

ALAN G. LANCE  
ATTORNEY GENERAL  
STATE OF IDAHO

MARY E. HUGHES  
Deputy Attorney General  
Department of Finance  
P.O. Box 83720  
Boise, Idaho 83720-0031  
Telephone: (208) 332-8092  
Facsimile: (208) 332-8098  
Idaho State Bar #2416

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE  
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of )  
Finance, Securities Bureau, )  
 )  
Complainant, )  
 )  
vs. )  
 )  
TRANS-LINK RESEARCH AND )  
DEVELOPMENT GROUP, INC., LEE )  
DOUGLAS TUSBERG, and BARBARA )  
EDGEMON, )  
 )  
Respondents. )  
\_\_\_\_\_ )

Docket No. 2000-7-44

**CEASE AND DESIST ORDER**

The Director of the Department of Finance (Director), pursuant to the authority of the Idaho Securities Act, Idaho Code §30-1401, *et seq.*, has reasonable grounds to believe the following:

1. Respondent Trans-Link Research and Development Group, Inc. (Trans-Link), was incorporated in the State of Washington on April 18, 1996. The State dissolved the corporation on November 4, 1996, for failing to file an initial annual report. The business purpose of the corporation is unknown, however it issued securities to at least thirteen Idaho investors. The securities were not registered for sale in Idaho. The last known address for Trans-Link is 421 W.

Riverside, Suite 760, Spokane, Washington 99201-0402.

2. Respondent Lee Douglas Tusberg (Tusberg) has been in the securities business for approximately eighteen years. He first became licensed in Idaho as a securities salesman in October 1983. Most recently, he was employed by the broker-dealer firm KMS Financial Services, Inc. (KMS), at its Spokane, Washington, office. His employment was terminated by KMS in February 2000, when the firm became concerned about Tusberg's solicitations of Trans-Link investments, which had not been approved by the firm. Tusberg offered and sold Trans-Link securities to his KMS customers and others. Tusberg's securities salesman's license became inactive upon his termination. Tusberg also served as an officer of Trans-Link. His last known address is S. 104 Freya, Suite 227A, Spokane, Washington 98507-9033.

3. Respondent Barbara Edgemon (Edgemon) has been in the securities business for approximately eight years. She first became licensed in Idaho as a securities salesperson in March 1995. Most recently, she was employed by KMS at its Spokane, Washington, office, as Tusberg's assistant. Her employment was terminated by KMS in February 2000, after Edgemon admitted engaging in activities at the direction of Tusberg which activities the firm believed reflected a disregard for KMS compliance policies. Edgemon offered and sold, or aided and abetted Tusberg in the offer and sale of, Trans-Link securities to Idaho residents. Edgemon's securities salesperson's license became inactive upon her termination. Her last known address is S. 104 Freya, Suite 227A, Spokane, Washington 98507-9033.

4. Respondents offered and sold, or aided and abetted in the offer and sale, of Trans-Link securities to Idaho residents. In most cases, the Idaho residents had been securities customers of Tusberg for a number of years. The investors were led to believe, by Tusberg and Edgemon, that the Trans-Link investment was simply another security offered through KMS, when in fact the firm

was unaware of the offers of Trans-Link, and had not authorized their sale. Investors did not receive a prospectus, and received little factual information concerning Trans-Link, but relied on the advice of Tusberg and Edgemon in making their investments. Thirteen Idahoans have invested nearly \$500,000 in Trans-Link.

### **COUNT ONE**

The allegations contained in paragraphs 1 through 4 are hereby realleged as if fully set forth.

5. The Trans-Link investments offered and sold by Respondents are securities, in the form of notes, investment contracts and/or evidences of indebtedness, as defined in Idaho Code § 30-1402(12).

6. The securities offered and sold by Respondents have not been registered with the Idaho Department of Finance as required pursuant to Idaho Code § 30-1416.

7. Respondents have violated Idaho Code § 30-1416.

### **COUNT TWO**

The allegations contained in paragraphs 1 through 7 are hereby realleged as if fully set forth.

8. In connection with the offer and sale of securities, Respondents have made misrepresentations of material fact in violation of the antifraud provision of the Idaho Securities Act. These misrepresentations include, but are not limited to, the following:

- a. Representations that the Trans-Link investments were safe.
  - b. Representations that the Trans-Link investments would pay 12% (twelve percent) interest, to be paid in full “at maturity” of either two or five years.
9. Respondents have violated Idaho Code § 30-1403(2).

### **COUNT THREE**

The allegations contained in paragraphs 1 through 9 are hereby realleged as if fully set forth.

10. In connection with the offer or sale of securities, Respondents 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 in violation of the antifraud provision of the Idaho Securities Act. The omissions of Respondents include, but are not limited to, the following:

- a. Respondents failed to provide a prospectus to or otherwise inform offerees and investors about the following material information which would allow an investor to make an informed decision:
  - (1) Financial statements of Trans-Link;
  - (2) Adequate disclosure of the risks of the investment;
  - (3) Administrative, criminal, or civil enforcement actions taken by any other states or regulatory associations;
  - (4) Backgrounds of the officers, directors, agents and promoters including past employment history and experience, education and expertise;
  - (5) Accurate description of the type of investment interest being purchased;
  - (6) Identification of investment amounts retained by Respondents as compensation, commissions or other remuneration; and
  - (7) Purposes for which the investment monies would be used.
- b. Respondents failed to disclose that Tusberg was an officer of Trans-Link.
- c. Respondents failed to disclose that Trans-Link was dissolved by the State of Washington on November 4, 1996, for failing to file an initial annual report.
- d. Respondents failed to disclose that they did not have approval from KMS to sell Trans-Link investments.
- e. Respondents failed to disclose that the securities were not registered with the Idaho

Department of Finance as required under Idaho Code § 30-1416.

11. Respondents have violated Idaho Code § 30-1403(2).

**COUNT FOUR**

The allegations contained in paragraphs 1 through 11 are hereby realleged as if fully set forth.

12. In connection with the offer and sale of securities, Respondents engaged in acts, practices, and courses of business which operated as a fraud or deceit upon persons. Those acts, practices, and courses of business include, but are not limited to, the following:

- a. Soliciting investments from KMS customers, in the course of employment as KMS securities salesmen, thereby misleading customers into believing that the Trans-Link recommendations were authorized and supervised by the firm.
- b. The pattern of misrepresentations and omissions described above.

13. Respondents have violated Idaho Code § 30-1403(3).

**THEREFORE, PURSUANT TO IDAHO CODE §30-1442(1), IT IS HEREBY ORDERED THAT RESPONDENTS, THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND SUCCESSORS IMMEDIATELY CEASE AND DESIST FROM:**

A. Selling or offering to sell any nonexempt security in any form in the State of Idaho until such time as the security has been registered with the Department of Finance in accordance with Title 30, Chapter 14, Idaho Code.

B. While engaged in or in connection with the offer, or sale, of any security in the State of Idaho:

- (1) Employing any device, scheme or artifice to defraud any purchasers of securities in Idaho;

- (2) Making any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;
  - (3) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person;
- C. Aiding, abetting, counseling, inducing or causing any person to engage in any of the types of conduct described in paragraphs A or B above.

14. **YOU ARE NOTIFIED** that this Cease and Desist Order is a final order of the Department of Finance. However, you may file a motion for reconsideration of this Cease and Desist Order or a request for hearing within fourteen (14) days of the service of this order. Any such motion for reconsideration or request for hearing must be in writing, addressed to:

Marilyn T. Chastain  
Securities Bureau Chief  
Department of Finance  
P.O. Box 83720  
Boise, ID 83720-0031

A copy of the motion or request for hearing must also be sent to the Department's counsel, at the address listed on the front of this Cease and Desist Order.

15. If a motion for reconsideration or request for hearing is timely filed, you will be notified of the date, time and place of the hearing, as well as the name of the presiding officer. At the hearing, you will be entitled to enter an appearance, introduce evidence, examine and cross-examine witnesses, make arguments and generally participate in the conduct of the proceedings. If you so desire, you may also be represented by legal counsel at your own expense.

16. Any hearing and subsequent proceedings will be in accordance with the provisions

of the Idaho Administrative Procedures Act (Chapter 52, Title 67, Idaho Code).

17. Pursuant to Idaho Code §§67-5270 and 67-5272, any party aggrieved by this final order may appeal this final order to district court by filing a petition in the Idaho district court of the county in which:

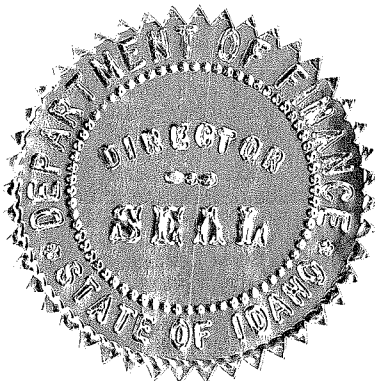
- a. A hearing was held;
- b. The final agency action was taken;
- c. The party seeking review of the order resides; or
- d. The real property or personal property that was the subject of the agency action is located.

18. An appeal must be filed within twenty-eight (28) days (a) of the service date of this final order, (b) of any order denying a petition for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. Idaho Code §67-5273. The filing of an appeal to district court does not itself stay the effectiveness or enforcement of the order under appeal.

19. This Cease and Desist Order is necessary and appropriate and in the public interest and for the public protection.

**IT IS SO ORDERED.**

DATED this 12<sup>th</sup> day of May, 2000.



*Marilyn Chastain for*  
GAVIN M. GEE  
Director  
Department of Finance