

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF determining
Whether there has been a violation of the Securities
Act of Washington by:

LEE DOUGLAS TUSBERG, and
TRANS-LINK RESEARCH & DEVELOPMENT
GROUP, INC.,

Respondents.

SDO – 62(A) – 00

SUMMARY ORDER TO CEASE AND DESIST
AND SUSPENDING SECURITIES
SALESPERSON REGISTRATION, AND NOTICE
OF INTENT TO REVOKE SECURITIES
SALESPERSON REGISTRATION

Case No. 00-03-85

THE STATE OF WASHINGTON TO:

LEE DOUGLAS TUSBERG
TRANS-LINK RESEARCH & DEVELOPMENT GROUP,
INC.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Lee Douglas Tusberg and Trans-Link Research & Development Group, Inc., have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator also has reason to believe that Lee Douglas Tusberg has engaged in dishonest and unethical practices in the securities business while employed as a registered securities salesperson for KMS Financial Services, Inc. and that those practices justify the suspension and revocation of Lee Douglas Tusberg's securities salesperson registration pursuant to RCW 21.20.110(1)(g).

The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations and delay in suspending and/or revoking Lee Douglas Tusberg's securities salesperson registration would be hazardous to the investors and to the public interest and is necessary or appropriate for the protection of investors and that a Summary Order to Cease and Desist and Suspending Securities Salesperson Registration, and

SUMMARY ORDER TO CEASE AND DESIST AND
SUSPENDING SECURITIES SALESPERSON
REGISTRATION, AND NOTICE OF INTENT TO REVOKE
SECURITIES SALESPERSON REGISTRATION

1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 Notice of Intent to Revoke Securities Salesperson Registration should be entered immediately. The Securities
2 Administrator finds as follows:

3
4 **TENTATIVE FINDINGS OF FACT**

5 **I.**

6 **RESPONDENTS**

7 1. LEE DOUGLAS TUSBERG ("TUSBERG") was registered with the State of Washington as a
8 securities salesperson and affiliated with KMS Financial Services, Inc. ("KMS") in May 1994 until his termination
9 in February 2000. Tusberg was also registered with the State of Washington as a securities salesperson for
10 Metropolitan Investment Securities, Inc. from February 1982 through May 1994. Tusberg also held a license as an
11 insurance salesperson, which expired without renewal in February 2000. Tusberg is an officer and/or director of
12 Trans-Link Research & Development Group, Inc. Tusberg resides at 5224 South Park Lane, Spokane,
Washington.

13 3. TRANS-LINK RESEARCH & DEVELOPMENT GROUP, INC. ("TRD") was incorporated
14 under the laws of the State of Washington on April 18, 1996. TRD has not been registered to conduct business in
15 Washington since November 4, 1996, when it was administratively dissolved for failure to file an initial list of
16 officers/directors. TRD's principal place was 421 West Riverside, Suite 760, Spokane, Washington, the same
17 address at which Tusberg, at that time, conducted securities salesperson activities for KMS. TRD's current
18 principal place of business is South 104 Freya, Suite 227A, Spokane, Washington, which is also the same address
at which Tusberg conducted securities salesperson activities for KMS.

19 **II.**

20 **NATURE OF OFFERS AND SALES**

21 Beginning at least in February 1996 and continuing through at least February 2000, Tusberg induced at
22 least 30 people to invest more than \$1,030,000 in TRD while he was employed as a securities salesperson at KMS,
23 a Washington registered broker-dealer. Approximately 10 of the 30 investors are Washington residents.

1 The type of investment Tusberg sold to investors was generally a convertible promissory note, which
2 generally carried between 12% and 14% annual interest payable upon maturity, which was between 2 years and 5
3 years. Tusberg represented to some investors that the accumulated interest was tax-deferred until maturity.
4 Tusberg did not disclose to investors the basis for that claim. The promissory notes were convertible to TRD
5 common stock at the noteholder's option. However, the terms of this conversion were not detailed. Tusberg
6 provided some investors statements of account summarizing the terms of their investment in TRD. However,
7 Tusberg failed to adequately describe to some investors the type of investment he was selling to them. Some
8 investors have not been repaid even though their promissory notes have matured.

9 Tusberg failed to disclose to many investors the nature of TRD's business. Tusberg did represent to some
10 investors that TRD facilitated United States business relationships with China and that TRD had connections in
11 China. Tusberg represented to some investors that TRD was a phone service company and to other investors that
12 TRD loaned money to small businesses. Tusberg told some investors that he was the president or treasurer of
13 TRD. However, Tusberg failed to disclose to other investors that Tusberg had a controlling interest in TRD or
14 was an officer and/or director of TRD. Tusberg also failed to provide investors with any offering materials,
15 financial statements, disclosure of the risks of the investment, such as the identity and background of the officers
16 and directors and agents and promoters of TRD, the total amount of funds being raised and the use of investor
17 proceeds, and the fact that TRD had been administratively dissolved as a corporation since November 4, 1996.

18 Most of the investors were also Tusberg's clients at KMS. However, Tusberg sold the TRD investments to
19 his clients without regard to whether the investments were suitable for each client based upon their investment
20 objectives, age, and financial situation and needs. Many of the investors' investment objectives were conservative,
21 such as retirement, tax shelter, income, and growth. Some investors lacked the knowledge and experience
22 necessary to evaluate the risks associated with the TRD investments. Some investors liquidated annuities and
23 mutual funds in order to invest in TRD based upon Tusberg's recommendation. Investors knew little or nothing
24 about TRD but trusted Tusberg to recommend investments that were in their best interest.

1 Tusberg was required to obtain written authorization from KMS prior to effecting securities transactions
2 that were not approved by or recorded on the books and records of KMS. Tusberg failed to disclose to investors
3 that the investments were not approved by KMS and that Tusberg's sales of the investments were not recorded on
4 the books and records of KMS.

5 **III.**
6 **EMERGENCY**

7 The Securities Administrator finds that an emergency exists because Tusberg continues to make material
8 misstatements of fact or omissions of fact and misrepresentations to investors regarding the nature, status and
9 safety of their investments and may associate himself with another broker-dealer or issuer to offer and sell
10 securities.

11 Based upon the foregoing Tentative Findings of Fact, the following Conclusions of law are made:

12 **CONCLUSIONS OF LAW**

13 **I.**

14 The offer and sale of the investments described in paragraphs I and II of the Tentative Findings of Fact
15 constitutes the offer and sale of a security as defined by RCW 21.20.005(10) and (12), to wit: investment contract,
16 notes, bonds, evidence of indebtedness, and warrants.

17 **II.**

18 The offer and sale of the securities described in paragraphs I and II the Tentative Findings of Fact is in
19 violation of RCW 21.20.140 because no registration for such offer and sale is on file with the Administrator of
20 Securities, State of Washington.

21 **III.**

22 The offer and sale of the securities described in paragraphs I and II of the Tentative Findings of Fact was
23 made in violation of RCW 21.20.010 because, in connection with these offers and sales, Tusberg and TRD made

1 untrue statements of material facts and omitted to state materials facts necessary in order to make the statements
2 made, in light of the circumstances under which they were made, not misleading.

3 **IV.**

4 Tusberg has engaged in dishonest and unethical practices in securities set forth in RCW 21.20.110(1)(g)
5 and WAC 460-22B-090(2) promulgated thereunder, as described in paragraphs I and II of the Tentative Findings
6 of Fact, by effecting securities transactions not recorded on the regular books and records of the broker-dealer
7 which Tusberg represented. These dishonest and unethical practices justify the suspension, revocation, and denial
8 of Tusberg's registration as a securities salesperson, broker-dealer, investment adviser, and investment adviser
9 representative.

10 **V.**

11 Tusberg has engaged in dishonest and unethical practices in securities set forth in RCW 21.20.110(1)(g)
12 and WAC 460-22B-090(7) promulgated thereunder, as described in paragraphs I and II of the Tentative Findings
13 of Fact, by recommending to a customer the purchase, sale or exchange of any security without reasonable
14 grounds to believe that such transaction or recommendation is suitable for the customer based upon reasonable
15 inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant
16 information known by Tusberg. These dishonest and unethical practices justify the suspension, revocation, and
17 denial of Tusberg's registration as a securities salesperson, broker-dealer, investment adviser, and investment
18 adviser representative.

19 **VI.**

20 The Securities Administrator concludes that Tusberg's violations of RCW 21.20.140 and RCW 21.20.010,
21 and Tusberg's continued misrepresentations to investors constitute a threat to the investing public, and that
22 summary orders to cease and desist from those violations are in the public interest and necessary for the protection
23 of the investing public.

24 The Securities Administrator also concludes that Tusberg's dishonest and unethical practices committed
under RCW 21.20.110(1)(g) and Tusberg's ability to act as a securities salesperson constitute a threat to the

1 investing public, and that summary orders to suspending Tusberg's ability to transfer his license to another broker-
2 dealer or issuer are in the public interest and necessary for the protection of the investing public.

3
4 **SUMMARY ORDER**

5 Based upon the foregoing and finding it in the public interest, NOW, THEREFORE, IT IS HEREBY
6 SUMMARILY ORDERED that Lee Douglas Tusberg and Trans-Link Research & Development Group, Inc. and
7 their agents, employees, and representatives, shall each cease and desist from offering and selling securities in any
8 manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration of
9 securities.

10 IT IS FURTHER SUMMARILY ORDERED that Lee Douglas Tusberg and Trans-Link Research &
11 Development Group, Inc. and their agents, employees, and representatives, shall each cease and desist from
12 offering and selling securities in any manner in violation of RCW 21.20.010, the anti-fraud section of the
13 Securities Act of Washington.

14 IT IS FURTHER SUMMARILY ORDERED that Lee Douglas Tusberg shall cease and desist from
15 effecting securities transactions in violation of RCW 21.20.110(1)(g) and WAC 460-22B-090(2), the dishonest
16 and unethical practices in the securities business section of the Securities Act and the selling away section of the
17 rules.

18 IT IS FURTHER SUMMARILY ORDERED that Lee Douglas Tusberg shall cease and desist from
19 recommending to a customer the purchase, sale or exchange of any security in violation of RCW 21.20.110(1)(g)
20 and WAC 460-22B-090(7), the dishonest and unethical practices in the securities business section of the Securities
21 Act and the suitability section of the rules.

22 IT IS FURTHER SUMMARILY ORDERED that Lee Douglas Tusberg's ability to transfer his license to
23 another broker-dealer or issuer, be, and hereby is, summarily suspended pending a final determination in this
24 proceeding.

