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Respondent **LEE DOUGLAS TUSBERG** has not made a written request for a contested case hearing in this matter and the time to do so has expired.

**NOW THEREFORE**, after consideration of the investigative report and accompanying exhibits submitted in this matter by David T. Weiss, Securities Compliance Officer, the Director hereby issues the following Findings of Fact, Conclusions of Law, and Final Order:

**FINDINGS OF FACT**

The Director **FINDS** that:

1. Respondent **LEE DOUGLAS TUSBERG** (hereafter "Tusberg") was, at all times material herein, a broker-dealer salesperson in the employ of KMS Financial Services, Inc, a licensed broker-dealer firm. Tusberg's CRD number is #1208731. Tusberg's last known address is 5224 South Park Lane, Spokane, Washington 99223.
2. Respondent **BARBARA EDGEMON** (hereafter "Edgemon") was, at all times material herein, a broker-dealer salesperson in the employ of KMS Financial Services, Inc, a licensed broker-dealer firm. Edgemon's CRD number is #2386050. Edgemon's last known address is N 4913 Eva, Otis Orchards, Washington 98027.
3. KMS Financial Services, Inc is a licensed broker-dealer firm with its main office at 2200 Sixth Avenue, Suite 1125, Seattle, Washington. The firm's CRD number is 3866. The firm is licensed to effect securities transactions in Oregon.
4. Trans Link Research and Development Group, Inc (hereafter "Trans Link") was a for profit corporation organized under the laws of the State of Washington on April 18, 1996. The corporation was administratively dissolved by the State of Washington on November 4, 1996 for failure to file an initial annual report. The company's last known address was at 421 W Riverside, Suite 760, Spokane, Washington



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99201, which was also the address at which Respondents **TUSBERG** and **EDGEMON** operated as broker-dealer salespersons at the time. Respondent **TUSBERG** was an officer of Trans Link and its controlling shareholder.

5. Trans Link did not have any regularly conducted business activities, and was merely a "corporate shell" for Respondent **TUSBERG's** personal use.

6. Respondent **TUSBERG** commenced employment with KMS Financial Services, Inc as a broker-dealer salesperson in May, 1994. Tusberg was licensed to effect securities transactions in Oregon. Tusberg has been a licensed broker-dealer salesperson since February, 1982.

7. Respondent **EDGEMON** commenced employment with KMS Financial Services, Inc as a broker-dealer salesperson in March, 1995 . Edgemon was licensed to effect securities transactions in Oregon. Edgemon has been a licensed broker-dealer salesperson since January, 1992.

8. To the extent Trans Link was ever a legitimate corporation, it ceased to be in compliance with Washington law on November 4, 1996 when it was administratively dissolved. Despite this fact, Respondent **TUSBERG** sold Trans Link "convertible promissory notes" to investors after November 4, 1996. At no time were any of these convertible promissory notes registered for sale with the Oregon Division of Finance and Corporate Securities. In fact, these convertible promissory notes were never the genuine obligations of a legally existing corporation, and there was never any economic basis for repayment of principal or interest by the corporation.

9. The Trans Link convertible promissory notes were set to mature between a two (2) to five (5) year period and bore interest rates of between twelve (12) and fourteen (14) percent per annum.

10. Beginning in February, 1996 and continuing through February, 2000 Respondents sold over one million and thirty thousand (\$1,030,000) of these notes to



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thirty investors in three states while in the employ of KMS Financial Services, Inc. Respondents sold convertible promissory notes in the total amount of three hundred forty six thousand five hundred and one dollars and twenty cents (\$346,501.20) to five Oregon residents over this timespan. A single Oregon investor purchased convertible promissory notes in the total amount of two hundred thirty four thousand eight hundred sixty one dollars and ninety one cents (\$234,861.91).

11. None of the five Oregon investors were ever repaid any amount of either principal or interest. Furthermore, neither **TUSBERG** nor **EDGEMON** has ever accounted for the proceeds of funds invested.

12. The convertible promissory notes were touted as being convertible to Trans Link shares at the noteholder's option, although Respondents failed to detail the terms of this conversion to investors.

13. The five Oregon investors were all regular brokerage customers of KMS Financial Services, Inc. Respondents failed to inform investors that the Trans Link convertible promissory notes were not authorized for sale by nor placed on the books of their broker-dealer, KMS Financial Services, Inc. In addition, Respondents expressly told investors that the Trans Link convertible promissory notes were "safe investments."

14. Respondents failed to inform investors of the affiliation between **TUSBERG** and Trans Link, or that **TUSBERG** was an officer and controlling shareholder of Trans Link. Furthermore, Respondents failed to accurately inform investors of the nature of the business activities of Trans Link (Respondents falsely told some investors that the company facilitated United States business relationships with China).

15. Respondents failed to inform investors that funds they invested would be diverted in their entirety for the personal use of **TUSBERG** and not for the business activities of Trans Link.



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16. Respondents failed to provide a prospectus or otherwise inform investors about the following material information which would allow them to make an informed decision regarding their investment in Trans Link: an accurate description of the type of investment interest being purchased, an accurate description of the purposes for which funds raised would be used, an accurate description of the backgrounds of the officers and directors of the corporation, a disclosure of the true risks of this investment, and adequate financial information about Trans Link's operations.

17. Respondents failed to assess whether the Trans Link convertible promissory notes were suitable for each investor based on the investor's investment objectives, age, needs, and financial situation. In fact, many of the investors had conservative needs that could not be served by investment in such a speculative financial device.

18. KMS Financial Services, Inc terminated **TUSBERG** and **EDGEMON** in February, 2000 after a customer complained to its Compliance Officer about his investment in "Trans Link" and the broker-dealer conducted an investigation into the conduct of Respondents **TUSBERG** and **EDGEMON**.

**CONCLUSIONS OF LAW**

The Director **CONCLUDES** that:

1. The Trans Link convertible promissory notes which were offered and sold by Respondents **TUSBERG** and **EDGEMON** are "securities" as defined in ORS 59.015(19)(a).
2. Respondents **TUSBERG** and **EDGEMON** offered and/or sold unregistered securities in the State of Oregon in violation of ORS 59.055.
3. Respondents **TUSBERG** and **EDGEMON** employed a device, scheme or



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artifice to defraud in violation of ORS 59.135 (1) by issuing and selling a series of convertible promissory notes in a defunct company that had no business operations as a means of converting investor funds to their own personal use.

4. Respondents **TUSBERG** and **EDGEMON**, in connection with the sale of Trans Link convertible promissory notes, made untrue statements of a material fact and/or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in violation of ORS 59.135 (2) by making express representations that the convertible promissory notes were "safe"; by failing to inform investors that the convertible promissory notes were not authorized for sale by nor placed on the books of their regular broker-dealer; by failing to inform investors that Respondent **TUSBERG** was an officer and controlling shareholder of Trans Link; by failing to inform investors that the corporation that was purportedly issuing the notes was defunct; by failing to provide investors with a prospectus or otherwise provide them with material information that would allow them to make an informed decision whether or not to invest; and by failing to inform investors that proceeds from the sale of the convertible promissory notes would be diverted to Respondents for personal use and not for legitimate business purposes.

5. Respondents **TUSBERG** and **EDGEMON** recommended the purchase of Trans Link convertible promissory notes to their brokerage customers without having reasonable grounds to believe that the recommendation was suitable for each customer on the basis of information furnished by that customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs in violation of OAR 441-205-0140.

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
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**ORDER**

Therefore, the Director **ORDERS**

1. That Respondents **TUSBERG** and **EDGEMON** shall cease and desist from offering and/or selling securities to persons in the State of Oregon in violation of ORS Chapter 59, OAR Chapter 441, or Oregon securities law.

2. That Respondent **TUSBERG** is ordered to pay the sum of **FIFTY THOUSAND DOLLARS** (\$50,000.00) as a civil penalty for violations described herein.

3. That Respondent **EDGEMON** is ordered to pay the sum of **TWENTY FIVE THOUSAND DOLLARS** (\$25,000.00) as a civil penalty for violations described herein.

3. That Respondents **TUSBERG** and **EDGEMON** are hereby denied the use of any exemptions authorized by ORS 59.025 and ORS 59.035, until further order of the Director, pursuant to ORS 59.045.

**IT IS SO ORDERED.**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2001 at Salem, Oregon NUNC PRO TUNC  
May 30, 2001.

\_\_\_\_\_  
**MARY C. NEIDIG, DIRECTOR**  
**DEPARTMENT OF CONSUMER & BUSINESS SERVICES**  
**STATE OF OREGON**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
David T. Weiss  
Securities Compliance Officer  
Division of Finance and Corporate Securities  
Department of Consumer and Business Services

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

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