent Kaye, Respondent Foster and Respondent Green have not been registered to offer or sell securities or to render investment advice in Texas at any time material hereto. Respondent Lawrence has not been registered with Respondent SFA to offer or sell securities or to render investment advice in Texas at any time material hereto.
12. Respondent SFA and Respondent Foster, through an oral sales presentation conducted by Respondent Foster, made a statement that is misleading by indicating that the inquiry of whether the Offeree was an accredited investor was a routine question that did not affect the purchase of Sanitec Units when the Private Placement Memorandum indicated that only accredited investors could purchase Sanitec Units. Respondent SFA and Respondent Lawrence, through an oral sales presentation conducted by Respondent Lawrence, made a statement that is misleading by indicating that the Offeree did not need to qualify as an accredited investor to purchase a Sanitec Unit when the Private Placement Memorandum indicated that only accredited investors could purchase Sanitec Units.
13. Respondent SFA and Respondent Lawrence, through an oral sales presentation conducted by Respondent Lawrence, made a statement that is misleading by indicating that purchase of a Sanitec Unit did not constitute an investment that was as "high risk" as described within the Private Placement Memorandum and sales literature when the Private Placement Memorandum referenced numerous risks associated with the purchase thereof.

## CONCLUSIONS OF LAW

1. The Sanitec Units are securities as that term is defined in Section 4.A of the Texas Securities Act.
2. Respondent Sanitec, through Respondent SFA, Respondent Kaye, Respondent Green, Respondent Foster and Respondent Lawrence, engaged in the offer for sale of the above-described securities in Texas as the term "offer for sale" is defined in Section 4.E of the Texas Securities Act.
3. Respondent Sanitec, Respondent SFA, Respondent Kaye, Respondent Green, Respondent Foster and Respondent Lawrence (collectively "Respondents") acted as "dealers" or "agents" of dealers in securities as those terms are defined in Section 4.C and 4.D of the Texas Securities Act.
4. Respondents violated Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
5. Respondent SFA and Respondent Foster made an offer of securities in Texas that is materially misleading or otherwise likely to deceive the public by indicating that the inquiry as to whether Offeree was an accredited investor was a routine question that did not impact the purchase of a Sanitec Unit when the Private Placement Memorandum indicated that only accredited investors could purchase Sanitec Units. Respondent SFA and Respondent Lawrence made an offer of securities in Texas that is materially misleading or otherwise likely to deceive the public by indicating that the Offeree did not need to qualify as an accredited investor to purchase a Sanitec Unit when the Private Placement Memorandum indicated that only accredited investors could purchase Sanitec Units.
6. Respondent SFA and Respondent Lawrence made an offer of securities in Texas that is materially misleading or otherwise likely to deceive the public by indicating that the purchase of a Sanitec Unit did not constitute an investment that was as "high risk" as described within the Private Placement Memorandum and the sales literature when the Private Placement Memorandum referenced numerous risks associated with the purchase thereof.
7. Respondents' conduct, acts and practices threaten immediate and irreparable harm to the public.
8. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

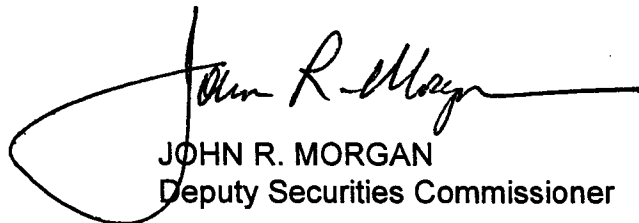
1. It is therefore ORDERED that Respondent Sanitec immediately CEASE AND DESIST from offering securities in Texas through the use of unregistered securities dealers or agents.
2. It is further ORDERED that Respondent SFA, Respondent Kaye, Respondent Foster, Respondent Lawrence and Respondent Green immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until they are registered or an available exemption is utilized.
3. It is further ORDERED that Respondent SFA, Respondent Foster and Respondent Lawrence immediately CEASE AND DESIST from offering securities in Texas through the use of an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Under Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside and modify the order. Failure to request a hearing will result in the order becoming final and nonappealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Act is a criminal offense punishable by a fine of not more than \$5,000 or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Deputy Securities Commissioner this 30th day of December, 2002.

  
JOHN R. MORGAN  
Deputy Securities Commissioner