

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32

THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF

THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

NO. \_\_\_\_\_ FILED \_\_\_\_\_ 434  
A.M. \_\_\_\_\_ P.M. \_\_\_\_\_  
DEC 07 2006  
By DAVID NAVARRO, Clerk  
DEPUTY

STATE OF IDAHO, DEPT. OF FINANCE,  
SECURITIES BUREAU,

Plaintiff,

vs.

ARIZONA IDAHO MINING, LLC, and  
DOUGLAS L. BAKER

Defendant.

Case No. CV-OC-2004-06423D

ORDER GRANTING SUMMARY  
JUDGMENT AGAINST DOUGLAS  
BAKER

On August 21, 2006, the Court heard argument regarding the State of Idaho, Department of Finance, Securities Bureau's Motion for Summary Judgment and orally granted the State of Idaho, Department of Finance, Securities Bureau ("State") partial summary judgment and vacated the trial.

The Court ordered the State to file a proposed Conclusions of Law and Statement of Undisputed Material Facts by September 22, 2006. The Court further ordered the Defendant, Douglas Baker, to file any objections by October 27, 2006. The Court ordered the State to file any response by November 17, 2006.<sup>1</sup>

The parties filed the documents as ordered. The Court took the matter under advisement on November 20, 2006. For the reasons stated below, as well as those entered orally on August 21, 2006, the Court grants summary judgment to the State against Douglas L. Baker. The Court further orders the State to prepare the final judgment granting it the relief it seeks.

<sup>1</sup> Default judgment was previously ordered against Arizona Idaho Mining, LLC, for failure to either enter an appearance through counsel or otherwise appear.

1 **UNDISPUTED MATERIAL FACTS<sup>2</sup>**

2 **A. MISREPRESENTATIONS OF MATERIAL FACT**

3 Defendant Douglas L. Baker (Baker) prepared “offering materials” concerning a securities  
4 offering by Arizona Idaho Mining, LLC, in the form of an approximately 151-page document  
5 entitled “Arizona Idaho Mining, LLC, An Idaho Limited Liability Company, PO Box 995, Eagle  
6 ID 83616, (208) 368-0800” (hereinafter “Offering Document”). The Offering Document was  
7 dated February 20, 2001. In the Offering Document, Baker represented that Arizona Idaho  
8 Mining, LLC (hereinafter “Arizona Idaho Mining”) was an Idaho limited liability company  
9 incorporated February 20, 2001, and formed for the purpose of acquiring stock in two mining  
10 companies, Custer Mining, LLC, an Idaho limited liability company, and Western Metallurgical  
11 Corporation, a Nevada company. Baker also prepared a document labeled “Arizona Idaho  
12 Mining, LLC (Stock Ownership)” (hereinafter “Stock Ownership Document”) and gave both the  
13 Offering Document and Stock Ownership Document to prospective investors to explain the terms  
14 of an investment in Arizona Idaho Mining to them.  
15  
16

17 <sup>2</sup> The Court recognizes that the Defendant Baker requested the Court to include a number of other facts. However,  
18 either the proposed facts were objected to as inadmissible under an evidentiary rule or the facts were immaterial to the  
19 Court’s decision. However, to the extent Baker asks the Court to take judicial notice of certain reports allegedly  
20 prepared by either the Forest Service (Ex. A to Baker’s Objections to Plaintiff’s Proposed Statement of Undisputed  
21 Facts) or a University of Idaho report prepared by Alfred Anderson (Ex. B to Baker’s Objections to Plaintiff’s  
22 Proposed Statement of Undisputed Facts), the Court denies his request. Idaho Rule of Evidence 201(b) provides that  
23 a court may take judicial notice of a fact when the fact is capable of accurate determination by resort to sources whose  
24 accuracy cannot reasonably be questioned. A court must take judicial notice if requested by a party and supplied with  
25 the necessary information. I.R.E. 201(d). More particularly, I.R.E. 201 provides in relevant part as follows:

26 (a) Scope of Rule. This rule governs only judicial notice of *adjudicative facts*.

27 (b) Kinds of Facts. A judicially noticed fact must be one not subject to reasonable dispute  
28 in that it is either (1) *generally known within the territorial jurisdiction of the trial court* or (2)  
29 *capable of accurate and ready determination by resort to sources whose accuracy cannot*  
30 *reasonably be questioned*.

31 (Emphasis added). In this case, judicial notice is inappropriate. These two documents do not represent adjudicative  
32 facts not subject to reasonable dispute. They do not represent facts generally known within the territorial jurisdiction  
33 of this Court and are not capable of accurate and ready determination by resort to sources whose accuracy cannot  
34 reasonably be questioned. Furthermore, they represent inadmissible hearsay, and they are irrelevant and immaterial.  
35 There is no evidence that either document was used in this case. Moreover, Baker could have *but did not* introduce  
36 either in support of his opposition to the State’s Motion for Summary Judgment.

1 Baker made other oral and written representations to prospective Arizona Idaho Mining  
2 investors concerning an investment in Arizona Idaho Mining. From approximately March 2001  
3 through at least March 2002, Baker offered and sold membership interests in Arizona Idaho  
4 Mining to investors, raising at least \$2,600,000 in investor funds. Investors received no return on  
5 their investment in Arizona Idaho Mining, including any dividends, interest, or return of principal.

6 Baker was managing member of Arizona Idaho Mining. The Offering Document stated  
7 that “[T]he Managing Member [of Arizona Idaho Mining] is accountable to the Members as a  
8 *fiduciary* and must act with integrity and good faith to promote the Members’ interests.” As  
9 managing member of Arizona Idaho Mining, Baker had access to and control of Arizona Idaho  
10 Mining funds from at least February 20, 2001 until Arizona Idaho Mining became insolvent.

11 Baker spent all of the Arizona Idaho Mining investors’ investment monies. Baker  
12 participated in business dealings with Daniel L. Carney (Carney) since at least 1994, to include  
13 “oil and gas projects.”

14 On January 31, 1997, Carney loaned Baker \$210,000, with Baker signing a promissory  
15 note payable to Carney in that amount. Under the terms of such promissory note, Baker was to  
16 repay Carney by January 31, 2000.<sup>3</sup>

17 **1. MATERIAL MISREPRESENTATION NO. 1: That the Idaho Mine (Adair**  
18 **Creek Claims) was a “safety net” and “would virtually eliminate any risk of loss to the**  
19 **investor.”**

20 In offering and selling investments in Arizona Idaho Mining to prospective investors,  
21 Baker, either in direct meetings with prospective investors, or through the Offering Document,  
22 made the following representations to prospective investors prior to their making an investment in  
23 Arizona Idaho Mining:

24 **a. REPRESENTATION – Adair Creek Mine was a safety net – reducing or**  
25 **eliminating risk of loss to the investor.**

26 Baker represented to investors that the Idaho mine (Adair Creek Claims) was a proven  
27 entity and would operate as a “sure thing” or a “safety net” that “would virtually eliminate any  
28 risk of loss to the investor” if he or she invested in Arizona Idaho Mining, even if the Arizona

29 \_\_\_\_\_  
30 <sup>3</sup> While Baker requests the Court include that he used the funds to try to develop the Adair Creek Mining claims, how  
31 he spent the loan is irrelevant to whether Adair Creek was ever profitable or would reduce any risk to potential  
investors. In fact, this would make it even clearer that Baker knew Adair Creek was not profitable.

1 Idaho Mining's mining operation on the Arizona Property did not meet expectations. More  
2 particularly, Baker told investor Fred Brown that the Adair Creek Claims were "already a proven  
3 entity." Baker told investor Ted Frisbee that the Idaho mine would be "up and running and  
4 profitable right away." Baker told investor Ian Winston Gee that the Idaho mine would allow  
5 Arizona Idaho Mining investors to recoup, *at a minimum*, their initial investment principal. In a  
6 letter to investor Mark Saccoman, Baker stated: "I intentionally 'married' the Idaho and Arizona  
7 project to protect the investors. The Idaho portion of the project will generate sufficient revenues  
8 to *virtually eliminate any risk of loss to the investor.*" [Emphasis added.]

9 However, at the time he made these representations to potential investors, Baker knew the  
10 following facts and did not disclose them.

11 **b. FACTS -- Baker knew Adair Creek Mines had never been profitable.**<sup>4</sup>

12 In the 1950s, William A. Stricklan (Stricklan) and three partners acquired the Adair Creek  
13 Claims and operated a hydraulic gold mining operation on such Claims. In about 1962, such  
14 hydraulic gold mining operation ceased with the passage of federal legislation that banned  
15 hydraulic mining. Stricklan made a deal with his partners, resulting in Stricklan and his wife  
16 becoming sole owners of the Adair Creek Claims. For the next 32 years, Stricklan continued to  
17 work the Claims, using different hand recovery methods that produced enough gold to be a good  
18 paying family hobby.

19 On November 20, 1992, William and Marie Stricklan signed a purchase agreement with  
20 Baker, establishing that the Adair Creek Claims would be jointly owned by Baker and the  
21 Stricklans. Under this agreement, Baker was solely responsible for the costs of all equipment and  
22 expenses associated with mining the Adair Creek Claims, and the Stricklans were to receive  
23 12.5% of the gross production from the Claims. In the late 1990s, the purchase agreement was  
24 modified, and the Stricklans' interest in the gross production from the Adair Creek Claims was  
25 reduced to 10%.  
26

---

27 <sup>4</sup> While Baker objects to these statements of facts and asks the Court to include facts asserting Adair Creek might  
28 contain commercial quantities, he misapprehends the misrepresentation. The State need not establish there were no  
29 commercially viable quantities of gold on Adair Creek. The actual fact that Adair Creek had never produced  
30 commercial quantities in over forty years of production is relevant to Baker's representation to investors that Adair  
31 Creek would make the investment nearly risk free. He did not tell potential investors what had actually occurred on  
32 Adair Creek to allow potential investors to assess the risk of future productivity.

1 From 1992 through 1996, Baker promoted at least three private offerings, and raised a  
2 total of \$900,000 in investor funds that Baker applied to expenses for mining operations he  
3 conducted on the Adair Creek Claims.

4 In the late 1990s, Baker gave the Stricklans \$300, stating that such payment reflected 10%  
5 of the total production from his mining efforts on the Adair Creek Claims during the late 1990s.

6 Baker's mining project on the Adair Creek Claims produced *no* gold during the 2000  
7 mining year.

8 The mining operations conducted on the Adair Creek Claims failed to produce a net profit  
9 at *any time* between 1992, when Baker acquired his interest in the Claims, up to February 20,  
10 2001 (the date of the Offering Document).

11 Baker wrote to the EPA on March 31, 2000, and stated that the most production *that had*  
12 *been accomplished in the past seven years had been approximately 600 yards in the 1998 season.*

13 In a letter dated January 23, 2001, Baker wrote to William and Marie Stricklan, and  
14 referring to mining operations on the Adair Creek Claims, Baker wrote:

15 "I told [the 'folks' putting the Arizona Idaho Mining 'deal' together] we had not  
16 produced anything to speak of yet, but that is a risk they are willing to take."

17 I.C. § 63-2803 requires each person engaged in mining in Idaho to report to the county assessor  
18 on net profits derived from such mining during the previous year. *At no time* between January 1,  
19 1992 and February 20, 2001, was any statement of net profits filed with the Custer County (Idaho)  
20 Assessor or with any other governmental agency in the state of Idaho, including the Idaho State  
21 Tax Commission, showing any net profits from mining the Adair Creek Claims.

22 Baker again wrote to William and Marie Stricklan on February 6, 2001, *just before issuing*  
23 *the Offering Document*, concerning the Adair Creek Claims, and stated:

24 "We haven't sold much gold to date – but I believe that will change this  
25 year."

26 \*\*\*\*

27 "Last year the EPA told me if we get sediment in Adair Creek it will be a  
\$28,000 per day fine. It is nearly an impossibility to continue."

28 Baker *never* told potential investors about the above facts. Applying the law, the Court  
29 finds these representations or Baker's failure to tell potential investors of these facts to be material  
30 omissions or representations of facts in connection with the sale, offer, or purchase of a security.

1 2. **MATERIAL MISREPRESENTATION NO. 2:** That the results of the Stage  
2 **One Testing of the Arizona Property would be confirmed by an independent laboratory**  
3 **before additional expenses were incurred for the mining operation, as a protection for**  
4 **investors.**

5 In offering and selling investments in Arizona Idaho Mining to prospective investors,  
6 Baker either in direct meetings with prospective investors, or through the Offering Document,  
7 made the following representations to investors or prospective investors:

8 a. **REPRESENTATION – There would be a confirmatory test.**

9 The staging of Arizona Idaho Mining's mining operation on the Arizona Property was  
10 designed to limit the risk to investors by requiring proof of viability at each stage before  
11 proceeding to the next stage of development. The purpose of the "Stage One" testing of the  
12 Arizona Property was to thoroughly test the Property to determine whether it would be profitable  
13 to invest additional monies in further development of the Property for gold mining.

14 The Offering Document represented that "Stage Two" of Arizona Idaho Mining's mining  
15 operation on the Arizona Property would be undertaken *only* if the "Stage One" testing program  
16 showed a minimum of \$20.00 per ton of head ore. The cost of the Stage One testing program was  
17 limited to \$100,000, which would be "the only significant risk" to investors. The results of the  
18 "Stage One" testing program would be confirmed by an "independent laboratory." The budget for  
19 the "Stage One" testing included \$5,000 for such independent confirmation. Additionally, the  
20 Offering Document also states in relevant part as follows:

21 The purpose of this proposal is to obtain the necessary capital to *test for*  
22 *commercial quantities of gold and other precious metals*, and then upon positive  
23 results from such testing to develop a commercial mining operation.

24 \*\*\*\*

25 The deal has been structured in three parts for the following reasons:

26 (1) *The verification of the ore body value* and the collection of specific data  
27 is required before a mining facility can be engineered and constructed.

28 (2) *The above structure helps protect the investor from risk. The move to*  
29 *another stage will not be made until the criteria for each stage has been achieved.*  
30 *In reality, the \$100,000.00 initial investment carries the only significant risk from*  
31 *an investor's standpoint.*

\*\*\*\*

32 **Property to be Mined** – It is planned to develop 80 acres of land for mining  
located in section 1, Range 19 west, Township 15 north, Mohave County, Arizona.

1 \*\*\*\*

2 The owner will allow us to *test the property*.

3 (Italics added). The Offering Document goes on in relevant part as follows:

4 A detailed budget for the Testing Period is shown in the Budget section of the  
5 Proposal. The cost of the Testing Program is \$100,000.

6 \*\*\*\*

7 **Testing Program.**

8 The purpose of our Testing Program *is to establish the value of the ore body* and to  
9 collect data that will be used to construct a mining facility. **Most** mining ventures  
10 fail because only a few assays are taken and then mining begins. *This program is  
designed to make sure that every possible detail has been examined and  
determined before the mining program is started.* .

11 \*\*\*\*

12 Once the value of the ore body has been valued at a minimum of \$20.00 per head  
13 ore ton we will begin the engineering, construction and operation of a small  
production plant. . . .

14 (Italics added). Baker admitted that the purpose for Stage One as it appears in the Offering  
15 Document was to thoroughly test the property to determine whether it would be profitable to  
16 invest additional money.

17 **b. FACTS – There was no independent confirmation of the results of Stage One  
18 testing.**

19 Defendants, Baker and Arizona Idaho Mining, failed to independently confirm the result  
20 or to assess or test the result of the “Stage One” testing of the Arizona Property through a licensed  
21 geologist, licensed assayer, or licensed mining engineer *unassociated* with Arizona Idaho Mining,  
22 prior to advancing to Stages Two and Three of the development of the Arizona Property, as  
23 referenced in the Offering Document.

24 The Court finds this misrepresentation material because had a confirmatory assay been  
25 completed, investors may have avoided investing more money beyond the initial \$100,000.  
26 Applying the law, the Court finds these representations or Baker’s failure to tell potential  
27 investors of these facts to be material omissions or representations of facts in connection with the  
28 sale, offer, or purchase of a security.

29 **3. MATERIAL MISREPRESENTATION NO. 3: The cash flow projection in  
30 the Offering Document for the mining year 2001 on the Adair Creek Claims was based on a**

1 false representation that Arizona Idaho Mining would be processing more material than it  
2 actually had authority to process.

3 a. REPRESENTATION – Arizona Idaho Mining would process 8,950 cubic  
4 yards of material per year.

5 The Offering Document included sections setting forth cash flow projections for Arizona  
6 Idaho Mining’s mining of the Adair Creek Claims based on certain expressed assumptions,  
7 including the following:

8 Page DOF 00125 of the Offering Document included cash flow projections  
9 for Arizona Idaho Mining’s mining operations on the Adair Creek Claims for the  
10 2001 mining season. Based on such projections, Arizona Idaho Mining was  
11 projected to receive \$828,746 in revenues for the 2001 mining season. This  
12 revenue figure was based on Arizona Idaho Mining processing 17,640 tons of  
13 material. The \$828,746 projected revenue figure for the mining year 2001 was  
14 carried forward in the cash flow projections for the years 2002, 2003, 2004, and  
15 2005 included in the Offering Document.

16 Converting tons to cubic yards -- 17,640 tons equals 8,950 cubic yards. Thus, Baker expressly  
17 represented to investors that Arizona Idaho Mining would be processing *at least* 8,950 cubic yards  
18 of material.

19 b. FACTS – Baker knew Arizona Idaho Mining was only authorized to process  
20 5,400 cubic yards.

21 On or about January 9, 1993, Baker filed a “Plan of Operations for Mining Activities on  
22 National Forest Land” (1993 P.O.O.) with the United States Department of Agriculture, Forest  
23 Service. The 1993 P.O.O. set forth Baker’s plan for mining the Adair Creek Claims and for  
24 meeting the Forest Service requirements for such mining operation.

25 By letter dated November 4, 1993, the Forest Service approved Baker’s P.O.O. for mining  
26 the Adair Creek Claims.

27 On August 14, 2000, Baker signed a Forest Service letter dated August 9, 2000, certifying  
28 his acknowledgement of *a limitation of a total of 5,400* cubic yards of material that could be  
29 processed on the Adair Creek Claims, and that such term became a part of an “Updated  
30 Addendum” to Baker’s 1993 P.O.O.

31 The State’s Exhibit M reflects Baker’s agreement on with the Forest Service on August  
32 14, 2000, to submit a supplemental plan for the commercial development of the Adair Creek  
33 Claims in the event that the processing of 5,400 cubic yards proved successful. Baker never filed



1 a supplemental plan. The minimum of 8,950 cubic yards reflected in the 2001 cash flow  
2 projections for mining the Adair Creek Claims (included in the Offering Document) is  
3 significantly in excess of the total of 5,400 cubic yards Baker was authorized by the Forest  
4 Service to process on such Claims.<sup>5</sup>

5 Applying the law, the Court finds these representations or Baker's failure to tell potential  
6 investors of the facts to be material omissions or representations of facts in connection with the  
7 sale, offer, or purchase of a security.

8 **4. MATERIAL MISREPRESENTATION NO. 4: That William and Marie**  
9 **Stricklan had transferred their production interest in the Adair Creek Claims to Arizona**  
10 **Idaho Mining.**

11 a. **REPRESENTATION – The Stricklans had transferred their interest before**  
12 **the Offering.**

13 The Offering Document, dated February 20, 2001, specifically provides, in relevant part,  
14 as follows:

- 15 i. Arizona Idaho Mining was formed “for the purpose of  
16 acquiring stock in two mining companies, Custer Mining, LLC, an Idaho  
17 limited liability company, and Western Metallurgical Corporation, a  
18 Nevada company.
- 19 ii. Arizona Idaho Mining owns a 50% interest in Custer Mining  
20 Company.
- 21 iv. Custer Mining, L.L.C. “operates ten (10) mining claims held in  
22 the name of Douglas L. Baker and Bill and Marie Strickland [sic]. The  
23 claims are named the Crazy Lumberjack No. 1-4 placer, the Crazy  
24 Lumberjack No. 1-4 lode [comprising the Adair Creek Claims], The  
25 Honey Girl and The Deep Yellow. The mining claims ... are situated on

---

26 <sup>5</sup> To the extent Baker claims, without any foundation supporting his claim, that he had an oral side agreement with an  
27 unidentified person at the Forest Service *pre-dating* the “Updated Addendum” to the 1993 P.O.O., this would be  
28 irrelevant even if true for two reasons. In the 1993 P.O.O., he clearly agreed to limit his mining operations on the  
29 Adair Creek claims to 5,400 cubic yards. Furthermore, Baker admitted the Adair Creek claims were subject to the  
30 1993 P.O.O. However, more importantly,

31 [C]ontracts, express or implied, may be judicially enforced against the Government of the United  
States. But such a liability can be created *only by some officer of the Government lawfully invested  
with power to make such contracts or to perform acts from which they may be lawfully implied.*

*Eastern Extension, Australasia & China Tel. Co. v. United States*, 251 U.S. 355, 366 (1920) (emphasis added).  
Whatever the form in which the Government functions, anyone entering into an arrangement with the Government  
takes the risk of having accurately ascertained that he who purports to act for the Government stays within the bounds  
of his authority. *Federal Crop Ins. Corp. v. Merrill*, 332 U.S. 380, 384 (1947). This means that if the federal actor  
did not possess actual authority, the claimed contract fails. *See, e.g., United States v. Beebe*, 180 U.S. 343, 351-55  
(1901).

1 the Yankee Fork River and Adair Creek in Custer County, Idaho, all  
2 within the Salmon Challis National Forest ...”

3 v. Custer Mining, L.L.C. “was organized to consolidate existing  
4 limited partnerships, limited liability companies and individuals who  
5 collectively owned one hundred percent of the ten (10) Adair Creek  
6 claims.”

7 The Stock Ownership Document, which was given to each prospective investor along with the  
8 Offering Document, further represents that William and Marie Stricklan [as well as Daniel  
9 Carney, Richard Baker, and Douglas L. Baker] had “transferred their entire interest in Custer  
10 Mining, LLC in return for 25% of the stock of Arizona Idaho Mining, LLC.”

11 Baker did not tell potential investors that there had been no transfer as of the date of the  
12 Offering representation.

13 **b. FACTS – The transfer was not until December 14, 2001.**

14 Since 1992, Baker and William and Marie Stricklan have jointly owned the Adair Creek  
15 Claims. Through a 1992 contract with Baker, the Stricklans agreed to limit their production  
16 interest in the Adair Creek Claims to 12.5%. In the late 1990s, by agreement with Baker, the  
17 Stricklans’ production interest in the Adair Creek Claims was reduced to 10%.

18 It was not until December 14, 2001, that Baker and the Stricklans entered into a written  
19 contract to transfer the Stricklans’ production interest in the Adair Creek Claims to Arizona Idaho  
20 Mining.<sup>6</sup> At this time, Baker had already made the representations to prospective investors  
21 included in the Offering Document and the Stock Ownership Document, and had offered and sold  
22 approximately \$2,000,000 in Arizona Idaho Mining membership interests to investors, based on  
23 representations that the Stricklans’ production interest had already been acquired by Custer and  
24 transferred to Arizona Idaho Mining.

25 Investors who purchased the membership interests in Arizona Idaho Mining prior to  
26 December 14, 2001, were not informed that the Stricklans had not yet entered into a written  
27 agreement for the transfer of their production interest in the Adair Creek Claims to Arizona Idaho  
28 Mining.

29 <sup>6</sup> NOTE: The Stricklans’ production interest in the Adair Creek Claims was apparently transferred directly to Arizona  
30 Idaho Mining, without being first transferred to Custer Mining, LLC, and then acquired by Arizona Idaho Mining, as  
31 represented in the Offering Document.

1 Applying the law, the Court finds these representations or Baker's failure to tell potential  
2 investors of these facts to be material omissions or representations of facts in connection with the  
3 sale, offer, or purchase of a security.

4 **B. OMISSIONS OF MATERIAL FACT**

5 **1. MATERIAL OMISSION NO. 1: Baker failed to disclose the State of Idaho.**  
6 **Department of Finance's May 18, 2001, deficiency letter to Baker to Arizona Idaho Mining**  
7 **investors who purchased membership interests in Arizona Idaho Mining after that letter**  
8 **was issued.**

9 On or about May 10, 2001, Baker, as managing member of Arizona Idaho Mining, made a  
10 Regulation D 505 securities filing with the Department for the Arizona Idaho Mining securities  
11 offering, which filing included the Offering Document.

12 On May 18, 2001, Nancy C. Ax, an Examiner/Investigator for the Department's Securities  
13 Bureau, sent a letter to Baker stating that the Regulation D filing for Arizona Idaho Mining was  
14 deficient in several respects. Ms. Ax's letter stated that: "In order to provide adequate disclosure  
15 to investors, additional revision and information will be required."

16 In offering and selling investments to prospective investors in Arizona Idaho Mining after  
17 May 18, 2001, Baker in his direct representations to such prospective investors, and in the  
18 Offering Document and the Stock Ownership Document, failed to inform such investors that  
19 purchased Arizona Idaho Mining membership interests after May 18, 2001 of Ms. Ax's May 18,  
20 2001, deficiency letter.

21 Applying the law, the Court finds Baker's failure to tell potential investors of these facts to  
22 be material omissions of facts in connection with the sale, offer, or purchase of a security.

1           **2. MATERIAL OMISSION NO. 2: Baker failed to disclose the Arizona**  
2 **Property's negative mining history and John Allison's involvement to prospective Arizona**  
3 **Idaho Mining investors.<sup>7</sup>**

4           In approximately 1998, NewCut, Inc. ("NewCut") operated a gold mining project on land  
5 located in Mohave County, Arizona, that included reclaiming gold by processing mine tailings.  
6 On February 1, 1999, NewCut filed a Chapter 7 bankruptcy petition with the U.S. Bankruptcy  
7 Court for the District of Arizona. NewCut's mining operation on the Mohave County, Arizona  
8 property was closed at the time of its bankruptcy filing.

9           NewCut's Arizona gold mining project site was the same site later acquired by Arizona  
10 Idaho Mining as its Arizona mine site. This site later became, and is referred to in this summary  
11 judgment proceeding, as the "Arizona Property."

12           John Allison was NewCut's plant manager.

13           The Offering Document included assay reports referencing NewCut. A picture depicting  
14 the Arizona Property included in the Offering Document displayed the name "NewCut, Inc." on  
15 the site of the Arizona Property. On or about September 27, 1999, Al/Far Mining Company, Inc.  
16 purchased NewCut's bankruptcy assets, including the mine site. John Allison was instrumental in  
17 putting the deal together that resulted in the sale of NewCut's bankruptcy estate to Al/Far Mining,  
18 Inc. As a result of such transaction, Daniel Carney became the owner of the former NewCut  
19 mining site.

20           John Allison was a principal in Al/Far Mining. On or about October 15, 1999, after  
21 Al/Far Mining purchased the NewCut mining site, Al/Far Mining began conducting a placer gold  
22 mining operation on the site.

23           John Allison was the general manager or operator of Al/Far Mining's placer gold mining  
24 operation.

25  
26  
27 <sup>7</sup> To the extent Baker attempts to introduce evidence via his affidavit at variance with his admissions, he cannot. "A  
28 party cannot controvert by affidavit facts which have been 'conclusively admitted' under Rule 36 and avoid summary  
29 judgment unless the district court permits withdrawal or amendment of an admission." *Deloge v. Cortez*, 131 Idaho  
30 201, 953 P.2d 641, 644 (Ct. App. 1998)(citing *Quiring v. Quiring*, 130 Idaho 560, 564, 944 P.2d 695, 699 (1997)  
31 ("An admission that is not withdrawn or amended cannot be rebutted by contrary testimony or ignored by the district  
32 court simply because it finds the evidence presented by the party against whom the admission operates more  
credible.").

1 On November 16, 2000, Arizona Mining Inspector Gregory Becken visited the Al/Far  
2 Mining mine site for an annual inspection, finding it closed down or abandoned.

3 On August 1, 2001, Baker, as manager of Western Metallurgical Company, LLC,  
4 contracted with Daniel Carney to purchase the Al/Far Mining Arizona mining property, buildings  
5 and improvements, and mineral rights for \$300,000. Arizona Idaho Mining acquired ownership  
6 of such mining property (the Arizona Property) through its 75% ownership interest in Western  
7 Metallurgical Company.

8 Prior to Baker's preparation of the Offering Document, and the Stock Ownership  
9 Document, Baker knew or had reason to know that Al/Far Mining's gold mining operation on the  
10 site of what later became the Arizona Property was not profitable and had been closed down in or  
11 about March of 2000.

12 Baker "knew about Allison's prior involvement with the same 80 acres in Arizona through  
13 a company called Al/Far." Baker had previously researched the Arizona Property, including  
14 interviewing Carney, the owner of such property.

15 John Allison played the following roles in Arizona Idaho Mining's gold mining ventures:

16 (a) Allison participated in the purchase of "the old NewCut, Inc/Al/Far  
17 Mining facility" (the site of the Arizona Property) for Western Metallurgical  
18 Company, LLC.

19 (b) Allison was the general manager of the mining and ore processing  
20 facility on the Arizona Property for Western Metallurgical, LLC.

21 (c) Pursuant to a contract with Western Metallurgical, LLC, Allison  
22 "supervise[d] and control[ed] the construction and operation of the Project  
23 [mining operations on the Arizona Property]." Allison was to be paid an annual  
24 base salary of \$78,000 and an "overriding royalty in the amount of one percent  
25 (1%) of the gross revenues of the [company]," plus "all appropriate and reasonable  
26 expenses incurred by him in performing services" for Western Metallurgical.  
27 Allison was also a "board member" of Western Metallurgical, LLC.

28 (d) Western Metallurgical, Arizona Idaho Mining, and Baker  
29 contracted with Allison to Allison's "special mining process" to mine the Arizona  
30 Property, with Allison to be paid royalties for the same.

31 (e) Allison prepared the portion of the Offering Document labeled  
"Western Metallurgical Corporation" concerning mining operations on the Arizona  
Property.

(f) Allison conducted the "Stage One" testing of the Arizona Property

1 (g) John Allison made the decision to proceed to Stage Two of the  
2 development of the Arizona Property for Arizona Idaho Mining.

3 In offering and selling membership interests in Arizona Idaho Mining to investors, Baker,  
4 in his direct representations to such investors, and in the Offering Document and the Stock  
5 Ownership Document, failed to inform such prospective investors, prior to their making an  
6 investment in Arizona Idaho Mining, that two prior companies, NewCut, Inc., and Al/Far Mining,  
7 had conducted failed gold mining operations on the site of the Arizona Property.

8 Further, Baker failed to inform prospective investors that John Allison, a key player in the  
9 Arizona Idaho Mining gold mining project in Arizona, had been the project manager or held a  
10 similar position with both NewCut, Inc., and Al/Far Mining, the two companies that had  
11 previously failed in gold mining operations on the same site as the Arizona Property.

12 Applying the law, the Court finds Baker's failure to tell potential investors of these facts to  
13 be material omissions of facts in connection with the sale, offer, or purchase of a security.

14 **3. MATERIAL OMISSION NO. 3: Baker did not disclose to prospective**  
15 **investors that Arizona law requires assayers performing assays for precious minerals in**  
16 **Arizona to be licensed by the Arizona Board of Technical Registration, and that neither**  
17 **Gregory Iseman nor John Allison was licensed as an assayer by such agency.**

18 Arizona law requires that assayers performing assays in Arizona be registered with the  
19 Arizona Board of Technical Registration.

20 Gregory Iseman of Iseman Consulting has never been registered as an assayer with the  
21 Arizona Board of Technical Registration.

22 John Allison had an interest in the property, mining claims or mining operations on  
23 property adjacent to, or in close proximity to, the Arizona Property, including specifically  
24 Sections 12 and 26. Assay reports on Sections 12 and 26 produced by Gregory Iseman for John  
25 Allison for the NewCut "project" were included in the Offering Document on pages DOF 00094  
26 through DOF 00116 to support an investment in Arizona Idaho Mining.

27 The Offering Document stated that Gregory Iseman's assays on property adjacent to or  
28 near the Arizona Property "show[ed] tremendous promise." Gregory Iseman's assays and the  
29 subsequent testing conducted by John Allison on the Arizona Property were the basis of the  
30

1 recovery values and cash flow projections relied upon by investors in deciding whether to invest  
2 in Arizona Idaho Mining.

3 Furthermore, Baker represented the following regarding the report on the Arizona property  
4 in a letter to investor Edmund Buffington dated January 29, 2003, as follows:

5 As you review this report, it is significant to note that Allison had employed  
6 Gregory Iseman to do the assays on Sections 12 and 26 in 1996 (see attached map).  
7 *Those assays, and the subsequent testing done by Allison in Section 1, were the*  
8 *basis of the recovery values and cash flow projections used by the shareholders in*  
9 *deciding to invest.*

(Emphasis added).<sup>8</sup>

10 In offering and selling membership interests in Arizona Idaho Mining to investors, in his  
11 direct representations to such investors, and in the Offering Document and the Stock Ownership  
12 Document, Baker failed to inform investors, prior to making their investment in Arizona Idaho  
13 Mining, that Arizona law requires assayers performing assays in Arizona to be registered with the  
14 State of Arizona to assay for precious minerals in Arizona.

15 Applying the law, the Court finds Baker's failure to tell potential investors of these facts to  
16 be material omissions of facts in connection with the sale, offer, or purchase of a security.

17 **4. MATERIAL OMISSION NO. 4: Baker failed to disclose to prospective**  
18 **investors that on at least two occasions after Baker had won his lawsuit against the Forest**  
19 **Service, Baker's mining operations on the Adair Creek Claims had been found to be in non-**  
20 **compliance with the 1993 P.O.O approved by the Forest Service, and Baker had been**  
21 **warned by the EPA of steep fines for non-compliance.**

22 In November of 1993, the Forest Service approved Baker's Plan of Operations (P.O.O.)  
23 for mining the Adair Creek Claims. In or about December of 1993, the Forest Service withdrew  
24 approval of Baker's 1993 P.O.O., and Baker filed a lawsuit in federal court against the Forest  
25 Service.

26 On January 26, 1996, Judge Lynn Winmill issued a decision in *Baker v. United States*  
27 *Department of Agriculture*, 928 F. Supp. 1513 (1996), granting Baker's motion for summary  
28 judgment and reversing the Forest Service decision to withdraw its approval of Baker's 1993  
29 P.O.O.  
30  
31

1 On August 22, 1998, the Forest Service issued to Baker a Notice of Non-Compliance  
2 concerning Baker's mining operations on the Adair Creek Claims, resulting from an inspection of  
3 such mining operations conducted on August 14, 1998 by a fisheries biologist, mining engineer  
4 technician, and mining engineer. The Notice of Non-Compliance cited "unauthorized placement  
5 of overburden on the east side of Adair Creek within the riparian area and the floodplain of the  
6 Yankee Fork of the Salmon River. ...", which the Forest Service concluded was "outside of the  
7 scope of [Baker's] approved 1993 Plan of Operations ..."

8 On April 4, 2000, the Forest Service again issued to Baker a Notice of Non-Compliance  
9 concerning Baker's mining operations on the Adair Creek Claims, this time resulting from an  
10 inspection of the mining property conducted on October 13, 1999 by Forest Service personnel.  
11 During that inspection, Forest Service officials found that Baker's mining operations had caused  
12 "significant amounts of sediment, which migrated to Adair Creek and eventually to the Yankee  
13 Fork of the Salmon River. ...", which the Forest Service concluded was out of compliance with  
14 Baker's approved 1993 P.O.O.

15 In early 2000, the Environmental Protection Agency warned Baker that if his mining  
16 operation on the Adair Creek Claims put sediment in Adair Creek, it would result in a \$28,000  
17 per day fine. The August 4, 2000 Notice of Non-Compliance issued to Baker by the Forest  
18 Service cited just this type of activity.

19 Pages DOF 00013 through DOF 00015 of the Offering Document discussed *generally* the  
20 risks of conducting a gold mining operation on national forest land, and Baker's litigation with  
21 the Forest Service. Such discussion included the following:

22 (a) "Notwithstanding [Judge Winmill's] decision, there can be no guarantee  
23 the Forest Service will not, at some time in the future, attempt to impose restraints  
24 or conditions which may make it difficult, if not impossible, to mine the claims  
25 under the [Adair Creek Claims] ..."

26 (b) "[The Adair Creek Claims] are situated near the Yankee Fork River, which  
27 has been designated critical habitat for the endangered Summer Run Chinook  
28 Salmon. Should the operation, by accident or faulty design, cause or allow

---

29  
30 <sup>8</sup> To the extent Baker claims *he* did not rely on Iseman's assays, this is irrelevant. Baker made these representations  
31 to investors and failed to inform investors the lack of qualifications possessed by the person performing the assay.



1 sedimentation to reach Adair Creek or the Yankee Fork River, operations may be  
2 suspended indefinitely.”

3 (c) “The operations of the Company may be required to comply with federal,  
4 state and local provisions regulating the discharge of materials into the  
5 environment, or otherwise relating to the protection of the environment, which  
6 may affect the earnings and competitive position of the Company. ...”

7 (d) “The mining business is subject to strict government regulations, especially  
8 as it regards the environment in National Forests. The government, through the  
9 National Forest Service and/or the Bureau of Land Management has power to limit  
10 the extent of the Company’s mining activities.”

11 Pages DOF 00121 – DOF 00122 of the Offering Document discussed *generally* “risks inherent to  
12 mining Adair Creek,” including:

13 (a) “The Yankee Fork River has been designated critical habitat for the  
14 endangered species Summer Run Chinook Salmon. Mitigating measures have  
15 been employed, as have the Forest Service’s ‘Best Mining Practices for Idaho’, in  
16 an effort to minimize any adverse impact to water quality. An accidental spill of  
17 any contaminants affecting water quality could have a negative impact on  
18 operations.”

19 (b) “There are numerous State and Federal agencies that may have authority to  
20 regulate activities on the claims. These include, but are not limited to, the  
21 following:

22 US Department of Agriculture, US Forest Service, US Bureau of Land  
23 Management, US Corps of Engineers, Environmental Protection Agency,  
24 Occupational Safety and Health Administration, Mine Safety and Health  
25 Administration, State of Idaho Department of Lands, Idaho Fish & Game  
26 Commission, Idaho Department of Environmental Quality, and Idaho  
27 Board of Water Resources.

28 An adverse ruling or decision by any of the above agencies could have a  
29 negative impact on operations.”

30 Baker did *not* disclose to prospective Arizona Idaho Mining investors anywhere in the  
31 Offering Document or the Stock Ownership Document that Baker’s gold mining operations on the  
32 Adair Creek Claims, on two occasions—August 22, 1998, and April 4, 2000—had *actually* been  
33 found to be in non-compliance with environmental requirements by governmental agencies.

34 Baker did not disclose to prospective Arizona Idaho Mining investors anywhere in the  
35 Offering Document or the Stock Ownership Document that Baker had received a specific warning  
36 by the Environmental Protection Agency that his mining operation on the Adair Creek Claims

1 faced a \$28,000 per day fine if such mining operations resulted in placing sediment into Adair  
2 Creek.<sup>9</sup>

3 Baker did not otherwise inform prospective Arizona Idaho Mining investors of the two  
4 prior notices of non-compliance with requirements by government agencies on the Adair Creek  
5 Claims that occurred after Baker's lawsuit against the Forest Service had been completed.<sup>10</sup>

6 Applying the law, the Court finds Baker's failure to tell potential investors of these facts to  
7 be material omissions of facts in connection with the sale, offer, or purchase of a security.

8 **5. MATERIAL OMISSION NO. 5: The assay reports included in the Offering**  
9 **Document omitted critical supporting and background information which made them**  
10 **misleading to investors.**

11 The Offering Document contained numerous pages of purported assay reports relating to  
12 the Arizona Property and the Adair Creek Claims. Gregory Iseman's assays included in the  
13 Offering Document and the subsequent testing done by Allison on the Arizona Property were the  
14 basis for the projected recovery values and cash flow projections relied upon by investors in  
15 deciding whether to invest in Arizona Idaho Mining.

16 The assay reports included in the Offering Document failed to include key information.  
17 The omitted information included:

- 18 (a) the geographic or stratigraphic location of the referenced samples;
- 19 (b) a record concerning the samples, including:
- 20 (1) the chain of custody of the sample that includes a record of who  
21 collected the sample, who stored the sample, who may have handled the  
22 sample, who delivered the same to the assayer, and the name of the assayer;
- 23 (2) the size of the sample, normally in cubic yards if it is a placer;
- 24 (3) how the sample was collected, e.g. with pick and shovel or with  
25 mechanized earth-moving equipment;
- 26 (4) a description of the sample which should include the estimated  
27 water content, an identification of the rocks and minerals that it contains,  
28 along with a description of their sizes and roundness of individual pieces; and

28 <sup>9</sup> NOTE: The April 4, 2000 Notice of Non-Compliance (*see* paragraph (51) above) cited sediment migrating to Adair  
29 Creek and "eventually to the Yankee Fork of the Salmon River."

30 <sup>10</sup> To the extent Baker now claims these 2 incidents of non-compliance did not adversely affect the operations, this is  
31 irrelevant to whether he disclosed significant risks to potential investors. He admits he did not.

1 (5) the bulk density of the deposit sampled so that a concentration ratio  
2 may be determined;

3 (c) methods of concentration of the sample; and

4 (d) an adequate record of the assay process to determine whether acceptable  
5 standards in the mining industry were followed in the assaying procedures and  
6 techniques used in the assays; and

7 (e) the information that the fire assay process used by Gregory Iseman, SVL  
8 Analytical, and John Allison was not the appropriate method of measuring gold in  
9 placer samples, in that it tends to overvalue placer samples.

10 Baker failed to provide to prospective investors any information to explain the assay  
11 reports included in the Offering Document.

12 Applying the law, the Court finds Baker's failure to provide potential investors with this  
13 information rendered the Offering Document assay information misleading to investors.

14 **6. MATERIAL OMISSION NO. 6: Baker failed to disclose to prospective  
15 investors that he would personally receive cash compensation from Arizona Idaho Mining  
16 investor funds, or the amount (or at least a range) of cash compensation he would receive  
17 from investor funds.**

18 The Offering Document included the following representations concerning use of investor  
19 proceeds, both in general, and concerning Baker specifically:

20 (a) "Arizona Idaho Mining is acquiring 50% of the authorized and issued stock  
21 of Custer Mining, L.L.C. for \$1,000,000."

22 (b) "Arizona Idaho Mining L.L.C. will acquire a seventy five percent (75%)  
23 shareholder interest in Western Metallurgical Corporation, a to be formed Nevada  
24 corporation, and a fifty percent (50%) shareholder interest in Custer Mining,  
25 L.L.C., an Idaho limited liability company. ..."

26 (c) "USE OF PROCEEDS

27 The capital contribution will be used by the Company for organizational  
28 costs, administrative costs, accounting and legal fees, engineering fees,  
29 operating costs (including equipment payments, wages, insurance, fuel  
30 and repairs) machinery and equipment acquisition. The use of proceeds,  
31 within the sole discretion of the Management Committee, is as follows:

\*\*\*

Custer Mining, L.L.C. (see Exhibit 2)

50% Stock Acquisition \$1,000,000

\*\*\*"

1 (d) “Compensation and Reimbursement to Managing Member. Douglas  
2 Baker, as the Managing Member, shall be entitled to be reimbursed for all actual  
3 out of pocket expenses incurred in the formation of the Company and the sale of  
4 Units in the Company.

5 In addition, when fully subscribed (60 Units at \$50,000 per unit), 75% of  
6 the Company will be held by investors and 25% will be held by the Managing  
7 Member. Nothing shall prohibit the Managing member from assigning a portion  
8 of this 25% interest to others as employee incentives, partial consideration for a  
9 transfer of ownership interest in Custer Mining, L.L.C., consulting fees or  
10 administrative assistance.

11 The Managing member may be paid a salary commensurate with his duties  
12 once production has commenced and the Company has a positive cash flow.

13 \*\*\*\*

14 As additional compensation, the Managing member has the option to  
15 purchase the last \$800,000 of the offering (20% of the Company) at the same terms  
16 and conditions as any other member, following the completion of Stage Two of the  
17 Western Metallurgical Company project (see Exhibit 1).”

18 The Stock Ownership Document is labeled “Arizona Idaho Mining, LLC *Stock Ownership.*”  
19 (Emphasis added.) The Stock Ownership Document stated that William and Marie Stricklan,  
20 Daniel M. Carney, Richard K. Baker, and Douglas L. Baker

21 collectively owned 50% of the stock and equity of Custer Mining, LLC. They  
22 have transferred their entire interest in said company *in return for 25% of the stock*  
23 *of Arizona Idaho Mining, LLC.* In addition, Daniel M. Carney is receiving *cash*  
24 *compensation* as reimbursement for his investment in the building and property in  
25 Arizona. ... Douglas L. Baker, as the Managing Member of Arizona Idaho  
26 Mining, LLC, has reserved the right to transfer a portion of his stock in the  
27 company to third persons as compensation for referrals. He has also reserved the  
28 right to purchase 16 Units of the Company prior to Stage Three of the Arizona  
29 portion of the project.

30 (Emphasis added.)

31 The “Stock Ownership Document” included no information concerning, or reference to,  
32 the amounts or types of cash compensation that Baker was to receive from Arizona Idaho Mining  
33 investor funds. Baker personally received at least \$644,499 in cash from Arizona Idaho Mining  
34 investor funds. Baker personally benefited from an additional \$210,000 in Arizona Idaho Mining  
35 funds that he used to pay off his personal debt to Daniel Carney.

1 Baker and Daniel Carney together received at least 85% of the \$1,000,000 in Arizona  
2 Idaho Mining investor funds authorized in the Offering Document for “acquiring 50% of the  
3 authorized and issued stock of Custer Mining, L.L.C. . . .”

4 William and Marie Stricklan, co-owners with Baker of the Adair Creek Claims, received  
5 *no* cash payment for the transfer of their 10% production interest in the Claims to Arizona Idaho  
6 Mining.

7 Baker did not inform prospective investors, either through the Offering Document or the  
8 “Stock Ownership Document,” or in any other way, that he would personally receive at least  
9 \$640,000 in cash compensation from investor funds, *regardless* of the production of the mining  
10 operations on the Adair Creek Claims or the Arizona Property.

11 Baker also did not inform prospective investors, either through the Offering Document or  
12 the “Stock Ownership Document,” or in any other way, that \$210,000 in investor funds would be  
13 used to pay off Baker’s personal debt owed to Daniel Carney.

14 Baker personally benefited from a total of at least \$854,499 of the \$2,600,000 Baker raised  
15 in the Arizona Idaho Mining offering, having failed to disclose to prospective investors that he  
16 would personally receive *any* cash compensation from Arizona Idaho Mining investor funds, or  
17 the types or amount (or even a range) of the cash compensation that would pay himself from  
18 Arizona Idaho Mining investor monies.<sup>11</sup>

19 The Offering Document stated that “[T]he Managing Member [of Arizona Idaho Mining,  
20 i.e. Baker] is accountable to the Members as a *fiduciary* and must act with integrity and good faith  
21 to promote the Members’ interests.” (Emphasis added.)

## 22 CONCLUSIONS OF LAW

23 Summary judgment is appropriate when “the pleadings, depositions, and admissions on  
24 file, together with the affidavits, if any, show that there is no genuine issue as to any material fact  
25 and that the moving party is entitled to a judgment as a matter of law.” I.R.C.P. 56(c). When  
26 considering a motion for summary judgment, the court must construe the facts in a light favorable  
27

28  
29  
30 <sup>11</sup> Whether Baker improperly misused these funds is not an element of the State’s claim that Baker engaged in  
31 securities fraud and, thus, the Court will not include facts only related to that cause of action.

1 to the nonmoving party. *Blickenstaff v. Clegg*, 140 Idaho 572, 575, 97 P.3d 439, 444 (2004)  
2 (citing *S. Griffin Const., Inc. v. City of Lewiston*, 135 Idaho 181, 185, 16 P.3d 278, 282 (2000)).

3 The moving party bears the initial burden of proving the absence of material facts.  
4 *Plummer v. City of Fruitland*, 140 Idaho 1, 4, 89 P.3d 841, 844 (2003) (citing *Thomson v. City of*  
5 *Lewiston*, 137 Idaho 473, 476, 50 P.3d 488, 491 (2002)). “Once the moving party establishes the  
6 absence of a genuine issue, the burden shifts to the nonmoving party to show that a genuine issue  
7 of material fact on the challenged element of the claim does exist.” *Id.* The nonmoving party  
8 may not rest upon the mere allegations or denials contained in its pleadings, but must come  
9 forward and produce evidence by affidavits or as otherwise provided in the rules to set forth  
10 specific facts showing that there is a genuine issue for trial. *Id.* (citing I.R.C.P. 56(e)).

11 This is a securities case governed by I.C. § 30-1403. “Securities laws are designed to help  
12 ensure that a potential investor is adequately informed when deciding to invest and is not duped  
13 into believing that an investment is risk-free.” *State v. Gertsch*, 137 Idaho 387, 392, 49 P.3d 392,  
14 397 (2002). The Idaho Securities Act governs the proper sale of securities within Idaho. The  
15 version of the Act applicable in the present case provides:

16 It is unlawful for any person, in connection with the offer, sale or purchase of any  
17 security, directly or indirectly,

18 \*\*\*\*\*

19 (2) to make any untrue statement of material fact or to omit to state a material fact  
20 necessary in order to make the statements made, in the light of the circumstances  
under which they are made, not misleading or

21 (3) to engage in any act, practice or course of business which operates or would  
operate as a fraud or deceit upon any person.

22 I.C. § 30-1403(2), (3) (2002).<sup>12</sup> Under I.C. § 30-1403, the State must show a defendant “made  
23 untrue statement of material fact or omitted any material fact in connection with the sale, offer, or  
24 purchase of any security.” *State v. Shama Resources LP*, 127 Idaho 267, 272, 899 P.2d 977, 982  
25 (1995). Baker admits that he participated in the sale of securities as defined by Idaho Code  
26 section 30-1402. *See* I.C. §§ 30-1402(10);<sup>13</sup> 30-1402(12).<sup>14</sup>  
27  
28

29 <sup>12</sup> The legislature changed the law in 2004.

30 <sup>13</sup> Idaho Code section 30-1402(10) (2002) provides as follows:  
31

1 The Idaho Supreme Court has attempted to preserve uniformity and continuity with the  
2 federal securities acts and similarly worded laws of other states, consistent with the stated policy  
3 in the Idaho Securities Act (the Act) found in I.C. § 30-1457. See *Meyers v. Lott*, 133 Idaho 846,  
4 850, 993 P.2d 609, 613 (2000). Therefore, the Court looks to both federal case law and the case  
5 law of other states in interpreting similar laws in the Idaho Securities Act.

6 Baker contends a material omission alone does not fall within the purview of I.C. § 30-  
7 1403(2) unless the State ties “the omitted fact to an affirmative *statement* of material fact.” The  
8 State must then “show that the omitted fact was necessary in order to prevent the statement from  
9 misleading an investor.” In other words, Baker argues that I.C. § 30-1403(2) only contemplates  
10 omissions that directly relate to the express representations made in connection with a securities  
11 sale. Baker also argues that: “investors remain, at least to some degree, subject to the common-  
12 sense rule of *caveat emptor*.” Baker is simply wrong.

13 Securities acts require full disclosure and thus to achieve a high standard of business  
14 ethics in the securities industry. *Securities and Exchange Commission v. Zandford*, 535 U.S. 813,  
15 122 S.Ct. 1899 (2002); *Marram v. Kobrick Offshore Fund, Ltd.*, 809 N.E. 2d 1017 (Mass. 2004).

---

17 “Sale” or “sell” includes every contract of sale or contract to sell or dispose of, a security or interest  
18 in a security for value. “Offer” or “offer to sell” includes every attempt or offer to dispose of, and  
19 every solicitation of an offer to buy, a security or interest in a security for value.

20 Any security given or delivered with, or as a bonus on account of, any purchase of securities or any  
21 other thing is considered to constitute part of the subject of the purchase and to have been offered  
22 and sold for value. A purported gift of or the levying of an assessment on assessable stock is  
23 considered to involve an offer and sale. Every sale or offer of a warrant or right to purchase or  
24 subscribe to another security of the same or another issuer, as well as every sale or offer of a  
25 security which gives the holder a present or future right or privilege to convert into another security  
26 of the same or another issuer, is considered to include an offer of the other security.

I.C. § 30-1402(10).

24 <sup>14</sup> I.C. § 30-1402(12) provides as follows:

25 “Security” means any note, stock, treasury stock, bond, debenture, evidence of indebtedness,  
26 certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate,  
27 preorganization certificate or subscription, transferable share, investment contract, voting-trust  
28 certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas or  
29 mining title or lease or in payments out of production under such a title or lease, or, in general, any  
30 interest or instrument commonly known as a “security” or any certificate of interest or participation  
31 in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to  
or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy  
or annuity contract under which an insurance company promises to pay money, either in a lump  
sum, or periodically for life or some other specified period.

I.C. § 30-1402(12).

1 In fact, the purpose of the securities acts is “To provide full and fair disclosure of the character of  
2 the securities, ... and to prevent frauds in the sale thereof.” *Securities and Exchange Commission*  
3 *v. Murphy*, 626 F.2d 633 (9<sup>th</sup> Cir. 1980).

4 Thus, a speaker’s knowledge of the falsity of the statements is not a required element to  
5 proving securities fraud. Securities fraud statutes impose only an affirmative duty not to mislead.  
6 *Aaron v. Fromkin*, 994 P.2d 1039 (Ariz. 2000). Intent is not an element of securities fraud under  
7 Idaho Code § 30-1403(2). *State v. Shama Resources Limited Partnership*, 127 Idaho 267, 899  
8 P.2d 977 (1995). To establish securities fraud under I.C. § 30-1403(2), the State must show that  
9 the Baker made untrue statements of material fact or omitted to state any material fact in  
10 connection with the offer, sale, or purchase of any security. *State v. Shama Resources Limited*  
11 *Partnership*, 127 Idaho 267, 899 P.2d 977 (1995).

12 The State, in an enforcement action, is not required to prove a defendant’s scienter or  
13 intent to defraud, or reliance by investors. Scienter is not required for violations of the securities  
14 registration and licensing requirements under the Securities Act. I.C. §§ 30-1406, 30-1416. *State*  
15 *v. Montgomery*, 135 Idaho 348, 17 P.3d 292 (2001). Detrimental reliance is not required when  
16 State through the Department of Finance, as here, is pursuing enforcement action for offer of  
17 securities under fraud provision of Securities Act. I.C. § 30-1403. *See, State, Dept. of Finance v.*  
18 *Tenney*, 124 Idaho 243, 858 P.2d 782 (1993) *rev. den., cert. den.* 114 S.Ct. 1097. Thus, it is  
19 sufficient for the State to show that Baker:

- 20 (a) made untrue statements of material fact; or
- 21 (b) omitted to state a material fact;
- 22 (c) in connection with the offer or sale of a security.

23 *State v. Shama Resources Limited Partnership*, 127 Idaho 267, 899 P.2d 977 (1995).

24 As a matter of law, the State has established, and *Defendant Douglas L. Baker does not*  
25 *dispute*, that the Arizona Idaho Mining membership interests offered and sold to investors  
26 constitute securities under the Idaho Securities Act. The Court further finds the State has  
27 established, and *Defendant Douglas L. Baker does not dispute*, that Baker offered and sold  
28 securities consisting of membership interests in Arizona Idaho Mining to investors and  
29 prospective investors.

## 30 I. MISREPRESENTATIONS



1 The Court finds that in offering and selling securities to investors and prospective  
2 investors Baker made representations to such investors and prospective investors concerning an  
3 investment in Arizona Idaho Mining through the Offering Document, the Stock Ownership  
4 Document, through oral representations, and through other written representations. A fact is  
5 material to offerees and investors if such information may have caused the offerees or potential  
6 investors to change or alter their investment decision. *Shama*, 127 Idaho at 273, 899 P.2d at 894.  
7 Applying the *Shama* standard, the Court finds that the following misrepresentations made by  
8 Baker in connection with the offer and sale of Arizona Idaho Mining membership interests to  
9 investors and prospective investors were material and constituted material misrepresentations in  
10 violation of I.C. § 30-1403(2).

11 **A. MATERIAL MISREPRESENTATION #1**

12 In connection with the offer and sale of Arizona Idaho Mining securities to investors and  
13 prospective investors, it is undisputed that Baker represented to such investors that Arizona Idaho  
14 Mining's Idaho mine, the Adair Creek Claims, was a "safety net," a "proven entity," and would  
15 "generate sufficient revenues to virtually eliminate any risk of loss to the investor." The  
16 undisputed past history of the Adair Creek Claims shows that gold mining activities on such  
17 claims had produced *no net profits* from at least 1992 through February 20, 2001, the date of the  
18 Offering Document, despite Baker spending approximately \$900,000 to mine such claims during  
19 the period from 1992 through 1996. Further, for the 30-year period between 1962 and 1992,  
20 mining operations on the Adair Creek Claims had produced only enough gold to be a good paying  
21 family hobby. Because Baker's representations concerning the likely success of Arizona Idaho  
22 Mining's gold mining operations on the Adair Creek Claims had no reasonable basis in fact, the  
23 Court concludes that such representations constituted a material misrepresentation in violation of  
24 Idaho Code § 30-1403(2). The Court finds that this information may have caused the offerees or  
25 prospective investors to change or alter their investment decision to invest in this offering.

26 **B. MATERIAL MISREPRESENTATION #2**

27 In connection with the offer and sale of Arizona Idaho Mining securities to investors and  
28 prospective investors, through the Offering Document and otherwise, Baker represented that  
29 Arizona Idaho Mining's mining operation on the Arizona Property was designed to limit the risk  
30

1 to investors by requiring proof of viability at each stage before proceeding to the next stage of  
2 development. The Offering Document represented that the purpose of the "Stage One" testing of  
3 the Arizona Property was to thoroughly test the Property to determine whether it would be  
4 profitable to invest additional monies in further development of the Property for gold mining.  
5 The Offering Document further represented that the results of the Stage One Testing of the  
6 Arizona Property would be confirmed by an independent laboratory before additional expenses  
7 would be incurred for the mining operation, as a protection for investors. However, Arizona  
8 Idaho Mining's mining project on the Adair Creek Claims advanced to Stage Two *without* an  
9 independent confirmation of the "Stage One" testing through a licensed geologist, licensed  
10 assayer or licensed mining engineer. In view of that failure, the representation in the Offering  
11 Document that Arizona Idaho Mining's mining operation conducted on the Arizona Property  
12 would proceed to Stage Two only after independent corroboration of the "Stage One" testing,  
13 constituted a material misrepresentation in violation of Idaho Code § 30-1403(2). The Court  
14 concludes that this information may have caused the offerees or prospective investors to change  
15 or alter their investment decision to invest in this offering.

16 **C. MATERIAL MISREPRESENTATION #3**

17 In connection with the offer and sale of Arizona Idaho Mining securities to investors and  
18 prospective investors, Baker made representations to investors in the Offering Document,  
19 consisting of cash flow projections for Arizona Idaho Mining's mining of the Adair Creek Claims  
20 for the years 2001 through 2005. The 2001 cash flow projection included an inflated revenue  
21 figure. The inflated revenue figure was based on processing a number of cubic yards significantly  
22 in excess of the number of yards that the Forest Service had authorized Baker to process on such  
23 Claims pursuant to a 1993 approved Plan of Operations (P.O.O.) and a 2000 agreement between  
24 Baker and the Forest Service to limit the amount of material that could be processed on the  
25 Claims. The 2001 inflated revenue figure was carried forward in the cash flow projections for  
26 the years 2002, 2003, 2004, and 2005, rendering them misleading as well. Thus, the Court  
27 concludes that Baker's use of a false figure in the projected revenue figure in the Offering  
28 Document concerning mining operations on the Adair Creek Claims for the year 2001 constituted  
29 a material misrepresentation in violation of Idaho Code § 30-1403(2). The Court further  
30  
31

1 concludes that this information may have caused the offerees or prospective investors to change  
2 or alter their investment decision to invest in this offering.

3 **D. MATERIAL MISREPRESENTATION #4**

4 In connection with the offer or sale of securities, Baker represented to investors and  
5 prospective investors, through the Offering Document and Stock Ownership Document, that at  
6 the time of the offer and sale of Arizona Idaho Mining membership interests, all owners of the  
7 Adair Creek Claims production interests had been transferred to Arizona Idaho Mining. William  
8 and Marie Stricklan, who owned a 10% production interest in the Adair Creek Claims, entered  
9 into a written contract with Baker on December 14, 2001 to transfer their production interests in  
10 the Claims to Arizona Idaho Mining. By the time that contract was entered into, Baker had  
11 already offered and sold approximately \$2,000,000 in membership interests in the Adair Creek  
12 Claims.

13 Baker asserts that in February of 2001, he had entered into an oral contract with the  
14 Stricklans to transfer their production interest in the Adair Creek Claims to Arizona Idaho  
15 Mining. A gold mine is real property. *See John Melton and J.B. Fisher v. Orville D. Lambard*,  
16 51 Cal. 258 (1876). Pursuant to Idaho Code § 9-503, transfers of interests in real property must  
17 be in writing. Therefore, the Stricklans' production interest in the Adair Creek Claims to Arizona  
18 Idaho Mining did not occur until December 14, 2001, when they entered into the written contract  
19 with Baker. Baker's offer and sale of Arizona Idaho Mining membership interests to investors  
20 prior to December 14, 2001, the effective date of the transfer of the Stricklans' production interest  
21 in the Claims to Arizona Idaho Mining, was based on the false representation that the Stricklans'  
22 production interest had already been transferred. The Court hereby concludes that such false  
23 representation constitutes a material misrepresentation in violation of Idaho Code § 30-1403(2).

24 **II. MATERIAL OMISSIONS**

25 The Court finds Baker made certain representations to investors and prospective investors  
26 concerning investment in Arizona Idaho Mining through the Offering Document, the Stock  
27 Ownership Document, through oral representations, and through other written representations.  
28 The Court finds that in making those representations and in offering and selling securities to  
29 investors and prospective investors, Baker omitted certain facts from those representations. A  
30

1 fact is material to offerees and investors if such information may have resulted in an alteration of  
2 the offerees' or investors' investment decision. *Shama*, 127 Idaho at 273, 899 P.2d at 894. The  
3 Court finds that the following facts were omitted by Baker in connection with the offer and sale of  
4 Arizona Idaho Mining membership interests to investors and prospective investors, and were  
5 material under the *Shama* standard. Applying the *Shama* standard, the Court finds that the  
6 following omissions by Baker in connection with the offer and sale of Arizona Idaho Mining  
7 membership interests to investors and prospective investors were material and constituted  
8 material omissions in violation of I.C. § 30-1403(2).

9 **A. MATERIAL OMISSION #1**

10 On or about May 10, 2001, Baker, as managing member of Arizona Idaho Mining, made a  
11 Regulation D 505 securities filing for the Arizona Idaho Mining offering with the State, which  
12 filing included a copy of the Offering Document. On May 18, 2001, a State Department of  
13 Finance Examiner/Investigator sent Baker a letter stating that the filing was deficient in several  
14 respects, including specifically that it did not provide adequate disclosure to investors.

15 In offering and selling membership interests in Arizona Idaho Mining to prospective  
16 investors after the State's May 18, 2001 letter had been issued, Baker failed to disclose to  
17 prospective investors that the State Department of Finance had issued a letter identifying  
18 deficiencies in the Arizona Idaho Mining filing.

19 The Court concludes that the issuance of the State Department of Finance's May 18, 2001,  
20 deficiency letter to Baker was the type of information prospective investors would want to know,  
21 and may have altered their investment decision had they known it. Therefore, the Court  
22 concludes that Baker's failure to disclose to investors the issuance of the State Department of  
23 Finance's May 18, 2001, deficiency letter constitutes a material omission in violation of Idaho  
24 Code § 30-1403(2).

25 **B. MATERIAL OMISSION #2**

26 Two prior companies had conducted gold mining operations on the site of the Arizona  
27 Property and had been commercial failures, and John Allison, general manager of Arizona Idaho  
28 Mining's gold mining operation on the Arizona Property, had been the manager of both failed  
29

1 operations. In offering and selling membership interests in Arizona Idaho Mining to prospective  
2 investors, Baker failed to disclose these facts.

3 The Court concludes that the information that two prior companies had conducted gold  
4 mining operations on the site of the Arizona Property and had been commercial failures, and that  
5 John Allison, general manager of Arizona Idaho Mining's gold mining operation on the Arizona  
6 Property, had been the manager of both failed operations, was the type of information prospective  
7 investors would want to know, and may have altered their investment decision had they known it..  
8 Therefore, the Court concludes that Baker's failure to disclose such information to investors  
9 constitutes a material omission in violation of Idaho Code § 30-1403(2).

10 **C. MATERIAL OMISSION #3**

11 The State has properly shown, through the qualified expert testimony of Matthew  
12 Shumaker, that Arizona law requires assayers performing assays in Arizona to be registered with  
13 the Arizona Board of Technical Registration. Gregory Iseman, whose assays on land located in  
14 Arizona Baker had included in the Offering Document and represented as "show[ing] tremendous  
15 promise," was not licensed as an assayer by the Arizona Board of Technical Registration.

16 In offering and selling membership interests in Arizona Idaho Mining to prospective  
17 investors, Baker failed to disclose these facts. The Court concludes that the Arizona's assayer  
18 licensing requirement and Gregory Iseman's lack of licensure by the State of Arizona was the type  
19 of information prospective investors would want to know, and may have altered their investment  
20 decision had they known it. Therefore, the Court concludes that Baker's failure to disclose such  
21 information to investors constitutes a material omission in violation of Idaho Code § 30-1403(2).

22 **D. MATERIAL OMISSION #4**

23 Arizona Idaho Mining's mining operations on the Adair Creek Claims were subject to a  
24 1993 Plan of Operations and 2000 "Updated Addendum" to such Plan of Operations agreed to by  
25 Baker. On August 22, 1998, and again on April 4, 2000, the Forest Service issued Notices of Non-  
26 Compliance to Baker, citing mining activities that were outside the scope of Baker's 1993 Plan of  
27 Operations.

28 In early 2000, the Environmental Protection Agency warned Baker that if his mining  
29 operations on the Adair Creek Claims put sediment in Adair Creek, it would result in a \$28,000  
30

1 per day fine. The April 4, 2000 Notice of Non-Compliance cited “significant amounts of  
2 sediment ... migrat[ing] to Adair Creek and eventually to the Yankee Fork of the Salmon River.”

3 The Offering Document discussed generally the risks of conducting a gold mining  
4 operation on national forest land, and the “risks inherent to mining Adair Creek.”

5 However, the Offering Document failed to disclose, and Baker did not otherwise disclose  
6 to prospective Arizona Idaho Mining investors in his offer and sale of Arizona Idaho Mining  
7 membership interests, that the Forest Service had issued the August 22, 1998 and April 4, 2000  
8 Notices of Non-Compliance concerning Baker’s mining operations on the Adair Creek Claims,  
9 nor that the Environmental Protection Agency had warned Baker of \$28,000 per day fines for  
10 violations of the type cited in the April 4, 2000 Notice of Non-Compliance.

11 The Court concludes that the Forest Service’s August 22, 1998, and April 4, 2000, Notices  
12 of Non-Compliance concerning Baker’s mining operations on the Adair Creek Claims, and the  
13 Environmental Protection Agency threat to impose \$28,000 per day fines for violations of the type  
14 cited in the April 4, 2000, Notice of Non-Compliance, were the types of information prospective  
15 investors would want to know, and may have altered their investment decision had they known it.  
16 Therefore, the Court concludes that Baker’s failure to disclose such information to investors  
17 constitutes a material omission in violation of Idaho Code § 30-1403(2).

18 **E. MATERIAL OMISSION #5**

19 The Offering Document contained numerous pages of assay reports relating to the Arizona  
20 Property and the Adair Creek Claims. The State’s expert witness offered an opinion, based on  
21 his review of such assay reports in the Offering Document, that such reports failed to include key  
22 information, rendering them misleading to investors. Such omitted information included:

- 23 (a) the geographic or stratigraphic location of the referenced samples;  
24 (b) a record concerning the sample, including: (1) the chain of custody of the  
25 sample that includes a record of who collected the sample, who stored the sample,  
26 who may have handled the sample, who delivered the same to the assayer, and the  
27 name of the assayer; (2) the size of the sample, normally in cubic yards if it is a  
28 placer; (3) how the sample was collected, e.g. with pick and shovel or with  
29 mechanized earth-moving equipment; (4) a description of the sample which should  
30 include the estimated water content, an identification of the rocks and minerals that  
31 it contains, along with a description of their sizes and roundness of individual

1 pieces; and (5) the bulk density of the deposit sampled so that a concentration  
2 ratio may be determined;

3 (c) methods of concentration of the sample, and

4 (d) an adequate record of the assay process to determine whether acceptable  
5 standards in the mining industry were followed in the assaying procedures and  
6 techniques used in the assays; and

7 (e) that the fire assay process used by Gregory Iseman, SVL Analytical, and  
8 John Allison was not the appropriate method of measuring gold in placer samples,  
9 in that it tends to overvalue placer samples.

10 The Court finds that the State has properly qualified Matthew Shumaker as an expert  
11 witness in this action, pursuant to Rule 702 of the Idaho Rules of Evidence. The Court further  
12 finds that Mr. Shumaker's expert opinion testimony assists the Court in understanding the  
13 evidence concerning the assay reports included in the Offering Document.

14 Based on the foregoing, the Court concludes that Baker's failure to provide prospective  
15 investors with adequate information to explain the assay reports included in the Offering  
16 Document, rendered them misleading to investors. The Court concludes that such omission  
17 constitutes a material omission in violation of Idaho Code § 30-1403(2).

18 **G. MATERIAL OMISSION #6**

19 The Offering Document referenced Arizona Idaho Mining applying \$1,000,000 in investor  
20 funds to acquire "50% of the authorized and issued stock of Custer Mining, LLC," an Idaho  
21 limited liability company. The Court finds this information of little value, in that the Idaho  
22 Limited Liability Company Act, I.C. § 53-601 *et seq.*, does not provide for the authorization and  
23 issuance of stock by a limited liability company.

24 The Offering Document includes a section labeled "Compensation and Reimbursement of  
25 Managing Member." That section authorized Baker, as Arizona Idaho Mining's managing  
26 member, to be reimbursed for expenses incurred in the formation of the company and the sale of  
27 units in the company; to hold 25% of Arizona Idaho Mining, with the ability to assign portions of  
28 such interest to others; to receive a salary once production had commenced and Arizona Idaho  
29 Mining had a positive cash flow; and to have the option to purchase the last \$800,000 of the  
30 Arizona Idaho Mining offering.

1 The Stock Ownership Document stated that William and Marie Stricklan, Daniel M.  
2 Carney, Richard K. Baker, and Douglas L. Baker owned 50% of the stock and equity of Custer  
3 Mining, LLC, and had transferred their entire interest in Custer in return for 25% of the stock of  
4 "Arizona Idaho Mining, LLC." The Stock Ownership Document also stated that Daniel M.  
5 Carney received "cash compensation as reimbursement for his investment in the building and  
6 property in Arizona." The Court finds that this document, on its face, is misleading, in that both  
7 Custer Mining, LLC and Arizona Idaho Mining, LLC were Idaho limited liability companies, and  
8 not authorized to issue stock under the Idaho Limited Liability Company Act.

9 Neither the Offering Document nor the Stock Ownership Document disclosed the amounts  
10 or types of cash compensation Baker would personally receive from Arizona Idaho Mining  
11 investor funds, nor did it disclose even a range of cash compensation that Baker would receive  
12 from investor funds, other than a reference to compensation for expenses and a salary, once the  
13 company became profitable. Nevertheless, Baker personally received at least \$644,499 in cash  
14 from Arizona Idaho Mining investor funds, and benefited from an additional \$210,000 in Arizona  
15 Idaho Mining funds used to pay off Baker's personal debt to Daniel Carney.

16 The Court concludes that the amounts and types of compensation Baker, as managing  
17 member and promoter of the Arizona Idaho Mining securities offering, would receive from  
18 investor funds, was information investors would want to know. Had investors been informed that  
19 Baker personally would receive at least \$644,499 in cash from Arizona Idaho Mining investor  
20 funds and benefit from the use of an additional \$210,000 in Arizona Idaho Mining funds used to  
21 pay off Baker's personal debt to Daniel Carney, their investment decision may have been altered.

22 Therefore, the Court concludes that Baker's failure to disclose to investors the amount and  
23 type of cash compensation he would receive from Arizona Idaho Mining investor funds, or even a  
24 range of cash compensation he would receive, constitutes a material omission in violation of  
25 Idaho Code § 30-1403(2).  
26  
27  
28  
29  
30  
31

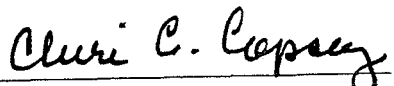


1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32

The Court grants summary judgment to the State Department of Finance based on the conclusions of law. The Court further orders the State to prepare the final judgment granting it the relief it seeks.

**IT IS SO ORDERED.**

Dated this 7<sup>th</sup> day of December 2006.

  
Cheri C. Copsey  
District Judge

CERTIFICATE OF MAILING


I hereby certify that on this 7<sup>th</sup> day of December 2006, I mailed (served) a true and correct copy of the within instrument to:

LAWRENCE G. WASDEN  
Attorney General

A. RENÉ MARTIN  
DEPUTY ATTORNEY GENERAL  
STATE OF IDAHO  
DEPARTMENT OF FINANCE  
P.O. BOX 83720  
BOISE, IDAHO 83720-0031

DENNIS L. CHARNEY  
951 E. PLAZA DR., STE. 140  
EAGLE, IDAHO 83616

J. DAVID NAVARRO  
Clerk of the District Court

  
Paula Grossman  
Deputy Clerk