

LAWRENCE G. WASDEN  
Attorney General

Alan Conilogue  
Deputy Attorney General  
State of Idaho  
P.O. Box 83720  
Boise, Idaho 83720-0031  
Telephone: 208.332.8093  
Fax: 208.332.8016  
ISBN 3196  
alan.conilogue@finance.idaho.gov

**IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR ADA COUNTY**

STATE OF IDAHO, DEPARTMENT OF  
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

SEAN ZARINEGAR and  
PERFORMANCE REALTY  
MANAGEMENT, LLC,

Defendants, and

PREMIUM PERFORMANCE GROUP,  
LLC, CBA CAPITAL, INC., CORIX  
BIOSCIENCE, INC., KORIZ, LLC, and  
KORI ZARINEGAR,

Nominal Defendants.

Case No. CV01-18-13410

**COMPLAINT**

Fee category: Exempt

COMES NOW the State of Idaho Department of Finance Securities Bureau, Gavin Gee, Director, (Department), by and through its counsel, Alan Conilogue, Deputy Attorney General, and upon information and belief, complains and alleges as follows:

This action is brought pursuant to Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), and in particular Idaho Code § 30-14-603, wherein the Department is authorized to bring actions seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the Act or any rule promulgated thereunder.

### **VENUE**

The acts and practices alleged herein comprising violations of law by the above-named Defendants occurred in Ada County, Idaho, where the victim lives. Defendants resided or were located in Arizona when the alleged acts constituting violations of the Act were committed, and their principal place of business was in or around Phoenix, Arizona. Venue is proper in Ada County, Idaho pursuant to Idaho Code § 5-404.

### **JURISDICTION**

Defendants Sean Zarinigar and Performance Realty Management, LLC, in connection with the offer and sale of securities, omitted material information in connection with the offer or sale of such securities, and fraudulently diverted investor money to personal use, in violation of Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* Jurisdiction is conferred under the provisions of that Act. Further, Defendants were aware of the victim's domicile and purposely directed their activities into the State of Idaho. By contacting, soliciting, communicating with, and receiving investment money from, an Idaho domiciled individual, Defendants transacted business in the state of Idaho for the purpose of realizing a pecuniary benefit, thereby submitting to the jurisdiction of courts of Idaho pursuant to Idaho Code § 5-514. Finally, Defendants filed

SEC Form D, Rule 505 on January 6, 2016, to accomplish a notice filing of their securities offering in Idaho, and thereby submitted to the state's jurisdiction.

Defendants CBA Capital, Inc., Premium Performance Group, LLC, Corix Bioscience, Inc., KoriZ, LLC and Kori Zarinegar (nominal defendants) have or had for a time assets of the other defendants and have or had proceeds of the fraud, but have no legitimate claim to those assets or proceeds. They are named to effect full relief in the marshalling of assets that are the fruit of the underlying fraud. This court has jurisdiction over the property in the nominal defendants' possession.

### **CASE SUMMARY**

The statements in this Case Summary are not part of the allegations supporting the Department's causes of action but are intended only to provide a framework for understanding this regulatory enforcement lawsuit.

Beginning in the early 2000's and continuing until the present, Sean Zarinegar engaged in securities transactions under the names of Premium Performance Group, LLC, Performance Realty Management, LLC, American Realty Partners, LLC, American Housing Income Trust Inc., and Corix Bioscience, Inc. Zarinegar used these businesses, other than Corix Bioscience, to make money in the real estate business, primarily in Arizona. Corix is in the hemp and marijuana business.

Idaho resident JR bought over half of a million dollars in interests in Performance Realty Management and American Realty Partners. Over time, Zarinegar engaged in several transactions that essentially consolidated JR's interests into American Housing Income Trust, which then became Corix Bioscience. JR's investment transmogrified from a real estate investment to a hemp and marijuana investment.

In 2007, several states issued administrative orders sanctioning Zarinigar for violations of the states' securities laws. Zarinigar omitted mention of these sanctions in the offering materials provided to JR to solicit his investments. The omission of material information in his securities offerings constituted fraud and a violation of Idaho's Uniform Securities Act.

After receiving JR's investment, Zarinigar diverted over \$172,000 of it into Zarinigar's personal accounts and used over \$67,000 of that money for his personal expenses. This diversion also constituted fraud and a violation of Idaho's Uniform Securities Act.

This lawsuit seeks to bar Zarinigar from the securities market in Idaho and seeks restitution and civil penalties.

#### **DEFENDANTS**

1. **Sean Zarinigar (Zarinigar)** was an Arizona resident at the times he committed the violations of Idaho's Uniform Securities Act described in this complaint. Zarinigar occasionally goes by the alias "Sean Zar."

2. **Performance Realty Management, LLC. (PRM)** was incorporated by Zarinigar as an Arizona limited liability company on October 21, 2009, with an address of 2623 West Languid Lane, Phoenix, AZ. Zarinigar was listed as the member and manager of PRM.

#### **NOMINAL DEFENDANTS**

3. Nominal Defendants are named because the Department alleges and believes they have received or have control over assets or proceeds of the other defendants that are fruits of the fraud, which are necessary for the Department to reach in order to obtain full relief. In most if not all cases, the assets were formally held by Zarinigar or PRM at some point during the course of being transferred among various putative owners. The Department alleges and believes that the

transfers were unsupported by consideration or documents reflecting arms-length transactions and were done primarily to assist Zarinigar in concealing true ownership of the assets.

4. **CBA Capital, Inc. (CBA)** was organized as a Colorado company on January 9, 2002, with an address of 4515 Churchill Ct., Colorado Springs, CO. Sean Zarinigar was listed as CBA's registered agent for service.

5. **Premium Performance Group, LLC, (PPG)** was organized as a Colorado limited liability company on January 4, 2002, with a principal place of business of 4515 Churchill Ct., Colorado Springs, CO. The initial manager of PPG was listed as CBA Capital, Inc., Sean Zarinigar, President.

6. **CORIX BIOSCIENCE, INC. (Corix)** was formed on or about May 15, 2017, as a result of a Stock Exchange Agreement between AHIT and IX Biotechnology, Inc. (IXB), a Wyoming corporation. AHIT changed its name to Corix Bioscience, Inc. and filed Articles of Continuance in Wyoming. The net result of these and associated transactions was that AHIT no longer did business as a real estate company but instead became a grower and processor of hemp and cannabis doing business under the name Corix. Zarinigar stated in an affidavit dated June 20, 2017, that he was then, and presumably still is, "the Chairman of the Real Estate Committee for Corix Bioscience, Inc."

7. **KoriZ, LLC**, was organized as a Colorado limited liability company on January 4, 2008, with a principal place of business of 11660 Greentree Road, Colorado Springs, CO. Kori Kay Zarinigar was listed as KoriZ's registered agent for service on the original filing.

8. **Kori Kay Zarinigar** is Sean Zarinigar's wife and has received assets of the other defendants and fruits of the fraud, including real property, but has no legitimate claim to those assets or proceeds.

## **FACTS REGARDING NOMINAL DEFENDANTS**

9. The Department alleges and believes that Zarinegar moved assets and property among his companies, the nominal defendants, and the related parties with no valid business purpose. These moves were intended to enrich Zarinegar personally and to hide the true ownership and beneficial ownership of the property and assets. The moves and transfers were not arm's length transactions and are not supported by normal business documentation.

10. The Department alleges in paragraphs below that Zarinegar unlawfully diverted investor funds to his personal use, and describes the flow of investor money from business accounts into Zarinegar's personal accounts where he then spent it on personal items. Zarinegar also diverted other investor funds to self-serving property transactions. Zarinegar diverted this money from PRM's business accounts to PPG's business accounts, and then into real estate transactions, including \$52,000 to the Old Republic Title Agency for the benefit of PPG, \$25,000 to Security Title Agency for the benefit of American Housing Income Trust (AHIT), \$31,500 to Mariners Escrow Corporation for the benefit of Sean Zarinegar, and \$70,000 to the Wells Fargo account of American Realty Partners, LLC (ARP).

11. The Department explained its conclusions regarding the diversion of funds to Zarinegar in a letter dated October 31, 2017, to which Zarinegar replied, through counsel, in a letter dated November 17, 2017. Zarinegar attested "to the accuracy of the factual information provided in this correspondence individually, and as an authorized agent of Performance Realty Management, LLC."

### **The Gavilan Properties**

12. In the November 17, 2017, reply, Zarinegar stated through counsel: "As for the use of funds [alleged by the Department to be investor funds], the financial statements and tax returns

show investments in PRM into five real estate deals – Gavilan 24102, Gavilan 33102,” and three others. The Gavilan deals reference two apartment homes on Gavilan Peak Parkway in Anthem, AZ, units 24102 and 33102. A chronology of events regarding these two Gavilan properties shows the incestuous relationship among defendants and the nominal defendants.

13. Pursuant to the Department’s subpoena, Zarineger produced an “Amended Performance Realty Management Balance Sheet As of December 31, 2015,” supporting the investment into the two Gavilan properties. This balance sheet lists as “Other Real Estate” Gavilan 24102, valued at \$187,597.91 less depreciation of \$5,092, and Gavilan 33102 valued at \$129,541.74 less depreciation of \$3,459, for a total of \$308,588.65.

14. A second “Performance Realty Management Balance Sheet As of December 31, 2015” produced to the Department also listed two properties as “Other Real Estate,” but showed different properties and different valuations. This second balance sheet lists Gavilan 24102, but values it at only \$75,967.68. Instead of Gavilan 33102, this balance sheet lists Dean Martin Drive 4471, valued at \$257,656.97, for a total of \$333,624.65.

15. Neither the Amended nor the second balance sheets show any intercompany transfers.

16. A third “Performance Realty Management Balance Sheet As of December 31, 2015” produced to the Department shows no “Other Real Estate,” but does show “Intercompany Transfers,” of \$30,000 to AHIT, of -\$29,454.83 to ARP, of \$19,500 to CBA, of \$700 to “Core”<sup>1</sup>, and of \$277,741.65 to PPG, for a total of \$298,486.82 in “Intercompany Transfers.”

17. A fourth “Performance Realty Management Balance Sheet As of December 31, 2015” produced to the Department also shows no “Other Real Estate,” but does show

---

<sup>1</sup> Unknown entity.

“Intercompany Transfers,” totaling \$334,169.81. The total is not further itemized or broken out to explain the different numbers.

18. Although the “Amended Performance Realty Management Balance Sheet As of December 31, 2015,” identifies the two Gavilan properties as assets of PRM, two IRS Forms 4562 in tax year 2015 list the \$5,029 and \$3,459 depreciation as attributable to Sean and Kori Zarinegar, not to PRM.

19. The Maricopa County Assessor’s Office Title Chain Inquiry for Gavilan 24102 shows the property owner as PPG as of September 16, 2011, as KoriZ, LLC as of February 13, 2012, and as PPG (again) as of May 21, 2018.

20. The Maricopa County Assessor’s Office Title Chain Inquiry for Gavilan 33102 shows the property owner as Sean Zarinegar as of December 4, 2011, and as KoriZ, LLC, as of January 25, 2013.

21. Thus, in tax year 2015 when Sean and Kori Zarinegar were individually deducting the depreciation expense on Gavilan 24102 and 33102, and on December 31, 2015, when Zarinegar listed the properties as assets of PRM, the properties were actually titled in the name of KoriZ, LLC.

22. On May 31, 2016, PPG borrowed \$600,000 from Lead Funding, LLC, as evidenced by a Business Loan Agreement and Promissory Note of that same date. PPG was the borrower, and PRM, KoriZ, LLC, Zarinegar and Kori Zarinegar were the Co-Borrowers on both the Business Loan Agreement and the Promissory Note.

23. On May 31, 2016, Zarinegar, as Manager of PPG, and Kori Zarinegar, as Manager of KoriZ, LLC, executed a Deed of Trust, Assignment of Rents, Security Agreement and Fixture

Filing for the benefit of Lead Funding, LLC, to secure payment of \$600,000. The Deed of Trust applied to five properties in Maricopa County, Arizona, including Gavilan 24102 and 33102.

24. The Deed of Trust was released and the Gavilan properties were reconveyed to PPG and KoriZ, LLC on November 10, 2016.

### **The El Parque Property**

25. The chain of events regarding a property located at 1213 El Parque in Tempe, Arizona (El Parque) reveals another example of the cozy relationship among the defendants and the nominal defendants, wherein the nominal defendants helped defendants to move money and property around in non arms-length transactions done with no valid business purpose and only to advance Zarinegar's personal interests.

26. On February 12, 2016, PPG closed a deal to purchase El Parque. According to the Maricopa County Assessor's Office, PPG took title to the property on that date.

27. In conjunction with the purchase, PPG borrowed \$185,000 from Lead Funding, Inc, and signed a Business Loan Agreement dated the same date, February 12, 2016. Co-borrowers on this loan were Zarinegar and PRM. Zarinegar signed the Agreement as an individual, as Managing Member of PPG, and as Manager of PRM. Zarinegar, as Managing Member of PPG, also signed a Deed of Trust pledging El Parque to Lead Funding, Inc. as security for the loan.

28. El Parque remained titled to PPG until January 27, 2017. Nevertheless, PRM, not PPG, listed El Parque as an asset and listed the loan as a liability on its balance sheet dated June 30, 2016. PRM also listed El Parque as an owned property on the IRS Form 4562 Depreciation and Amortization schedule in PRM's 2016 tax filing, and claimed rent from it as income.

29. Although El Parque was titled to PPG, and claimed as an asset by PRM, AHIT and ARP were named insureds on El Parque in an "Evidence of Commercial Property Insurance"

(Acord form 28) dated two days before closing, February 10, 2016. Lead Funding, Inc. was named on form 28 as the loss payee. Thus, it appears that AHIT and ARP bought insurance on PPG's property, in favor of the lender.

30. CBA also appears in El Parque related documents. When Zarinegar moved \$52,000 of investor money into PRM's accounts, and then into PPG's accounts, and then to Old Republic Title (see paragraph 10 above), as part of the El Parque purchase, the wire transfer receipt from TD Ameritrade stated that the transfer was "For Benefit of: Premium Performance Group LLC ATTN: CBA Capital Inc C/O Sean Zar[inegar]."

31. On January 26, 2017, Sean and Kori Zarinegar took title to El Parque pursuant to a Warranty Deed conveying the property to them from PPG.

#### **Lack of Business Documentation**

32. During its investigation, the Department made several requests or demands for documents relating to these transactions. In a subpoena to PRM dated April 3<sup>rd</sup>, 2017, the Department demanded "I. Any and all agreements between Performance Realty Management, LLC and Sean Zarinegar and/or entities owned or controlled by Sean Zarinegar. II. Any and all documents involving the transfer and/or loaning of funds from Performance Realty Management, LLC to Sean Zarinegar and/or entities owned or controlled by Sean Zarinegar. III. Any and all documents involving the transfer and/or loaning of funds from Performance Realty management, LLC to members of Sean Zarinegar's family and/or entities owned and/or controlled by Sean Zarinegar's family." In a May 11, 2017 addendum to that subpoena, the Department demanded "Copies of all documents relating to any real estate related asset owned by PRM between October 26, 2015 and June 30, 2016."

33. Zarinegar produced no documents evidencing arms-length transactions or establishing legitimate business reasons for the transactions among the Zarinegar-related entities as described in the preceding paragraphs.<sup>2</sup> The Department alleges and believes that either the documents do not exist or they were willfully withheld in order to conceal the true nature of the transactions and relationships between the Zarinegar-related entities.

34. In addition to his failure to produce explanatory documents, Zarinegar also provided documents inconsistent with each other, and provided explanations inconsistent with other facts. For example, the four PRM balance sheets described above are inconsistent with each other, as well as being inconsistent with IRS and Maricopa County Assessor records.

35. Zarinegar provided an explanation of the use of investors' funds. See paragraphs 11 and 12 above. Zarinegar stated, "As for the use of funds [alleged by the Department to be investor funds] invested with PPG as loans earning interest, those funds went into investments for the benefit of PRM into two real estate deals – Neptune and Gavilan 44-104, and towards two loans to AHIT and American Realty for other real estate deals..." This statement omits, and thus is inconsistent with, the fact of the \$52,000 transferred from investor funds in PRM's accounts, to PPG's accounts, and then applied to the purchase of El Parque. See paragraph 30.

### **RELATED PARTIES**

36. **American Realty Partners, LLC (ARP)** was incorporated by Zarinegar as an Arizona limited liability company on September 3, 2013, with an address of 34225 North 27th Drive, Bldg. 5, Suite 238, Phoenix, AZ. ARP's sole manager was PRM. Equity Pacesetter, LLC, Equity Pacesetter II, LLC, and Equity Pacesetter III, LLC, all merged into ARP on November 26, 2013.

---

<sup>2</sup> The Department both requested and subpoenaed many more documents than are set forth here, and Zarinegar produced many of these documents.

On February 4, 2015, ARP bought 20,000 shares of Series A Preferred Stock and 58,809,678 shares of Common Stock of Affinity Mediaworks Corp, a Nevada corporation, giving ARP temporary control of Affinity Mediaworks, which later became American Housing Income Trust, Inc.

ARP filed Articles of Termination on August 7, 2017, and no longer exists as a separate company.

37. **American Housing Income Trust, Inc. (AHIT)** was originally incorporated in Nevada as Green Bikes Rental Corporation on December 17, 2007. On October 17, 2008, shares of Green Bike Rental Corporation began trading on FINRA's Over-The-Counter (OTC) trading platform under the symbol GBKR, but had minimal trading activity. On January 30, 2009, Green Bikes Rental Corporation changed its name to Affinity Mediaworks Corp. (Affinity) and changed its OTC symbol to AFFW. After issuing new shares and then undergoing a reverse stock split, control of Affinity was sold to ARP in February, 2015. The next month, ARP caused Affinity to convert from a Nevada to a Maryland corporation. Affinity changed its name to American Housing Income Trust, and through use of a "Stock Exchange and Restructuring Agreement" and a "Parent-Subsidiary and Operations Agreement," ARP became a wholly owned subsidiary of AHIT. PRM continued to manage ARP. AHIT was traded on FINRA's OTC trading platform under the symbol "AHIT." After it merged with Corix, AHIT ceased to exist as a separate company under that name.

38. These companies identified in this complaint (PPG, CBA, PRM, ARP, AHIT and Corix) are all mere alter egos for Zarinegar and were used to effectuate the fraud described in this Complaint. The companies have such a unity of interest with Zarinegar that the separate personalities of the companies and Zarinegar no longer exist. Further, if Zarinegar is allowed to hide behind the corporate facades it will sanction the fraud, promote injustice, and shield Zarinegar

from accountability for the fraud he perpetrated on investors. Their corporate existences should be ignored.

### FACTS

39. On January 4, 2002, Zarinegar organized Premium Performance Group for the purpose of investing in and trading securities. PPG Operating Agreement, paragraph 1.2.

40. In a Cease and Desist Order dated July 5, 2007, the Alabama Securities Commission ordered Zarinegar and others to immediately cease and desist from further offers or sales of any security into, within or from, the state of Alabama. *Alabama Securities Commission Administrative Order No. CD-2007-0019*.

41. In a Cease and Desist Order dated July 6, 2007, the Kansas Securities Commissioner found that Zarinegar, who at the time was also known as Bejahn Zarinegar, had been employed by Mallory Investments, LLC from July 9, 2001 through April 8, 2005. The Commissioner found that Zarinegar participated in the offer and sale of securities by unregistered salespeople and that Zarinegar materially aided and abetted unregistered broker Capital Guardian, Inc. in violations of Kansas securities law. *Before the Securities Commissioner of the State of Kansas, Cease and Desist Order, Docket No. 07E016, KSC No. 2007-5376*.

42. On July 21, 2008, Zarinegar stipulated to entry of a Consent Order wherein he agreed “to cease and desist from violations of the Kansas Uniform Securities Act.” Stipulation, paragraph 4. *Before the Securities Commissioner of the State of Kansas, Stipulation For Consent Order as to Sean Zarinegar (aka Bejahn Zarinegar), Docket No. 07E016, KSC No. 2007-5376*.

43. A “Consent Order As To Sean Zarinegar (aka Bejahn Zarinegar)” was issued by the Kansas Securities Commissioner on the same day. *Before the Securities Commissioner of the*

*State of Kansas, Consent Order* as to Sean Zarinigar (aka Bejahn Zarinigar), Docket No. 07E016, KSC No. 2007-5376.

44. On July 6, 2007, Zarinigar was named as a respondent in a *Notice of Hearing* issued by the Illinois Secretary of State Securities Department. That *Notice of Hearing* accused Zarinigar and the other respondents of various violations of the Illinois Securities Law of 1953. Zarinigar failed to timely file an answer to the *Notice of Hearing* and therefore by operation of Illinois law the allegations against him were deemed admitted.

45. In a private placement memorandum (PPM) dated November 1, 2015, to January 1, 2016, PRM offered units of PRM at the rate of “100 Units of Class A Units at \$15,000 Per Unit.” The PPM sought to raise \$1,500,000.

46. In a PPM dated November 4, 2013, ARP offered units of ARP at the rate of “1,000 Units at \$10,000 each.” The PPM sought to raise \$10,000,000.

47. Idaho investor JR invested with Zarinigar, ARP and PRM, as explained below.

48. Zarinigar, ARP and PRM did not disclose Zarinigar’s Alabama, Illinois and Kansas orders in the PPMs.

49. Prior to his investment, JR was not aware of the Alabama, Illinois and Kansas orders.

50. JR first invested with Zarinigar and ARP on or about May 8, 2014. JR eventually invested a total of \$300,000 in ARP.

51. On November 25, 2015, JR invested with PRM and Zarinigar and transferred \$172,283 to PRM’s Wells Fargo bank account x-1692. On February 26, 2016, JR wrote an investment check payable to the order of Performance Realty (PRM) for \$60,000. JR eventually

invested a total of \$250,800.03 in PRM, bringing JR's total investment with Zarinegar and his companies to \$550,800.03.

52. Before receiving JR's funds, PRM's Wells Fargo balance was \$155,004.80. JR's November 25, 2015, transfer raised this balance to \$327,287.80

53. Zarinegar comingled JR's funds with funds from other investors in PRM's Wells Fargo account x-1692.

54. On December 16, 2015, Zarinegar diverted \$175,000 of investor funds from PRM's Wells Fargo account x-1692 to Zarinegar's personal Wells Fargo account x-3345.

55. The next day, Zarinegar transferred the \$175,000 of investor funds from his personal Wells Fargo account x-3345 to Zarinegar's personal TD Ameritrade account x-0250. Before this transfer, Zarinegar's personal TD Ameritrade account x-0250 had a balance of \$759.52.

56. From January through July, 2016, Zarinegar used over \$67,000 of the investor funds in his personal TD Ameritrade account x-0250 for over 500 various personal debit card transactions, such as \$5.37 at Starbucks on March 8, 2016, \$14.88 at In N Out Burger on March 16, 2016, \$90.99 at the Blue Stag Bar on March 28, 2016, \$36 at Great Clips on April 20, 2016, and \$24.99 at Jacksons Car Wash on May 10, 2016. The transactions ranged from the largest for \$3,800 at Arizona Heat Pest Services on March 21, 2016, down to \$1.00 at City of Newport Beach on July 11, 2016. The first ATM debit transaction, \$3,650 at Specialized Subaru on January 14, 2016, exceeded Zarinegar's prior balance of \$759.52 by \$2,890.48, and thus this personal expenditure could only have come from investor funds.

57. In correspondence to the Department dated November 17, 2017, Zarinegar stated that as PRM's Manager, he "had unfettered discretion to use funds in a manner deemed appropriate

by Mr. Zarinegar, as manager.” Zarinegar further stated the use of the TD Ameritrade account “was in order to facilitate real estate purchases and investments,” and by so doing, “Mr. Zarinegar was acting as trustee over the TD Ameritrade account for the benefit of PRM.”

58. Zarinegar did not specifically disclose to JR that he would divert JR’s money to his (Zarinegar’s) personal use before receiving JR’s money.

### **VIOLATIONS**

59. The “units” offered and sold by Zarinegar, ARP and PRM constituted securities as defined in Idaho Code, Section 30-14-102(28).

### **COUNT ONE (Misrepresentations and Omissions of Material Fact)**

60. The allegations of paragraphs 1 through 59 are realleged and incorporated herein as if set forth verbatim.

61. Idaho Code § 30-14-501(2) provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to make an untrue statement of material fact or omit 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.

62. In his PPM for PRM dated November 1, 2015 to January 1, 2016, Zarinegar as manager of PRM stated, “The Company [PRM] shall hold all of its property in the name of the Company or its subsidiaries and not in the name of any Member or the Manager.” Paragraph 1.3, page 18. The PPM granted authority to “the Manager” i.e., Zarinegar, “To hold and own any Company real or personal properties in the name of the Company.” Paragraph 3.3 (d), page 26. To the extent that Zarinegar takes the position that his transfers of funds into his personal Wells

Fargo and TD Ameritrade accounts was on behalf of PRM, or any of his other companies, his PPM statements identified above were misrepresentations.

63. In connection with the offer and sale of securities, Zarinegar, ARP and PRM omitted from the offering materials that Zarinegar had been sanctioned by the states of Kansas, Illinois and Alabama for securities law violations.

64. The existence of the Kansas, Illinois and Alabama orders were material facts that could cause investors not to invest with Zarinegar and his companies. Investor JR would not have invested with Zarinegar and his companies had he known of the orders.

65. Zarinegar omitted from his offer that he would convert JR's investment from an investment in a real estate company that made its income from owning and managing real estate to a company growing and selling hemp and marijuana.

66. Zarinegar's, ARP's and PRM's misrepresentations and omissions of material facts and failures to disclose material information constitute violations of Idaho Code § 30-14-501(2).

**COUNT TWO**  
**(Fraudulent Conversion)**

67. The allegations of paragraphs 1 through 59 are realleged and incorporated herein as if set forth verbatim.

68. Idaho Code § 30-14-501(4) provides that it is unlawful and fraudulent for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to divert money to the personal use of the issuer, offeror or seller, or to pay prior investors, without specifically disclosing that use before receiving the investor's money.

69. Zarinegar's conversion of investor money to his personal use without specifically disclosing that to his investors before receiving the money constitutes fraud and a violation of Idaho Code § 30-14-501(4).

**PRAYER FOR RELIEF**

1. WHEREFORE, the Department prays for judgment in favor of the Department and against Zarinegar as follows:

2. That Zarinegar be adjudged to have violated Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.*, as to Counts One and Two alleged above, as well as any additional counts proven at trial.

3. That Zarinegar be permanently enjoined from engaging in any act or practice violating any provision of the Act or any rule promulgated thereunder, pursuant to Idaho Code § 30-14-603(b)(1), and that they be permanently enjoined from selling or offering for sale securities in any form in or from the state of Idaho.

4. That Zarinegar be ordered to make restitution to JR, pursuant to Idaho Code §30-14-603(b)(2)(C), in the amount of five hundred fifty thousand eight hundred dollars and three cents (\$550,800.03), or such other amount as proven at trial.

5. That Zarinegar pay the restitution amount to Plaintiff to be delivered to JR, and that the Court award a money judgment in favor of Plaintiff in such amount.

6. That Zarinegar be ordered to pay a civil penalty of ten thousand dollars (\$10,000) for each violation of Idaho's Uniform Securities Act (2004) as the Court deems appropriate, pursuant to Idaho Code § 30-14-603(b)(2)(C), for total penalties of twenty thousand dollars (\$20,000) and that the Court award a money judgment in favor of the Department in such amount.

7. That the court ignore the corporate existence of Zarinegar's companies and treat them as personal property of Zarinegar, and that the court make their assets and property available to Plaintiff as part of its relief.

8. That the court assert jurisdiction over property or assets owned or controlled by the

nominal defendants that constitutes fruits of the fraud and that the court make their assets and property available to Plaintiff as part of its relief.

9. That the Department be awarded attorney fees and costs incurred in the preparation and prosecution of this action, pursuant to Idaho Code § 12-121, and that the court award a money judgment in favor of the Department in such amount. Should judgment be taken by default herein, the Department asserts that \$5,000 is a reasonable sum for the same.

10. For such further relief as this Court may deem just and equitable under the circumstances.

DATED this 20th day of July, 2018.

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL

*/S/ Alan Conilogue*  
ALAN CONILOGUE  
Deputy Attorney General