

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 3, 2004**

ADMINISTRATIVE PROCEEDING  
File No. 3-11630

In the Matter of

MICHAEL SYDNEY  
NEWMAN,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) 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 proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Michael Sydney Newman (“Respondent” or “Newman”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**Respondent**

A. Newman is a citizen of the United Kingdom currently living in Laos. Newman was the principal of Sukumo Ltd. (“Sukumo”), a British Virgin Islands corporation formerly based in Vientiane, Laos and engaged in sales of the securities of Stem Genetics, Inc. (“Stem Genetics”), F10 Oil & Gas Properties, Inc. (“F10”), Diversified Financial Resources Corporation (“Diversified”), Valesc Holdings, Inc. (“Valesc”), and NCI Holdings, Inc. (“NCIH”), all of which are microcap issuers based in the United States. Those securities were sold to overseas investors in several countries, primarily in the United Kingdom.

### **Civil Injunctive Action Filed By The Commission**

B. On October 16, 2003, the Commission filed a complaint initiating a civil injunctive action, S.E.C. v. Wolfson et al., Docket No. 2:03 CV 00914 DAK (U.S.D.C., D. UT), against Newman and Sukumo, among others.

C. The complaint charged Newman with violations of the antifraud and broker-dealer registration provisions of the federal securities laws. The complaint sought: (1) the entry of an injunction against Newman from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder; (2) an order that Newman be barred from participating in any offering of penny stock, (3) an order of disgorgement, with prejudgment interest thereon, and (4) the imposition of a civil penalty against Newman.

D. In its complaint, the Commission alleged that:

1. From in or about October 2002, until the filing of the Complaint, Newman through Sukumo, conducted an unlawful scheme to mislead and defraud more than one thousand overseas investors, located primarily in the United Kingdom, through sales of stock in Stem Genetics, F10, Diversified, Valesc, and NCIH.

2. More than \$16.3 million was raised through these overseas offerings from January 1, 2003 through September 30, 2003.

3. Newman directed the activities of Sukumo in making these sales of securities.

4. In connection with the sale of the various securities, Newman and others made numerous material misrepresentations to investors, including: the sales commission Sukumo received was only 2%, rather than the 70% commission Sukumo actually received; the shares investors purchased were free-trading shares rather than the restricted shares they actually received; and misrepresentations about the operations and prospects of the companies whose stock was being sold by Sukumo and Newman .

5. That neither Newman nor Sukumo was registered with the Commission as a broker or dealer at the time they were selling the stock of Stem Genetics, F10, Diversified, Valesc, and NCIH.

### **Newman is Enjoined from Future Violations of Securities Act and Exchange Act Rules and Regulations**

E. The Commission served Newman by facsimile and Federal Express pursuant to the Court’s October 16, 2003 Temporary Restraining Order. Newman failed to answer the Commission’s complaint. On December 12, 2003, the Commission filed a motion for default judgment against Newman based on his failure to answer the complaint.

F. On February 3, 2004, Judge Dale A. Kimball issued an order granting the Commission's motion for default judgment against Newman, permanently enjoining him from future violations of Section 17(a) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, barred Newman from participating in any offering of penny stock, and ordered Newman to pay disgorgement, prejudgment interest and a civil penalty in amounts to be determined by further order.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Newman an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Newman pursuant to Section 15(b) of the Exchange Act with respect to his association with any broker or dealer.

### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 221(f) and 201.310.

This Order shall be served forthwith upon Respondent by Federal Express and facsimile.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related

proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz  
Secretary