

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
2 DIVISION OF FINANCE AND CORPORATE SECURITIES  
3 SECURITIES SECTION  
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER  
5 AND BUSINESS SERVICES OF THE STATE OF OREGON

4 In the Matter of: ) 0-95-0030  
5 )  
6 MARK E. STUART; and )  
7 HALSEY L. JOHNSTON, ) FINAL ORDER  
8 Respondents. ) AS TO RESPONDENT JOHNSTON  
9 ) ENTERED BY DEFAULT

10 PREAMBLE

11 On September 29, 1995, the Director of the Department  
12 of Consumer and Business Services for the State of Oregon  
13 issued an Order containing Findings of Fact, Conclusions of  
14 Law, and an Order to Cease and Desist and Assessing Civil  
15 Penalties (hereinafter the Order). In the Order, Respondent  
16 Halsey L. Johnston (hereinafter JOHNSTON) was advised of his  
17 right to a hearing, and that a hearing would be held if  
18 written demand for such hearing was filed within 20 days  
19 after service of the Order. Service was effected by mailing  
20 a copy to the Respondent at his home address by both  
21 registered and regular mail. Both copies of the Order were  
22 sent in envelopes labeled with the return address of the  
23 Division of Finance and Corporate Securities. The return  
24 receipt from the registered letter was received by the  
25 Division of Finance and Corporate Securities on October 16,  
26 1995. It was not marked by the post office to indicate  
whether or not it was received by JOHNSTON. Neither the

Division of Finance and Corporate Securities  
Labor and Industries Building  
300 Winter Street, NE, Suite 410  
Salem, OR 97310  
Telephone: (503) 378-4387



1 copy of the Order sent by registered mail or the copy sent  
2 by regular mail have been returned to this office.  
3 Respondent JOHNSTON has not requested a hearing nor has he  
4 responded in any manner to this office.

5 Therefore, based on the investigative report of John N.  
6 Berg and the evidence contained in the investigation file in  
7 this matter, the director finds the following

8 **FINDINGS OF FACT**

9 The Director **FINDS** that:

10 The Respondent:

11 1. At all times material herein, Respondent JOHNSTON  
12 was a British Columbia, Canada citizen, whose address was  
13 4650 W. 13th; Vancouver, British Columbia, Canada V6R2V7.

14 2. At all times material herein, Respondent MARK E.  
15 STUART (hereinafter STUART) was an Oregon resident whose  
16 address was 17034 SE Madison, Portland, OR 97233. STUART  
17 currently may be served at 1355 SW 29th Court; Beaverton,  
18 Oregon.

19 3. On or about November 1994, Respondent JOHNSTON,  
20 while employed by a British Columbia company, Pyng  
21 Technologies Corporation (hereinafter Pyng), contacted  
22 Respondent STUART to publish advertisements regarding Pyng  
23 business activity and the impending affect on Pyng stock.  
24 These advertisements were to be published on several  
25 computer bulletin boards within the Internet system.

26 4. Internet is a world-wide computer information and



1 communication network which can be accessed by any user of a  
2 computer through a subscription service. This service is  
3 available to the public for input and reading.

4 5. On November 10, 1994 JOHNSTON sent STUART a Federal  
5 Express package containing brochures describing Pyng and its  
6 patents and licenses for medical technology. Also included  
7 in the package was a check made payable to STUART for  
8 \$100.00.

9 6. After receiving the Federal Express package, STUART  
10 and JOHNSTON talked by telephone regarding the terms of  
11 their agreement and the content of the advertisements.

12 7. The terms of the agreement between STUART and  
13 JOHNSTON were that STUART was to receive the aforementioned  
14 \$100.00 prior to placing the advertisement on the Internet.  
15 JOHNSTON would then pay an additional \$500.00 upon  
16 completion of the postings on the computer bulletin boards.

17 8. STUART and JOHNSTON discussed over the telephone  
18 the content of the advertisements. They both had editorial  
19 input as to the final form which was posted on the Internet.

20 9. On or about November 22, 1994, STUART purchased  
21 access to the Internet for the purpose of entering the  
22 advertisements regarding Pyng. On or about that same date  
23 STUART, from a location in Portland, Oregon, entered the  
24 information about Pyng on the Internet. Through the  
25 Internet this information was made available to Oregon  
26 residents.



1           10. The information entered by STUART onto the  
2 Internet provided specific information concerning Pyng's  
3 then-current negotiations on a contract with the United  
4 States military. The intent of the information was to be an  
5 advertisement to interest the reader in purchasing Pyng  
6 stock. The advertisement contained the following  
7 information:

8           (a) That Pyng was about to announce full scale  
9 production of a medical device for the U.S.  
10 Military;

11           (b) That the U.S. Military was set to spend  
12 hundreds of millions on the new emergency  
13 medical device starting in January 1995;

14           (c) That based on the information contained in  
15 (a) and (b) above, Pyng stock was a "hot  
16 investment opportunity."

17           11. The information set forth above was false in the  
18 following particulars:

19           (a) Pyng was not about to announce full scale  
20 production of a device for the U.S. Military;  
21 and,

22           (b) That the U.S. Military was not set to spend  
23 hundreds of millions of dollars on the device  
24 starting in January 1995;

25           12. The advertisement issued by JOHNSTON and STUART  
26 omitted the following information:

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- 1 (a) That Pyng stock was not registered for sale in  
2 Oregon;
- 3 (b) That STUART and JOHNSTON were not licensed to  
4 sell securities in Oregon;
- 5 (c) That other companies besides Pyng were  
6 competing for the contract with the U.S. Military;  
7 and,
- 8 (d) That a contract had not been awarded by the  
9 U.S. Military for the new emergency medical  
10 device.

11 13. At no time material herein was Pyng's stock  
12 registered for sale in Oregon with the Oregon Department of  
13 Consumer and Business Services, Division of Finance and  
14 Corporate Securities, Securities Section (hereinafter the  
15 Securities Section).

16 14. At no time material herein was JOHNSTON or STUART  
17 licensed with the Securities Section to sell securities in  
18 Oregon.

19 **CONCLUSIONS OF LAW**

20 The Director **CONCLUDES** that:

- 21 1. The Pyng Technologies Corporation stock is a  
22 security as defined under ORS 59.015(17) (a).
- 23 2. The offers of stock on the Internet by STUART and  
24 JOHNSTON was an offer as defined by ORS 59.015(11).
- 25 3. The offers were placed on the Internet at STUART'S  
26 home in Portland, Oregon and were made available to Oregon



1 residents, and therefore, is within the jurisdiction of ORS  
2 Chapter 59.

3 4. JOHNSTON participated and materially aided STUART  
4 in placing the advertisements for the sale of Pyng stock on  
5 the Internet and is joint and severally liable with STUART  
6 as set forth in ORS 59.115(3).

7 5. Respondents STUART and JOHNSTON, by offering stock  
8 in Pyng at a time when said stock was not registered for  
9 sale in Oregon as a security with the Securities Section,  
10 violated ORS 59.055.

11 6. Respondents JOHNSTON and STUART, by their actions  
12 in the offer, as set forth above, transacted business in  
13 securities in Oregon while unlicensed. This is in violation  
14 of ORS 59.165(1).

15 7. The false representations made, and the information  
16 omitted, in connection with the offer and sale of the  
17 investment as set forth in Findings of Fact #11, 12, 13, and  
18 14 above, were material facts.

19 8. Respondents JOHNSTON and STUART made or  
20 communicated false representations of material facts, and  
21 omitted to state or communicate material facts, as set forth  
22 in Findings of Fact #11, 12, 13, and 14 above, in violation  
23 of ORS 59.135(2).

24 **ORDER**

25 The Director, pursuant to ORS 59.245 hereby **ORDERS** that  
26 Respondents shall **CEASE AND DESIST** from:



