ORIGINAL

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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. MICHAEL W. CROW and PETER F. KUEBLER, Defendants.	Civil Action No. 96-1661 S CM FIRST AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), alleges:

SUMMARY

1. This is an action for fraud involving former officers of Wilshire Technologies, Inc. ("Wilshire"), Michael W. Crow and Peter F. Kuebler. During their employment with Wilshire, a public company, Crow and Kuebler each caused Wilshire to materially overstate its earnings, to issue materially misleading press releases and to file materially misleading periodic financial reports with the Commission. Further, Crow, in November and December 1993, while in possession of material, non-

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public information regarding Wilshire's overstatement of earnings, sold Wilshire shares and thus avoided losses that he would have incurred if the market had received accurate information about Wilshire. The Commission seeks relief for Crow's violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), and for Crow's and Kuebler's violations of Sections 10(b), 13(a), and 13(b)(2)(A) & (B) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rules 10b-5, 12b-20, 13a-13, 13b2-1 and 13b2-2. Specifically, the Commission requests that this Court permanently enjoin both Crow and Kuebler from any further violations of the securities laws, prohibit Crow from serving as an officer or director of any corporation that has securities registered with the Commission or that is required to file reports with the Commission, and order Crow to disgorge all benefits obtained by virtue of his illegal conduct, together with prejudgment interest.

JURISDICTION AND VENUE

2. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Crow and Kuebler have each, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the facilities of a national securities exchange in connection with the securities transactions described in this First Amended Complaint.

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THE DEFENDANTS

3. Michael W. Crow ("Crow"), age 36, was President and Chairman of the Board of Wilshire Technologies, Inc. from November 1990 through March 1994 and was a Wilshire director from 1990 through September 1994. Crow was also an officer and director of another publicly traded company, Advanced Materials Group, Inc. He is currently chief executive officer of a closely-held corporation and resides in San Diego County, California. Prior to the events described below, Crow was associated with a registered broker-dealer. In a registration statement filed with the Commission in November 1992, Crow stated that he was a certified public accountant. Crow is licensed by the State of California as a certified public accountant, but is currently on inactive status.

4. Peter F. Kuebler ("Kuebler"), age 40, was Vice President, Secretary and chief financial officer of Wilshire Technologies, Inc. from November 1992 through March 1994. Kuebler resides in San Diego County, California. Kuebler is licensed by the State of California as a certified public accountant and is on active status.

THE ISSUER

5. Wilshire Technologies, Inc. ("Wilshire") developed, manufactured and marketed medical, clean room and transdermal drug delivery products. The company is based in Carlsbad, California. Wilshire's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is traded on the American Stock Exchange.

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THE FRAUDULENT SCHEME

6. In 1993, Wilshire was engaged in the development of two new untested products, TrimPatch and the pipe plug. TrimPatch was a product designed as an over-the-counter transdermal appetite suppressant. Wilshire intended to manufacture TrimPatch in Mexico for distribution and sale outside the United States. The pipe plug was a product designed to clean tubing in clean rooms in manufacturing facilities.

7. In February 1993, Wilshire entered into a joint venture with Intelligent Pharmaceuticals Corp. ("IPC") to develop and market TrimPatch.

8. In mid-1993, Wilshire and IPC entered into marketing agreements with two master distributors, B&R Consulting Limited, Inc. ("B&R"), and Dagal, Inc. ("Dagal"). Under these agreements, B&R and Dagal were to obtain the necessary foreign regulatory approvals to sell TrimPatch internationally. Wilshire and IPC granted Dagal the right to market TrimPatch in Mexico and granted B&R marketing rights in other countries, excluding Mexico.

9. Wilshire could not sell TrimPatch in Mexico and in other foreign countries without the approval of the product by each foreign government. Wilshire did not have the approval of any foreign government to sell TrimPatch at any time during Wilshire's fiscal year 1993.

10. At all times material to this action, Defendant Crow knew that Wilshire could not sell TrimPatch in foreign countries without the approval of the product by each foreign government and that no foreign government had approved the sale of TrimPatch.

11. From at least August 31, 1993 onward, Defendant Kuebler knew, or through recklessness failed to know, that Wilshire could not sell TrimPatch in foreign countries without the approval of the product by each foreign government and that no foreign government had approved the sale of TrimPatch.

<u>Overstatement of Wilshire's Second Quarter Revenue and Earnings</u>

12. On May 28, 1993, B&R issued a purchase order to Wilshire for 486,000 units of TrimPatch, and Wilshire issued a $216,000 invoice to B&R for the TrimPatch order. This order represented Wilshire's first TrimPatch sale. Wilshire did not ship any TrimPatch to B&R on this order, but instead held the product at its warehouse.

13. B&R conditioned its May 28, 1993 order of TrimPatch on Wilshire obtaining approval of Mexico and other foreign governments to manufacture, distribute and sell the product and on B&R being able to secure an insured, air-conditioned warehouse for storage of the product.

14. On May 28, 1993, Wilshire did not have approval of Mexico or any other foreign government for the manufacture, distribution and sale of TrimPatch.

15. Crow and Kuebler each caused Wilshire to issue a press release on July 2, 1993, and to file with the Commission a Form 10-QSB on July 15, 1993, in which Wilshire reported second quarter 1993 revenue of over $2.5 million and pre-tax earnings of $413,000. Crow and Kuebler each caused Wilshire to include in the calculation of these figures a recognition of $216,000 in

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revenue from the conditional sale of TrimPatch to B&R as of May 28, 1993.

16. The recording of revenue from Wilshire's conditional sale to B&R was contrary to Generally Accepted Accounting Principles. At the time of Wilshire's press release and Commission filing described above, Crow knew that the sale to B&R was subject to a condition which Wilshire had not met. Crow also knew, prior to the filing with the Commission, that B&R did not have funds to complete the purchase. As an accountant, Crow knew or was reckless in not ascertaining that Wilshire's recording of revenue from the conditional sale to B&R would cause Wilshire to materially overstate its revenue and earnings.

17. At the time of Wilshire's press release and Commission filing described above, Kuebler knew, or through recklessness failed to know, that Wilshire's TrimPatch sale to B&R was conditional. At the same time, Kuebler knew that B&R had not paid Wilshire's invoice for the TrimPatch sale, that B&R did not have funds to complete the purchase and that B&R took the position that it did not owe Wilshire any money for TrimPatch. As an accountant and Wilshire's chief financial officer, Kuebler knew or was reckless in not ascertaining that Wilshire's recording of revenue from the conditional sale to B&R would cause Wilshire to materially overstate its revenue and earnings.

18. As a result of recognizing revenue on the conditional sale of TrimPatch to B&R, Wilshire overstated its second quarter revenue by $216,000, or 9 percent, and its pre-tax earnings by over $131,000, or 47 percent.

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<u>Overstatement of Wilshire's Third Quarter Revenue and Earnings</u>

19. In August 1993, Crow instructed Wilshire employees and IPC's president to obtain an order for TrimPatch from Dagal before the end of Wilshire's third quarter.

20. On August 30, 1993, Dagal issued a purchase order to Wilshire for 2.7 million units of TrimPatch. Dagal's August 30, 1993 order for TrimPatch was conditioned on the Mexican government approving TrimPatch for sale. Dagal's August 30, 1993 order was further conditioned on Dagal receiving payment from its customer.

21. On August 31, 1993, the last day of Wilshire's third quarter, Crow caused Wilshire to invoice Dagal $1,083,600 for TrimPatch and Crow and Kuebler each caused Wilshire to record $1.1 million in revenue on its books. Wilshire did not ship TrimPatch to Dagal but, on August 31, 1993, retained TrimPatch in its warehouse and recorded a change of title on TrimPatch to Dagal.

22. In early August 1993, Crow instructed Wilshire employees to complete Wilshire's first sale and shipment of pipe plugs to a division of Baxter Healthcare Corp. ("Baxter"), by the end of Wilshire's third quarter. At the time Crow gave this instruction, Crow knew that, due to manufacturing delays, Wilshire probably could not complete manufacturing the pipe plugs before the end of the third quarter and that Wilshire's sale of pipe plugs to Baxter was conditional on Baxter's customer's acceptance of the pipe plugs.

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23. Crow and Kuebler each caused Wilshire to record on its books as of August 31, 1993, $252,900 in revenue from a sale of pipe plugs to Baxter. At the time Wilshire recorded this revenue, Crow and Kuebler each knew that Wilshire had not shipped any pipe plugs to Baxter.

24. On September 2, 1993, Baxter sent Wilshire a purchase order for pipe plugs that stated the order was conditional on Baxter's customer's acceptance of the product. On September 3, 1993, Wilshire invoiced Baxter $252,900 for the pipe plugs. Wilshire never delivered pipe plugs to Baxter based on this order.

25. Crow and Kuebler each caused Wilshire to issue a press release dated September 10, 1993, and to file with the Commission a third quarter 1993 Form 10-QSB on September 27, 1993, in which Wilshire reported revenues of almost $3,083,000 and quarterly pre-tax earnings of $468,000, or $.11 per share. In reporting these figures, Wilshire included the revenue from the conditional sale of TrimPatch to Dagal and the conditional sale of pipe plugs to Baxter.

26. The recording of revenue from Wilshire's conditional sale of TrimPatch to Dagal was contrary to Generally Accepted Accounting Principles. At the time of Wilshire's press release and Commission filing described above, Crow knew that the sale to Dagal was conditional and that recognition of revenue from the conditional sale to Dagal would cause Wilshire to materially overstate its revenue and earnings.

27. Kuebler, prior to the issuance of the press release and the filing with the Commission, knew that Wilshire had not

received approval to sell TrimPatch and knew, or through recklessness failed to know, that the sale to Dagal was conditional. Kuebler did not know, prior to the issuance of the press release and the filing with the Commission, whether Dagal could pay for the TrimPatch. As an accountant and Wilshire's chief financial officer, Kuebler knew or was reckless in not ascertaining that Wilshire's recording of revenue from the conditional sale to Dagal would cause Wilshire to materially overstate its revenue and earnings.

28. The recording of revenue from Wilshire's conditional sale of pipe plugs to Baxter was contrary to Generally Accepted Accounting Principles. At the time of Wilshire's press release and Commission filing described above, Crow and Kuebler each knew that the sale to Baxter was conditional and that recognition of revenue from the conditional sale to Baxter would cause Wilshire to materially overstate its revenue and earnings.

29. As a result of improperly recognizing a combined $1.34 million in revenue from conditional sales of TrimPatch and pipe plugs, Wilshire overstated its reported third quarter revenue by over 75 percent. Without recognition of revenue from these purported sales, Wilshire would have incurred a pre-tax loss for its third quarter of approximately $370,000, approximately $840,000 less than the reported pre-tax income of $468,000.

<u>Wilshire's September 10, 1993 Press Release</u>

30. Crow caused Wilshire to misrepresent in Wilshire's September 10, 1993 press release that Wilshire had "shipped" 2.7 million units of TrimPatch to a distributor in Mexico; Wilshire had a "contractual backlog" of 23 million TrimPatch units to be

shipped over the following 12 months; and Wilshire expected "additional" approvals for TrimPatch in the next 30 days.

31. Wilshire's September 10, 1993 representation that it had "shipped" 2.7 million units of TrimPatch referred to Wilshire's conditional sale to Dagal for TrimPatch. Wilshire never shipped TrimPatch to Dagal, and the Mexican government never approved TrimPatch for sale.

32. At the time of Wilshire's September 10, 1993 press release, Wilshire did not have contracts to sell 23 million TrimPatch units and, therefore, did not have a "contractual backlog," as described in the release.

33. At the time of Wilshire's September 10, 1993 press release, no foreign government had approved TrimPatch for manufacture, distribution or sale.

34. Crow knew or was reckless in failing to ascertain that these representations in the September 10, 1993 press release were false or misleading. After September 10, 1993, Crow received additional information from Wilshire employees that these representations were false. Crow did not thereafter issue a press release to provide accurate information on these subjects.

<u>Wilshire's November 12, 1993 Press Release</u>

35. On November 12, 1993, Crow prepared and caused Wilshire to issue a press release stating: "We believe that the analysts estimate of $.55 and $1.80 [earnings per share] for fiscal [years] 1993 and 1994 are still reasonable."

36. Crow knew on November 12, 1993 that Wilshire's previously announced second and third quarter reported earnings

were overstated because they improperly included conditional sales of TrimPatch and the pipe plug. In addition, Crow knew at that time that the Wilshire division which manufactured the pipe plug was expected to be approximately $1 million below its sales estimates for the fiscal year.

Wilshire's December 22, 1993 Press Release

37. On December 22, 1993, Crow prepared and caused Wilshire to issue a press release that contained the following materially inaccurate statements: Wilshire had received approval from the government of Mexico to sell TrimPatch freely throughout Latin America; and Wilshire had received approval and registered to sell TrimPatch in Hong Kong and Taiwan.

38. On December 22, 1993, Crow knew that the government of Mexico had not approved the sale of TrimPatch; that many issues needed to be resolved before Mexico would approve TrimPatch; and that IPC had reported that sales of TrimPatch were at a standstill until approval by Mexico was obtained.

39. After December 22, 1993, Crow received information from Wilshire employees that Wilshire did not have approval to manufacture, distribute or sell TrimPatch from the governments of Mexico, Hong Kong, and Taiwan, and that approval in Taiwan would take from nine to 12 months to obtain. Despite this knowledge, Crow did not issue a press release to provide accurate information on this subject.

The November 1993 Sale of TrimPatch to B&R

40. In November 1993, Crow directed Wilshire employees to make a large sale of TrimPatch to B&R. Accordingly, Wilshire employees negotiated an agreement with B&R in which B&R agreed to

issue a purchase order for TrimPatch on the condition that the government of Brazil approve sales of TrimPatch.

41. On November 29, 1993, Wilshire invoiced B&R for $604,800, and recorded $604,800 in revenue on its books. Wilshire did not ship TrimPatch to B&R pursuant to this order, but held the product at a warehouse paid for by Wilshire.

42. When Crow was advised that B&R agreed to place a conditional order for TrimPatch, Crow instructed an employee to have B&R state the condition on a separate sheet of paper. B&R agreed to place the condition on an addendum separate from its purchase order, and the employee informed both Crow and Kuebler of B&R's agreement to place the condition of the purchase order on a separate addendum.

43. On November 24, 1993, B&R issued a purchase order for $604,800 of TrimPatch that referenced an addendum, also dated November 24, 1993. B&R stated in the addendum that its purchase order was conditioned on Brazil's approving TrimPatch for sale and B&R's receiving payment from its customer.

44. In December 1993, B&R informed Wilshire that it did not consider Wilshire's invoice valid because B&R's order was conditional on events that had not yet occurred. B&R told Kuebler during the first week of December 1993 that B&R's purchase order was conditional, that B&R had not taken possession of the TrimPatch and that B&R did not owe Wilshire any money.

45. Wilshire employees consulted legal counsel concerning the November 1993 sale of TrimPatch to B&R. Wilshire's counsel orally advised Kuebler and prepared a memorandum dated February 24, 1994, addressed to Crow and Kuebler, advising that the

transaction appeared to be a consignment and not a sale. The counsel's memorandum further advised Wilshire to provide B&R's purchase order addendum to the company's auditor. Although the auditor's representatives met with Crow, Kuebler and other Wilshire employees on a variety of issues, including the sales to B&R, neither Crow nor Kuebler ever informed the auditor about the addendum or conditions to the sale.

The November 1993 Sale of Wilshire's OEM Medical Product Unit

46. In November 1993, Crow was chief executive officer of both Wilshire and Advanced Materials Group, Inc. ("AMG"). Crow owned more than 50 percent of AMG.

47. In November 1993, Wilshire Advanced Materials ("WAM"), was a wholly owned subsidiary of AMG.

48. On November 23, 1993, WAM entered into an agreement to purchase Wilshire's OEM Medical Product Unit ("OEM") for $2.3 million. Pursuant to the purchase agreement, WAM agreed to pay the purchase price by issuing a $1.55 million promissory note due on January 7, 1994, and increasing by $750,000 the amount due under an existing $1 million note issued by WAM to Wilshire which was due in 1997.

49. Wilshire's auditor repeatedly informed Kuebler that the OEM sale to WAM was a large, leveraged related-party transaction and that Wilshire could only recognize a gain to the extent WAM actually paid Wilshire cash. Crow and Kuebler were each aware that WAM had not paid Wilshire any cash and that Wilshire needed to receive cash in order to recognize any gain.

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50. Nevertheless, on November 23, 1993, Crow and Kuebler each caused Wilshire to record a $1.7 million gain on the sale of OEM to WAM.

51. WAM did not pay Wilshire any of the money it owed under the $1.55 million promissory note by the January 7, 1994 due date.

Recording of Disputed Claim Against Supplier

52. During 1993, Wilshire purchased approximately $1.9 million of industrial foam from Time Release Sciences, Inc. ("TRS"). Throughout 1993, Wilshire and TRS disputed the quality of the foam Wilshire had received from TRS.

53. On December 29, 1993, Wilshire asserted a claim against TRS for $1.9 million on the ground that TRS's product was defective. Wilshire later reduced the claim to almost $1 million. In response, TRS denied owing Wilshire any money.

54. Crow and Kuebler each caused Wilshire to reduce its "cost of goods sold" account as of November 30, 1993, by the amount of Wilshire's contested claim against TRS. This had the effect of increasing Wilshire's fiscal 1993 pre-tax earnings by almost $1 million.

55. Crow was on the TRS Board of Directors throughout 1993. At the time that Wilshire credited its TRS claim against "cost of goods sold," Crow had TRS's October 1993 financial statements which showed that TRS did not have the ability to pay a $1 million claim.

56. Throughout 1993, Kuebler believed that TRS was not well-capitalized.

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57. Prior to Wilshire's fiscal 1993 earnings announcement, Wilshire's auditor informed both Crow and Kuebler that the auditor required Wilshire to obtain a settlement agreement with TRS and to provide evidence that the claim was collectible. Neither Crow nor Kuebler provided the evidence the auditor required.

58. Also prior to Wilshire's fiscal 1993 earnings announcement, Wilshire's auditor informed Kuebler, who informed Crow, that Wilshire would have to disclose that there was a collectibility issue with respect to the TRS claim.

59. Crow and Kuebler each failed to disclose in Wilshire's fiscal 1993 earnings announcement that the company's earnings could be affected by $1 million since the claim against TRS was contested and, in any event, may not have been collectible.

<u>Second Conditional Sale of Pipe Plugs to Baxter</u>

60. Crow and Kuebler each caused Wilshire to record, as of November 30, 1993, $1 million in revenue based on a purported oral purchase order for pipe plugs from Baxter.

61. On January 6, 1994, Crow, and other Wilshire employees requested that Baxter issue a written purchase order confirming a purported mid-November 1993 oral purchase order. During the conference call, Crow specifically agreed that Baxter's order was contingent on Baxter's customer's acceptance of the product, Baxter's right to return the product, and Wilshire's acceptance of responsibility for any specification changes to the pipe plugs required by Baxter's customer. However, Crow asked Baxter to specify the conditional terms of the order on a document separate from the purchase order.

62. Later on January 6, 1994, Baxter sent to Wilshire by facsimile a purchase order addendum that confirmed and detailed the agreed upon sale conditions. Crow and Kuebler each received and read the addendum. Crow then directed another Wilshire employee to sign the addendum on behalf of Wilshire and return it to Baxter.

63. Despite their specific knowledge that the Baxter offer was contingent on events that had not occurred, Crow and Kuebler each allowed Wilshire to record revenue on the Baxter sale. As a result, Wilshire overstated its fourth quarter revenue reported in its January 21, 1994 press release.

64. Although Crow and Kuebler each knew that the transaction with Baxter was reviewed by the company's auditor during an audit of Wilshire's financial statements, neither Crow nor Kuebler ever made the auditor aware of the addendum to the purchase order that detailed the conditions.

<u>Overstatement of Wilshire's Fourth Quarter and Fiscal 1993 Revenue and Earnings</u>

65. Crow and Kuebler each caused Wilshire to issue a press release dated January 21, 1994 in which Wilshire reported fourth quarter 1993 pre-tax earnings of $1,066,000. Wilshire had actually incurred a fourth quarter loss of $4.9 million. The January 21, 1994 release thus overstated Wilshire's fourth quarter pre-tax earnings by $6 million.

66. The January 21, 1994 press release also announced pre-tax earnings for fiscal 1993 of over $2.1 million, or $.54 per share, and revenues of $11 million. Crow and Kuebler each

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knew that these figures were materially false and misleading at the time the press release was issued.

67. The revenue and earnings figures announced in the January 21, 1994 press release included revenue from the November 1993 conditional sale of TrimPatch to B&R, the sale of OEM to WAM, the conditional sale of pipe plugs to Baxter, and the disputed claim against Time Release Sciences.

68. On January 21, 1994, Crow and Kuebler each knew that the recording of revenue from the November 1993 conditional sale of TrimPatch to B&R, the sale of OEM to WAM, the conditional sale of pipe plugs to Baxter, and the disputed claim against Time Release Sciences was contrary to Generally Accepted Accounting Principles and that, as a result, Wilshire had overstated both its fourth quarter and fiscal 1993 revenues and earnings.

69. On January 18, 1994, Wilshire paid a performance bonus of $50,000 to Crow based on Wilshire's fiscal 1993 performance. The amount of the bonus was calculated on revenue and earnings figures which Crow knew were false.

Crow's Sale of Wilshire Stock

70. While in possession of material non-public information concerning Wilshire's financial condition, Crow sold a total of 75,000 shares of Wilshire common stock in the open market for approximately $1.4 million between November 8, 1993 and December 5, 1993. Crow sold Wilshire shares in advance of Wilshire's disclosure of its true financial condition and, in doing so, avoided losses of almost $1.2 million.

71. At the time of each sale of Wilshire stock during the period November 8, 1993 to December 5, 1993, Crow was aware that

Wilshire had materially overstated its earnings in press releases and periodic filings, made false statements concerning sales and regulatory approval of TrimPatch in press releases, and made false statements in press releases that Wilshire was on target to meet analysts' estimates for fiscal 1993 (as set forth above).

72. Crow sold 75,000 shares of his Wilshire stock during November and December 1993 as detailed below:

Date	Shares Sold	Price	Proceeds
11/08/93	12,100	$20.12	$243,452
11/09/93	36,800	19.50	717,600
11/10/93	500	19.13	9,563
12/07/93	25,600	16.59	424,704
Total	75,000		$1,395,319

73. After the close of the American Stock Exchange on March 14, 1994, Wilshire announced that it would delay filing its Form 10-KSB for its fiscal year ended November 30, 1993 and that, instead of the $2 million profit that Wilshire had previously reported in a January 21, 1994 press release, it would likely report a substantial loss. Concurrent with this announcement, the American Stock Exchange suspended trading in Wilshire's stock.

74. On March 28, 1994, Wilshire announced that it had restated its financial condition as of November 30, 1993. Among other things, the company reported a reduction of its fiscal 1993 net earnings by $6.5 million, resulting in a $4.5 million net loss. Wilshire also reported that it had terminated Crow.

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75. After Wilshire filed its fiscal 1993 Form 10-KSB on June 22, 1994, the American Stock Exchange allowed trading in Wilshire stock to resume on June 28, 1994. Wilshire's per share stock price fell to $2.625.

76. By trading on the basis of material, non-public information, defendant Crow avoided losses of approximately $1,198,446.

FIRST CLAIM

FRAUD IN THE

OFFER OR SALE OF SECURITIES

Section 17(a) of the Securities

Act [15 U.S.C. § 77q(a)]

77. Paragraphs 3 through 76 of this complaint are realleged and incorporated herein by reference.

78. Defendant Crow, by engaging in the conduct described in Paragraphs 3 through 76 above, directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails:

a. with scienter, employed devices, schemes or artifices to defraud;

b. obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

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c. engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

79. By reason of the foregoing, Defendant Crow violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act.

SECOND CLAIM

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

80. Paragraphs 3 through 76 of this Complaint are realleged and incorporated herein by reference.

81. Defendants Crow and Kuebler by each engaging in the conduct described in Paragraphs 3 through 76 above, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter:

a. employed devices, schemes or artifices to defraud;

b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

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c. engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons.

82. By reason of the foregoing, Defendants Crow and Kuebler each violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

THIRD CLAIM

VIOLATION OF THE REPORTING REQUIREMENTS

OF THE EXCHANGE ACT

Section 13(a) of the Exchange Act

[15 U.S.C. § 78m(a)], and Rules 12b-20

and 13a-13 [17 C.F.R. §§ 240.12b-20

and 240.13a-13]

83. Paragraphs 3 through 69 of this Complaint are realleged and incorporated herein by reference.

84. By engaging in the conduct set forth in paragraphs 3 through 69 above, Defendants Crow and Kuebler each caused Wilshire to file with the Commission required periodic reports on Form 10-QSB that contained untrue statements of material fact and omitted to state material facts required to be stated or necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

85. Defendants Crow and Kuebler, at all relevant times, were controlling persons of Wilshire pursuant to Section 20(a) of the Exchange Act [15 U.S.C. §78t(a)].

86. By reason of the foregoing, Defendants Crow and Kuebler each violated, and unless enjoined, will continue to violate

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Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder.

FOURTH CLAIM

VIOLATION OF THE RECORDKEEPING PROVISIONS

OF THE EXCHANGE ACT

Exchange Act § 13(b)(2)(A)

[15 U.S.C. § 78m(b)(2)(A)]

87. Paragraphs 3 through 69 of this Complaint are realleged and incorporated herein by reference.

88. By engaging in the conduct set forth in paragraphs 3 through 69 above, Defendants Crow and Kuebler each caused Wilshire to fail to make and keep accurate books, records and accounts which, in reasonable detail, accurately and fairly reflected Wilshire's financial transactions.

89. Defendants Crow and Kuebler, at all relevant times, were each controlling persons of Wilshire pursuant to Section 20(a) of the Exchange Act.

90. By reason of the foregoing, Defendants Crow and Kuebler each violated, and unless enjoined, will continue to violate Section 13(b)(2)(A) of the Exchange Act.

FIFTH CLAIM

VIOLATION OF THE INTERNAL CONTROLS

PROVISIONS OF THE EXCHANGE ACT

Exchange Act § 13(b)(2)(B)

[15 U.S.C. § 78m(b)(2)(B)]

91. Paragraphs 3 through 69 of this Complaint are realleged and incorporated herein by reference.

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92. By engaging in the conduct set forth in paragraphs 3 through 69 above, Defendants Crow and Kuebler each caused Wilshire to fail to maintain a system of internal accounting controls sufficient to provide reasonable assurances that Wilshire's financial statements were prepared in accordance with Generally Accepted Accounting Principles.

93. By reason of the foregoing, Defendants Crow and Kuebler each violated, and unless enjoined, will continue to violate Section 13(b)(2)(B) of the Exchange Act.

SIXTH CLAIM

FALSIFYING BOOKS AND RECORDS

Exchange Act

Rule 13b2-1 [17 C.F.R. § 240.13b2-1]

94. Paragraphs 3 through 69 of this Complaint are realleged and incorporated herein by reference.

95. By engaging in the conduct set forth in paragraphs 3 through 69 above, Defendants Crow and Kuebler each, directly or indirectly, falsified or caused to be falsified books, records or accounts subject to Section 13(b)(2)(A) of the Exchange Act.

96. By reason of the foregoing, Defendants Crow and Kuebler each violated, and unless enjoined, will continue to violate Exchange Act Rule 13b2-1.

SEVENTH CLAIM

FALSE STATEMENTS TO AUDITORS

Exchange Act

Rule 13b2-2 [17 C.F.R. § 240.13b2-2]

97. Paragraphs 3 through 69 of this Complaint are realleged and incorporated herein by reference.

98. By engaging in the conduct set forth in paragraphs 3 through 69 above, Defendants Crow and Kuebler, directly or indirectly, made or caused to be made, materially false or misleading statements, or omitted to state, or caused another person to omit to state, material facts in order to make statements made, in light of the circumstances under which such statements were made, not misleading to accountants in connection with (1) an audit or examination of the financial statements of Wilshire required to be made pursuant to Exchange Act regulations, or (2) the preparation or filing of reports or documents required to be filed with the Commission pursuant to Exchange Act regulations or otherwise.

99. By reason of the foregoing, Defendants Crow and Kuebler each violated, and unless enjoined, will continue to violate, Exchange Act Rule 13b2-2.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Defendants Crow and Kuebler each committed the violations charged and alleged herein.

II.

Permanently enjoin Defendant Crow from violating Section 17(a) of the Securities Act and Sections 10(b), 13(a) and 13(b)(2)(A) and (B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-13, 13b2-1 and 13b2-2 thereunder.

*

III.

Permanently enjoin Defendant Kuebler from violating Sections 10(b), 13(a) and 13(b)(2)(A) and (B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-13, 13b2-1 and 13b2-2 thereunder.

IV.

Prohibit Crow from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

V.

Order Defendant Crow to disgorge all benefits gained and losses avoided as a result of his illegal conduct and to pay prejudgment interest thereon.

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: October 31, 1996

Roberto A. Tercero

Roberto A. Tercero
Attorney for Plaintiff Securities
and Exchange Commission