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**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 the State  
of Washington by:

Oxford Micro Devices, Inc.; Boundless Security  
Systems, Inc.; and Steven G. Morton  
Respondents

Order Number S-04-010-05-FO01

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL ORDER  
TO CEASE AND DESIST

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THE STATE OF WASHINGTON TO: Oxford Micro Devices, Inc.  
Boundless Security Systems, Inc.  
Steven G. Morton

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INTRODUCTION

On May 17, 2004, the Securities Administrator of the State of Washington issued Order No. S-04-010-04-TO01, Summary Order to Cease and Desist, Statement of Charges and Notice of Intent to Impose Fine (“Summary Order”). The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”) and an Application for Adjudicative Hearing (“Application for Hearing”) were served on Oxford Micro Devices, Inc.; Boundless Security Systems, Inc.; and Steven G. Morton on May 21, 2004.

On June 8, 2004, the Securities Division received an Application for Adjudicative Hearing from Oxford Micro Devices, Inc.; Boundless Security Systems, Inc. and Steven G. Morton. The Respondents each waived their right to a hearing and, in lieu thereof, submitted a written statement for consideration by the Securities Administrator.

After considering the written statement, the Securities Administrator makes the following findings of fact and conclusions of law:

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ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST

1 FINDINGS OF FACT

2 I. RESPONDENTS

3 1. Oxford Micro Devices, Inc. ("Oxford Micro Devices") is a Delaware corporation with its  
4 principal place of business at 731 Main Street in Monroe, Connecticut. Oxford Micro Devices purportedly  
5 developed and tried to market semiconductor chips for use in a biometric gunlock, security cameras and  
6 other products.

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8 2. Boundless Security Systems, Inc. ("Boundless Security") is a Delaware corporation with its  
9 principal place of business at 731 Main Street in Monroe, Connecticut. Boundless Security is purportedly in  
10 the business of selling digital video surveillance systems.

11 3. Steven G. Morton ("Morton") is President of Oxford Micro Devices, Inc. and Boundless Security  
12 Systems, Inc.

13 II. OFFER AND SALE OF OXFORD MICRO DEVICES, INC. STOCK AND STOCK WARRANTS

14 During 1999 and 2000, Steven G. Morton offered and sold more than \$1,200,000 worth of Oxford  
15 Micro Devices, Inc. stock and stock warrants to more than thirty investors. Morton sold Oxford Micro  
16 Devices stock at prices ranging from \$6.667 per share to \$10 per share. The stock warrants were sold for  
17 ten cents per share. The investors included at least four Washington residents, at least two of whom had no  
18 financial expertise and had a net worth of less than a million dollars and a net income of less than \$200,000  
19 per year.  
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1 III. MISREPRESENTATIONS OR OMISSIONS WHEN SELLING OXFORD MICRO DEVICES, INC.  
2 STOCK AND STOCK WARRANTS

3 When offering and selling the Oxford Micro Devices, Inc. stock and stock warrants, Morton  
4 represented to several investors, without a reasonable basis, that the company’s stock would be publicly  
5 traded within one to two years from the date of their investment. Morton represented to at least one investor  
6 that the investment would be worth seven to nine times more once the company went public. Morton also  
7 represented to at least one investor that the stock would go public at \$8 to \$10 per share and would split  
8 many times within a short time period.

9 Morton failed to disclose the risks of the investment. Morton failed to give the investors financial  
10 statements for Oxford Micro Devices. Morton failed to disclose that the stock price and stock warrant price  
11 were arbitrary and did not reflect the underlying value of the company. Morton failed to disclose whether  
12 the company held any patents on its products. Morton failed to disclose information about the market for  
13 the company’s products and the competitors of the company. Morton failed to disclose the company’s  
14 product sales history and any limitations on product development and marketing. Morton failed to disclose  
15 how much capital was required to operate the company. Morton failed to identify the use of proceeds from  
16 investors.

17 IV. OFFER OF BOUNDLESS SECURITY SYSTEMS, INC. STOCK

18 From October through December 2003, Steven G. Morton offered more than \$500,000 worth of  
19 Boundless Security Systems, Inc. stock to at least three Washington residents who were former high school  
20 classmates of Morton’s.  
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1 V. MISREPRESENTATIONS OR OMISSIONS WHEN OFFERING BOUNDLESS SECURITY  
2 SYSTEMS, INC. STOCK

3 When offering the Boundless Security Systems, Inc. stock, Morton gave a prospective investor  
4 financial projections showing that Boundless would have net income of more than \$650,000 in year one,  
5 more than \$5.5 million in year 2 and more than \$11 million in year 3. There was no reasonable basis for  
6 these projections and Morton failed to disclose the assumptions underlying the projections.

7 When offering the Boundless Security Systems, Inc. stock, Morton failed to disclose significant risks  
8 about the investment. Morton failed to disclose his own managerial experience and the prior business  
9 failure of Oxford Micro Devices. Morton failed to provide any historical financial statements for Boundless  
10 Security. Morton failed to disclose whether the company held any interest in patents for the company's  
11 products. Morton failed to disclose the company's product sales history and any limitations on product  
12 development and marketing. Morton failed to disclose how much capital was required to operate the  
13 company.

14 IV. UNREGISTERED SECURITIES

15 Oxford Micro Devices, Inc. and Boundless Security Systems, Inc. are not currently registered to sell  
16 their securities in the state of Washington and have not previously been so registered.

17 V. UNREGISTERED SECURITIES SALESPERSON

18 Steven G. Morton is not currently registered as a securities salesperson or broker-dealer in the state  
19 of Washington and has not previously been so registered.

20 Based upon the above Findings of Fact, the following Conclusions of Law are made:  
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24 ENTRY OF FINDINGS OF FACT AND  
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1 CONCLUSIONS OF LAW

2 I.

3 The offer or sale of stock and stock warrants described above constitutes the offer or sale of a  
4 security as defined in RCW 21.20.005(10) and (12).

5 II.

6 The offer or sale of said securities is in violation of RCW 21.20.140 because there was no  
7 registration for such offer or sale on file with the Securities Administrator.

8 III.

9 Steven G. Morton has violated RCW 21.20.040 by offering or selling said securities while not  
10 registered as a securities salesperson or broker-dealer in the state of Washington.

11 IV.

12 The offer or sale of said securities was made in violation of RCW 21.20.010 because Morton made  
13 untrue statements of material fact and omitted to state material facts necessary in order to make the  
14 statements made, in the light of the circumstances under which they were made, not misleading.  
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16 **FINAL ORDER**

17 Based on the foregoing, and finding it in the public interest and for the protection of investors,  
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19 It is hereby ORDERED that the Respondents, Oxford Micro Devices, Inc.; Boundless Security  
20 Systems, Inc.; and Steven G. Morton and their agents and employees each shall cease and desist from  
21 offering or selling securities in any manner in violation of RCW 21.20.140, the securities registration  
22 section of the Securities Act.  
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1 It is further ORDERED that Oxford Micro Devices, Inc.; Boundless Security Systems, Inc.; and  
2 Steven G. Morton and their agents and employees each shall cease and desist from violation of RCW  
3 21.20.010, the anti-fraud section of the Securities Act.

4 It is further ORDERED that Oxford Micro Devices, Inc.; Boundless Security Systems, Inc.; and  
5 Steven G. Morton and their agents and employees each shall cease and desist from violation of RCW  
6 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act.

7 **AUTHORITY AND PROCEDURE**

8 This Final Order is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is  
9 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to  
10 petition the superior court for judicial review of this agency action under the provisions of chapter 34.05  
11 RCW.

12 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

13 DATED and ENTERED this 15<sup>th</sup> day of March, 2005

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18 MICHAEL E. STEVENSON  
19 Securities Administrator

20 Approved by:

20 Presented by:

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23 Martin Cordell  
24 Chief of Enforcement

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23 Janet So  
24 Financial Legal Examiner

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