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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

6 In the Matter of: )

A-02-0084

7 MILLENNIUM ELECTRONICS 2, INC., )

8 ORDER TO CEASE AND DESIST  
9 ORDER OF RESCISSION  
10 ORDER ASSESSING CIVIL PENALTY  
11 AND  
12 CONSENT TO ENTRY OF ORDER

13 Respondent. )  
14 \_\_\_\_\_ )

15 WHEREAS the Director of the Department of Consumer and Business

16 Services has conducted an investigation of certain business activities conducted by

17 Millennium Electronics 2, Inc. ("Respondent" or "ME2") and has determined that

18 ME2 sold unregistered securities without a license in violation of the Oregon

19 Securities Laws; and

20 WHEREAS ME2 wishes to resolve and settle this matter with the Director;

21 NOW THEREFORE, as evidenced by the authorized signature(s) subscribed

22 on this Order, ME2 hereby CONSENTS to entry of this Order to Cease and Desist

23 upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

24 FINDINGS OF FACT

25 The Director FINDS that:

26 1. Millennium Electronics 2, Inc. is an Oregon domestic business

27 corporation with a principal place of business at 3265 South Shore Drive SE #10,

28 Albany, Oregon 97321. ME2 filed a new corporation filing with the Oregon Secretary

29 of State on April 23, 1999. Michael S. Hargett is or was president and registered

30 corporate agent of ME2 and lists an address for service of process at 393

31 ////



1 Meadowlark Ct., Albany, Oregon 97321. Margaret Phelps was or is corporate  
2 secretary and is so listed in the records of the Secretary of State.

3 2. ME2 is a company that is has the rights to use, transfer or sell a patent  
4 regarding alarms using reflected infrared rays. The company plans to market alarms  
5 to be used around swimming pools as a child safety device. The company also has  
6 the right to market an underwater breathing device.

7 3. Between 1999 and 2002, ME2 sold 890 shares of its stock to 43  
8 shareholders. Nineteen of those shareholders paid market price for their shares; one  
9 shareholder received a substantial discount. ME2 sold 89 shares for a total of  
10 \$46,630. The remaining 22 shareholders received shares either at the formation of  
11 the corporation or were given shares in exchange for the promise or performance of  
12 work for the corporation.

13 4. ME2 did not register its stock with the Director for sale in the State of  
14 Oregon.

15 5. ME2 has not obtained a license to sell securities in any capacity in the  
16 State of Oregon.

### 17 CONCLUSIONS OF LAW

18 The Director **CONCLUDES** that:

19 1. The offer and sale of stock in ME2 to investors by ME2 constitutes the  
20 offer and sale of unregistered securities in violation of ORS 59.055.

21 2. ME2, by effecting the offer and sale of stock in ME2 to investors,  
22 transacted business as an unlicensed salesperson in violation of ORS 59.165.

### 23 ORDER TO CEASE AND DESIST

24 **NOW THEREFORE**, the Director, pursuant to ORS 59.245, **ORDERS** that  
25 Millennium Electronics 2. Inc. and any successor business or corporation shall  
26 **CEASE AND DESIST** from:







1 Hargett, Wesley Hilliker, Candy MacLelund, Rick Mangrum, Chris Norman, Bipin  
2 Patel, Margaret Phelps, and Marianne Poole. The rescission offer described herein  
3 must be made to shareholders if ME2 continues in business and does not dissolve  
4 or file for bankruptcy protection within 45 days of the execution of this order.

5 ME2 shall apply for registration of the rescission with the Director in  
6 compliance with ORS Chapter 59 and Oregon Administrative Rules Chapter 441,  
7 and shall comply with the following conditions:

8 1. Respondent ME2 shall apply to register the rescission with the Director  
9 no later than 30 days from the date of execution of this Order.

10 2. Respondent shall deposit funds in an escrow account sufficient to:

11 a. Complete refunds to all investors, or

12 b. To repay in full investors who accept the rescission offer.

13 3. Respondent shall offer rescission no later than 14 days from the date  
14 the Director issues an Order of Rescission Registration.

15 4. Respondent ME2 shall establish a 35-calendar-day period during  
16 which time investors must accept or reject the rescission offer. This 35-day period  
17 will commence on the date the notices of rescission are mailed to investors.

18 Acceptance of the offer will be considered timely if post-marked within the 35-day  
19 period. Acceptance notices must be mailed to Arnold W. Poole, Attorney at Law, 204  
20 Ellsworth Street SW, Albany, OR 97321.

21 5. At the close of the 35-day period, Respondent will compile instructions  
22 for disbursement to investors accepting the rescission offer. These instructions and  
23 supporting documents shall be submitted to the Division within five business days  
24 after the close of the rescission offer. The Division will review and the Director will  
25 approve or deny the instructions within five business days after receipt of the  
26 instructions and supporting documents. Respondent will have two business days



1 after any denial by the Director to resubmit the request for disbursement, and the  
2 Director will then have two business days to review and approve or deny the  
3 amended request. The Director and the Respondent will then instruct the escrow  
4 agent to disburse the funds to all investors accepting the rescission offer, and will  
5 require the escrow agent to provide the Division with satisfactory proof of  
6 disbursement and mailing.

7 6. Respondent agrees to include a cover letter with the rescission offer  
8 and with any refund initiated by ME2 explaining the reasons for the rescission offer  
9 or company-initiated refund, and containing language substantially as specified in  
10 Exhibit A, which is attached and made part of this order.

11 7. ME2 agrees that it will bear all costs of the escrow agent,  
12 disbursement, postage and mailing.

13 8. If the rescission offer has not been completed within six months of the  
14 date of execution of this Order, or such longer period as the Director may permit,  
15 ME2 will refund to all the investors their investments in ME2.

16 9. Within 30 calendar days from the date the rescission offer or refund is  
17 completed, ME2 shall file a report with the Division identifying investors repaid,  
18 amount repaid, and date of repayment.

### 19 CIVIL PENALTY

20 The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following

#### 21 **CIVIL PENALTY:**

22 Respondent ME2 shall pay a civil penalty in the amount of \$3,000 for violation  
23 of ORS 59.055 (sale of unregistered securities).

24 Respondent ME2 shall make payment of the civil penalty amounts assessed  
25 herein within 30 days of the date of execution of this Order by the Director. Failure of  
26 Respondent ME2 to make the required payment shall constitute a further violation of

1 this Order and shall subject Respondent ME2 to such additional Orders and  
2 penalties as may be available to the Director for violation of an Order of the Director.

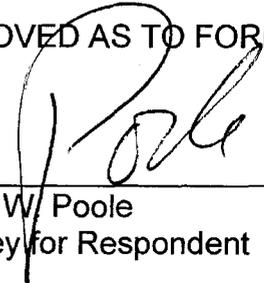
3 The entry of this Order in no way limits further remedies which may be  
4 available to the Director under Oregon Law.

5 Dated this 5<sup>th</sup> day of February, 2003, at Salem, Oregon.

6 

7 GREGORY A. MALKASIAN  
8 DEPUTY DIRECTOR  
9 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

10 APPROVED AS TO FORM:

11   
12 \_\_\_\_\_  
13 Arnold W. Poole  
14 Attorney for Respondent

Dated: 1-20-03

15 **CORPORATE CONSENT TO ENTRY OF ORDER**  
16 for Millennium Electronics 2, Inc.

17 I, Margaret Phelps, state that I am an officer of Millennium Electronics 2, Inc.  
18 and I am authorized to act on its behalf; that I have read the foregoing Order and  
19 that I know and fully understand the contents hereof; that I and this entity have been  
20 advised of the right to a hearing and of the right to be represented by counsel in this  
21 matter; that Millennium Electronics 2, Inc., voluntarily and without any force or  
22 duress, consents to the entry of this Order, expressly waiving any right to a hearing  
23 in this matter; that Millennium Electronics 2, Inc., makes no admission of liability with  
24 respect to the Findings of Fact in the foregoing Order; that Millennium Electronics 2,  
25 Inc., executes this Consent as a settlement of the matters referred to in the  
26 foregoing Order; that Millennium Electronics 2, Inc., understands that the Director  
reserves the right to take further actions to enforce this Order or to take appropriate  
action upon discovery of other violations of the Oregon Securities Law; and that

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97301-3881  
Telephone: (503) 378-4387



1 Millennium Electronics 2, Inc., will fully comply with the terms and conditions stated  
2 herein.

3 Millennium Electronics 2, Inc., further assures the Director that neither  
4 Millennium Electronics 2, Inc., nor its officers, directors, employees or agents will  
5 effect securities transactions in Oregon unless such activities are in full compliance  
6 with Chapter 59 of the Oregon Securities Revised Statutes.

7 Millennium Electronics 2, Inc., understands that this Consent Order is a public  
8 document.

9 Dated this 20 day of January, 2003.

10 By Margaret Phelps  
11 Margaret Phelps  
12 Secretary  
13 Office Held

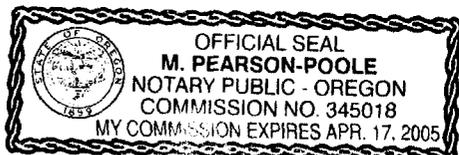
14 **CORPORATE ACKNOWLEDGMENT**

15 There appeared before me this 20 day of January, 2003,  
16 Margaret Phelps, who was first duly sworn on oath, and stated that he was and is  
17 president of Millennium Electronics 2, Inc., and that he is authorized and empowered  
18 to sign this Consent to Entry of Order on behalf of Millennium Electronics 2, Inc., and  
19 to bind Millennium Electronics 2, Inc. to the terms hereof.

20 M. Pearson - Poole  
21 Signature of Notary

22 Marianne Pearson-Poole  
23 Printed Name of Notary Public Oregon  
24 Notary Public for the State of: 4-17-05

25 My commission expires: \_\_\_\_\_



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