



## NEWS RELEASE

For Immediate Release

January 15, 2009

### IDAHO "TIC" SPONSOR SUED FOR SECURITIES LAW VIOLATIONS

**Boise, Idaho** . . . Gavin Gee, director of the Idaho Department of Finance, today announced the filing of a civil securities lawsuit in Fourth District Court against DBSI, Inc., For 1031 LLC, several related companies, and Douglas L. Swenson, president and a director of DBSI, Inc. and a control person of the other defendants. All are located in the Treasure Valley.

The defendants are alleged to have raised millions of dollars through tenant in common, or "TIC", transactions involving hundreds of real estate properties. The TIC transactions offered by defendants and their affiliates involved investors in every state and several foreign countries each purchasing an undivided, fractional interest in parcels of real estate. The purchasers also agreed to a master lease where the lessee provided the significant efforts to make the enterprise successful. Many investors acquired their interest as part of a "1031 exchange" – a means of deferring the payment of income taxes on the sale of income-producing real property, as provided for in section 1031 of the IRS Code.

The Department of Finance complaint alleges that the defendants engaged in a scheme to defraud thousands of investors – many of them elderly – through the sale of unregistered securities by unregistered broker-dealers. By failing to register the securities, defendants appear to have attempted to avoid having to disclose material information required by securities laws. The complaint focuses on sales of interests in a specific property called FOR 1031 Quorum LLC, which is alleged to be similar to and representative of hundreds of other offerings. Sales of the Quorum investments occurred in 2004.

More specifically, the defendants are alleged to have:

- 1 misrepresented that the investment was essentially guaranteed;
- 2 misrepresented the terms of the loans on the property;
- 3 failed to inform investors that their investments were widely considered to be a security, not a real estate transaction;
- 4 failed to inform investors that the investment required ongoing new sales, and that it could collapse if sales ceased.

With the downturn in the housing market, the defendants were unable to raise sufficient new capital from investors or obtain sufficient new lending from institutional lenders to continue their real estate acquisition and sales operation. This and other factors contributed to some of the defendants' November 2008 Chapter 11 bankruptcy filing. More than 140 entities affiliated with defendants sought bankruptcy protection.

The State seeks a return of \$9,750,000 in investors' money, penalties for each violation and an order permanently enjoining the defendants from further violations of the Idaho Uniform Securities Act.

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*Department of Finance Press Releases and a copy of the complaint can be found on the Internet via the worldwide web at [finance.idaho.gov](http://finance.idaho.gov) and may be obtained by contacting the department at (208) 332-8004 or Idaho toll-free at 1-888-346-3378.*