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2 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**  
3 **DIVISION OF FINANCE AND CORPORATE SECURITIES**  
4 **SECURITIES SECTION**  
5 **BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND**  
6 **BUSINESS SERVICES**

7 **In the Matter of:**

**A-01-0017**

8 **Michael Del Branson,**

**ORDER TO CEASE AND DESIST**  
**ORDER ASSESSING CIVIL PENALTY**  
**AND**  
**CONSENT TO ENTRY OF ORDER**

9 **Respondent.**

10  
11 **WHEREAS** the Director of the Department of Consumer and Business  
12 Services has conducted an investigation of certain business activities conducted by  
13 Michael Del Branson and has determined that Michael Del Branson sold unregistered  
14 securities, conducted the unlicensed sale of securities, and made material omissions  
15 and misrepresentations in connection with the sale of securities in Oregon, all in  
16 violation of the Oregon Securities Laws;

17 **WHEREAS** Michael Del Branson wishes to resolve and settle this matter with  
18 the **DIRECTOR**;

19 **NOW THEREFORE**, as evidenced by the authorized signature(s) subscribed  
20 on this Order, Michael Del Branson hereby **CONSENTS** to entry of this Order to  
21 Cease and Desist upon the Director's Findings of Fact and Conclusions of Law as  
22 stated hereinafter.

23 **FINDINGS OF FACT**

24 1. Michael Del Branson ("Branson") is a resident of the State of Oregon  
25 whose residence address is 215 Indian Creek Lane, White City, Oregon, 97503.  
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1           2.    Branson designed (either by himself or with others) an electronic road  
2 warning beacon called the "Traffic Alert System" ("TAS").

3           3.    On or about July 28, 1998, Branson obtained from the United States Patent  
4 and Trademark Office patent number 5,785,410 covering the TAS. Ownership of the  
5 patent rights to the TAS is currently the subject of litigation in Jackson County Circuit  
6 Court No. 002331-L-2.

7           4.    On or about November 24, 1997, Branson entered into an "Exclusive  
8 Royalty/Licensing Agreement" ("Licensing Agreement") with a California traffic supply  
9 company, which gave the California company exclusive rights to manufacture and  
10 market the TAS. The agreement further provided that the California company was to  
11 pay Branson royalties in the amount of 10% of gross sales of the TAS.

12          5.    On or about December 3, 1997, Branson entered into a Royalty Sharing  
13 Agreement ("Royalty Agreement") with three individuals. The Royalty Agreement  
14 specified that Branson would receive 40% of the royalties paid by the California  
15 company, after a 10% deduction for payment to one of the parties (i.e. Branson was  
16 to receive 36% of the 10% of royalties to be paid by the California company).

17          6.    On or about November 29, 1999, Branson entered into a Sales Agreement  
18 with the California company in which Branson agreed to repurchase the rights to  
19 manufacture and market the TAS. The terms of the Sales Agreement provide that  
20 Branson was to pay the California company the sum of \$328,000 by May 30, 2002, or  
21 the California company would retain ownership of the design and tooling, as well as  
22 the right to manufacture and sell the TAS.

23          7.    Branson sold percentages of his royalty interests under the Licensing  
24 Agreement and Royalty Agreement to sixteen individuals, twelve of whom are  
25 Oregon residents. Eleven of the sales to Oregon residents occurred during the  
26 period from April 21, 1999 to January 16, 2000.



1           8. Branson agreed to pay investors a percentage of his royalties in the TAS  
2 and investors expected to receive profits in the form of monthly royalty checks based  
3 on successful sales of the TAS.

4           9. The investors invested money with the expectation that they would play a  
5 passive role in Branson's operations relating to the TAS.

6           10. To induce investment in the TAS, Branson made the following  
7 representations, which were either untrue or materially misleading, to at least one  
8 Oregon investor:

- 9           A. That Branson was the sole owner of the TAS.
- 10           B. That the TAS was ready for production and would be produced within  
11            30 days.
- 12           C. That he had two production plants ready to produce the TAS, one in  
13            Central Point, Oregon and one in California.
- 14           D. That the TAS was guaranteed to generate profits of \$2.5 million per  
15            year.
- 16           E. That investors would receive royalty checks each month.
- 17           F. That investor's money would be used to prepare the TAS for  
18            manufacturing and distribution.

19           11. To induce investment in the TAS, Branson omitted to state the following to  
20 at least one Oregon investor:

- 21           A. That the TAS was not ready for production or marketing by Branson or  
22            any other company, and in fact, only prototype molds had been made.
- 23           B. That investor's funds were not intended to be used for marketing and  
24            manufacturing the TAS, but rather were to be used for Branson's  
25            personal expenses.

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1 C. That Branson had agreed to repurchase the rights to market and  
2 manufacture the TAS, and was required to pay the California company  
3 the sum of \$328,000 by May 30, 2002, or risk losing his right to  
4 manufacture and sell the TAS.

5 D. That Branson's ownership rights to the TAS could be the subject of  
6 claims from other individuals.

7 E. That Branson had previously filed for bankruptcy.

8 12. Branson holds no securities license in Oregon or in any other state  
9 authorizing his sale of interests in the TAS.

10 13. The royalty interests in the TAS have not been registered for sale as  
11 securities under Oregon Securities Laws.

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### CONCLUSIONS OF LAW

14 The Director **CONCLUDES** that:

15 1. The royalty interests in the TAS offered and sold by Branson constitute  
16 securities as defined in ORS 59.015.

17 2. Branson sold securities in Oregon without a valid securities license, in  
18 violation of ORS 59.165.

19 3. Branson sold unregistered securities in Oregon in violation of ORS 59.055.

20 4. Branson made material misrepresentations and omissions in connection  
21 with the sale of securities in violation of ORS 59.135(2).

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### ORDER

24 The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondent,  
25 Michael Del Branson shall **CEASE and DESIST** from:

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- 1           1.           Selling securities without a license in violation of Oregon Securities  
2 Laws:  
3           2.           Selling unregistered securities in the State of Oregon in violation of  
4 Oregon Securities laws;  
5           3.           Violating any provision of the Oregon Securities Laws, including ORS  
6 Chapter 59 and OAR Chapter 441.

7           The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL**  
8 **PENALTIES:**

9           1.           Respondent Michael Del Branson, and any business entity owned,  
10 operated or under the control of Michael Del Branson, shall be denied the use of any  
11 securities licensing or registration exemptions contained in the Oregon Securities  
12 Laws, including ORS Chapter 59 and ORS Chapter 441.

13          2.           Respondent Michael Del Branson shall pay the following monetary  
14 penalties:

- 15           a.          \$5,000 for violation of ORS 59.165 (sale of securities by unlicensed  
16                            person);  
17           b.          \$5,000 for violation of ORS 59.055 (sale of unregistered securities);  
18                            and  
19           c.          \$10,000 for violation of ORS 59.135 (engaging in fraud in connection  
20                            with the sale of securities).

21 However, the monetary penalties shall be **SUSPENDED**, so long as Respondent  
22 complies with the terms of this Order (including all provisions of the Oregon  
23 Securities Laws) and provides the Director with written confirmation of his settlement  
24 of Jackson County Case No. 00-2156-L2 and Jackson County Case No. 00-2331-L2  
25 within ninety (90) days of the date of this Order. Such written confirmation shall be  
26 signed by the plaintiffs in such cases, or their respective attorneys, and shall include



1 a statement that all claims related to the TAS have been resolved. In the event  
2 Respondent violates any term of this Order, the monetary penalty contained herein  
3 shall be reinstated and shall become immediately due and payable.

4 The entry of this Order in no way limits further remedies which may be  
5 available to the Director under Oregon Law.

6 Dated this \_\_\_ day of \_\_\_\_\_, 2001, at Salem, Oregon.

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9 \_\_\_\_\_  
10 MARY NEIDIG, DIRECTOR  
11 DEPARTMENT OF CONSUMER AND  
12 BUSINESS SERVICES

13 APPROVED AS TO FORM:

14 \_\_\_\_\_  
15 Attorney for Respondent

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

16 **CONSENT TO ENTRY OF ORDER**

17 I, Michael Del Branson, state that I am a resident of the State of Oregon, that I  
18 have read the foregoing Order and that I know and fully understand the contents  
19 hereof; that I admit that the factual allegations stated herein are true and correct; that  
20 I have been advised of my right to a hearing, and that I have been represented by  
21 counsel in this matter; that I voluntarily consent to the entry of this Order without any  
22 force or duress, expressly waiving any right to a hearing in this matter; that I  
23 understand that the Director reserves the right to take further actions against me to  
24 enforce this Order or to take appropriate action upon discovery of other violations of  
25 the Oregon Securities Law by me; and that I will fully comply with the terms and  
26 conditions stated herein.

I further assure the Director that I will not engage in the activities of a  
broker-dealer, investment adviser, or mortgage broker, or act as a salesperson for



1 any of these unless such activities are in full compliance with Chapter 59 of the  
2 Oregon Revised Statutes.

3 I understand that this Consent Order is a public document.

4 Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

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6 \_\_\_\_\_  
Michael Del Branson

7 SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_,

8 2001.

9 \_\_\_\_\_  
(Printed Name of Notary Public)

10 Notary Public

11 for the State of: \_\_\_\_\_

12 My commission expires: \_\_\_\_\_

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