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**IN THE DISTRICT COURT OF THE THIRD JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR CANYON COUNTY**

STATE OF IDAHO, DEPARTMENT OF  
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

BCM ENTERPRISES, LLC, and GLENN  
B. HENZLER, an individual and dba  
BCM ENTERPRISES,

Defendants.

Case No. 2007-4812

**VERIFIED COMPLAINT**

Fee category: Exempt

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

1. This action is brought pursuant to the Idaho 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.

2. The acts and practices herein comprising violations of law by the above-named Defendants occurred in Canyon County and elsewhere in the state of Idaho.

### **DEFENDANTS**

3. Defendant BCM Enterprises, LLC (BCM) is a limited liability company in the State of Idaho. It was organized under the laws of Idaho on December 28, 2004, with Glenn B. Henzler as its sole member, manager, and registered agent. BCM had no employees. BCM was administratively dissolved on March 9, 2007.

4. Defendant Glenn B. Henzler (Henzler) has been a resident of Nampa, Canyon County, Idaho and has conducted business in Idaho during all times relevant herein.

5. Henzler observed no corporate formalities for BCM, held no meetings, kept no minutes, did not execute an operating agreement, and otherwise treated BCM as his alter ego. BCM had no true existence as a limited liability company and served solely as a name on a bank account.

### **FACTS**

#### **Background**

6. Beginning in 2001 or perhaps early 2002, Henzler learned of an investment opportunity known as Horizon Establishment (Horizon), run by Travis E. Correll. Horizon offered a high yield investment program, alleged to return around seven per cent (7%) per month. In the later stages of the program, Correll set up The Net Worth Group Inc. (Net Worth). Net Worth essentially just continued the Horizon program under a different name as a means to perpetuate the investment plan, both companies being alter egos for Correll.

7. Henzler's son Stacy Henzler worked for Correll and Horizon, and Stacy told his father about the investment. Based on his son's recommendation, Henzler invested \$10,000 with Horizon in March, 2002 even though he had only a vague idea how Horizon operated or made its money.

8. Horizon and Correll were offering securities, in the form of investment contracts, in purported foreign and international deposit programs. Horizon and Correll did not actually make such deposits or investments. Instead, later investments were used to pay early investors, in furtherance of a Ponzi scheme. By paying earlier investors the 7% per month, early investors believed the investment was sound and spread the word. This enabled Correll, the architect of the scheme, to expand the investor base.

9. Henzler was an early investor, and Horizon initially performed according to Henzler's expectations. In November 2002, Henzler added \$100,000 to his March 2002 \$10,000 investment. He invested another \$100,000 in May 2004, bringing his total investment to \$210,000.

10. Henzler allowed some of his interest payments to stay with Horizon to compound his investment, and he took some distributions. During 2004, Henzler received monthly payments of \$32,000, eventually accepting approximately \$384,000. Some portion of Henzler's investment of \$210,000 remained on the Horizon books to continue earning returns. Having invested so successfully, Henzler quit his job and essentially retired at the age of 53, living on the proceeds of his investments.

11. Friends and relatives began to notice Henzler's success, and inquired about it. He told them about the investment and some desired to participate. Correll did not want to handle multiple tiny investments, so he advised Henzler to form a company to pool the investments.

Accordingly, Henzler formed BCM in December 2004. After he formed BCM, Henzler was no longer simply an investor in the Correll/Horizon Ponzi scheme. Henzler became an active participant.

12. Although it appeared for a time that Henzler was successfully investing in Horizon, Horizon's Ponzi scheme collapsed in December 2005 when the U.S. Securities and Exchange Commission (SEC) sought the appointment of a receiver for Correll and Horizon's assets, as part of an enforcement action by that agency. In late summer or Fall of 2005, Correll set up Net Worth. Correll's reasons for establishing Net Worth are unknown, but the timing suggests that Horizon was about to be shut down by the SEC and Net Worth may have been a means to continue the Ponzi scheme under a different name. BCM placed investor funds with both Horizon and Net Worth.

13. The SEC filed suit against Correll, Horizon, Net Worth and others on December 7, 2005. The court appointed a receiver, who has recovered approximately four million dollars of the thirty six million dollars invested. The receiver's report may be viewed at [www.haysconsulting.net](http://www.haysconsulting.net) under the link to Travis Correll.

#### BCM Transactions

14. BCM was established by Henzler to serve as a vehicle to aggregate investor deposits before sending them to Horizon. Correll advised Henzler to aggregate investor funds in order to reduce the administrative burden on Horizon, so Henzler set up BCM for that purpose. Henzler was the sole member of BCM, and for purposes relevant to this complaint the act of one was the act of the other.

15. For his trouble, Henzler took a larger share of the distributions from Horizon and Net Worth than he gave other investors. Henzler took a 10% return while other investors received a

7% return. Henzler did not disclose to investors how he would be compensated. Henzler expected the Horizon returns to be paid monthly, but this did not occur. Payments ceased entirely in the late months of 2005.

16. Beginning in February 2005, various victims, having heard of Henzler's apparently lucrative investment, approached Henzler and asked to participate. Henzler accepted their investment moneys and in return issued "Activation of Funds Agreement[s]" evidencing the debt owed by BCM and Henzler to each investor. In some cases the Activation of Funds Agreement reflected actual money received by Henzler from the investor. In other cases the Activation of Funds Agreement purported to reflect amounts the investor had previously placed with Horizon but which were to be "rolled over" and credited as a part of the BCM aggregation.

17. Henzler represented to investors that their investment principal would stay in a state of "non-depletion," meaning that the funds were secure. Henzler did not disclose the basis for this representation. Henzler did not disclose that the securities were not registered with the State of Idaho, nor did he disclose that neither he nor BCM were registered with the State of Idaho as a broker-dealer or as an agent.

18. Henzler's and BCM's financial accounting of amounts received and paid is incomplete and inaccurate. Plaintiff alleges that Defendants received at least \$504,000.00 in investor funds, most, if not all, of which was duly forwarded by Henzler to Horizon, Correll and Net Worth in 2005.

19. Henzler and BCM received two batches of investment moneys. The first batch was received by Henzler and BCM in February 2005, totaling \$213,500. The second batch was received by Henzler and BCM in August 2005, totaling \$290,500. In all, Henzler and BCM received \$504,000 from investors, all of which was sent to Correll to invest in Horizon or Net

Worth.

20. On or about March 9, 2005, BCM and Sovereign Capital, another Correll alter ego, executed a "One Year Agreement." This agreement was printed on Horizon letterhead and memorialized that Sovereign Capital had received the sum of \$792,000 from Defendants. The sum included \$213,000 from the February 2005 investors, and \$578,500 from prior-to-February-2005 investors. This sum did not include the \$290,000 received by Henzler and BCM in August, 2005.

21. On May 8, 2005, Defendants received a distribution from Horizon in the amount of \$79,200, which represented a 10% return on the BCM aggregated funds referenced in the "One Year Agreement" with Sovereign Capital. Henzler expected that the 10% return would be paid monthly, and that he would pay his investors a 7% return, keeping the difference for himself as profit or commission on the transactions.

22. Horizon did not make a June 1, 2005 distribution. Its next distribution, made June 30, 2005, was in the amount of \$50,000, \$29,200 less than Henzler expected. Horizon made another \$50,000 distribution on August 5, 2005, a \$20,000 distribution on September 15, 2005, and a final distribution of \$20,000 on October 11, 2005, for a total of \$219,200. After October 11, 2005 the Ponzi scheme completely collapsed and Horizon/Net Worth payments ceased.

23. When Horizon missed its June 1, 2005 distribution, Henzler knew or should have known that Horizon was not performing as expected. This knowledge became more certain when Horizon's distributions on June 20 and August 05, 2005 were each \$29,200 less than expected. Horizon should have sent Henzler \$316,800 from May 2005 through August 2005, but sent only \$219,000, thereby paying Henzler \$96,800 less than Henzler expected.

24. Indicative of his concern over the late and insufficient payments, Henzler traveled to Horizon's offices in November 2005 to meet with Correll to discuss the problems.

25. Despite knowledge of missed and insufficient distributions by Horizon, Defendants nevertheless accepted an additional \$290,500 of investor money in August 2005 and forwarded it to Correll for investment in Net Worth.

26. Henzler did not tell any of the August investors that Horizon was not making distributions as expected.

27. Henzler distributed money from Horizon in mid May, the end of June, mid August and mid September. Henzler distributed amounts to investors equaling 7% of the amounts invested on each occasion. Although the June, August and September 2005 receipts from Horizon were lower than expected, the investors received the full 7% expected, funded by Defendants. Defendants concealed Horizon's mounting financial problems from investors by paying the full 7% to investors even though the Horizon payments to Defendants were reduced. Some of the February 2005 investors, who continued to receive the expected 7%, and who continued to believe the investment was sound, invested additional money in August 2005.

28. Of the \$219,200 received by Defendants from Horizon, Henzler kept \$130,000, bringing his total receipts from the investment to \$514,000. Defendants paid \$89,200 to the February 2005 BCM investors, and paid nothing to the August 2005 investors. Henzler took the last \$24,000 in December 2005, leaving \$310.14 in BCM's bank account, which marked the end of the scheme. Henzler's personal net gain from participating in the Horizon scheme was \$304,000.

29. Neither Henzler nor BCM was registered with or licensed by the State of Idaho or the U.S. Securities and Exchange Commission as a securities broker/dealer, or as an agent.

30. The securities offered and/or sold by Henzler, BCM, Horizon and Net Worth were not registered with the State of Idaho or the U.S. Securities and Exchange Commission.

31. The securities as described in this complaint are not exempt from registration under Idaho Code § 30-14-201 or any other section.

32. The transactions forming the causes of action described in this complaint are not exempt transactions under Idaho Code § 30-14-202 or any other section.

**VICTIMS**

33. Henzler accepted money from the following victims, in the amounts shown, and on or near the dates shown. Henzler accepted \$504,000.00 in total from these victims. There may be more victims or amounts currently unknown to Plaintiff.

<u>VICTIM INITIALS</u>	<u>INVESTED</u>	<u>DATE</u>
O.H.	\$20,000.00	2/04/2005
T.L.	\$36,500.00	2/9/2005
S.H.	\$27,000.00	2/14/2005
S.H.	\$5,000.00	2/15/2005
W.M.	\$55,000.00	2/15/2005
S.A.	\$15,000.00	2/16/2005
M. & S. T.	\$15,000.00	2/16/2005
J.B.	\$40,000.00	2/23/2005
A. & J. C.	\$40,000.00	8/15/2005
N.C.	\$25,000.00	8/15/2005
M.G.	\$10,000.00	8/15/2005
D. & G. M.	\$30,000.00	8/15/2005
P.C.	\$5,000.00	8/17/2005
J.O.	\$5,000.00	8/17/2005
J.R.	\$5,000.00	8/17/2005
T.L.	\$13,000.00	8/17/2005
G.B.	\$42,500.00	8/19/2005
J.B.	\$40,000.00	8/22/2005
T.L.	\$7,000.00	8/23/2005
R.P.	\$8,000.00	8/26/2005
B.B.	\$50,000.00	8/29/2005
O.H.	\$10,000.00	8/29/2005



**COUNT ONE**  
**(False and Misleading Statements)**

34. The allegations of paragraphs 1 through 33 above are realleged and incorporated herein as if set forth verbatim.

35. 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.

36. Henzler's representations to prospective investors as set forth in paragraphs 1 through 33 were made in connection with the offer, sale or purchase of securities. Henzler's representations that the funds would be secure and that they would be placed in a "non-depleting account" were false. Further, Henzler's failure to tell investors that the investments were not paying off as expected were omissions of material facts, as were his failures to disclose neither he, BCM or the securities were registered with the State of Idaho. Such representations were false and misleading, constituting violations of Idaho Code § 30-501(2) as to each representation to each investor.

**COUNT TWO**  
**(Fraudulent Conduct)**

37. The allegations of paragraphs 1 through 33 above are realleged and incorporated herein as if set forth verbatim.

38. Idaho Code § 30-14-501(3) provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

39. Henzler's acts as set forth in paragraphs 1 through 32 were made in connection with the offer, sale or purchase of securities. Henzler's conduct in 1) issuing unregistered securities, 2) pooling investor money and investing it in a Ponzi scheme, 3) assuring investors that the investments were secure, 4) failing to give investors any significant information about the investment or the principals of the companies invested in, as to both BCM and the underlying Ponzi scheme by Carroll and Horizon/Net Worth, 5) failing to disclose Henzler's compensation for participating in the scheme, and 6) withholding information about the late and sufficient payments while continuing to accept more money from investors, constitutes engaging in transactions, acts, practices, or courses of business which operate or would operate as a fraud or deceit upon investors or prospective investors, in violation of Idaho Code § 30-14-501(3) as to each victim.

**COUNT THREE**  
**(Unregistered Securities)**

40. The allegations of paragraphs 1 through 33 above are realleged and incorporated herein as if set forth verbatim.

41. Defendants issued, sold or offered for sale in Idaho securities in the form of investment contracts. These contracts constituted a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor. Such securities were not registered with the Department as required by Idaho Code § 30-14-301.

42. The Defendants' failure to register such securities with the Department constitutes a violation of Idaho Code § 30-14-301.

**COUNT FOUR**

**(Unregistered Broker-Dealer/Agent)**

43. The allegations of paragraphs 1 through 33 above are realleged and incorporated herein as if set forth verbatim.

44. Defendant BCM transacted business in Idaho as a broker-dealer. BCM was not registered as a broker-dealer with the Department as required by Idaho Code § 30-14-401(a).

45. Idaho Code §§ 30-14-401(b) sets forth exemptions from the requirements of § 30-14-301(a) for certain persons. BCM does not qualify for any of the I.C § 30-14-401(b) exemptions.

46. BCM's failure to register as a broker-dealer with the Department constitutes a violation of Idaho Code § 30-14-301.

47. Defendant Henzler transacted business in Idaho as a broker-dealer. Henzler was not registered as a broker-dealer with the Department as required by Idaho Code § 30-14-401(a).

48. Henzler's failure to register as a broker-dealer with the Department constitutes a violation of Idaho Code § 30-14-301.

49. Defendant Henzler transacted business in Idaho as an agent. Henzler was not registered as an agent with the Department as required by Idaho Code § 30-14-402(a).

50. Henzler's failure to register as an agent with the Department constitutes a violation of Idaho Code § 30-14-402(a).

**PRAYER FOR RELIEF**

WHEREFORE, the Department prays for judgment in favor of the Department and against Defendants as follows:

1. That Defendants be adjudged to have violated the Idaho Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.*, rules promulgated thereunder, and other applicable federal laws

and regulations as proven at trial, as to Counts One through Four alleged above, as well as any additional counts proven at trial.

2. That Defendants be permanently enjoined from engaging in any act or practice violating any provision of the Idaho Uniform Securities Act (2004) or any rule promulgated thereunder, pursuant to Idaho Code § 30-14-603(b)(1).

3. That Defendants be ordered to pay a civil penalty of up to \$10,000 for each violation of the Act as the Court deems appropriate, pursuant to Idaho Code § 30-14-603(b)(2)(C), for total penalties of at least \$40,000, and that the court award a money judgment in favor of Plaintiff in such amount.

4. That Defendants be ordered to disgorge all money rightfully belonging to the victims, in amounts to be proven at trial, pursuant to Idaho Code § 30-14-603(b)(2)(C).

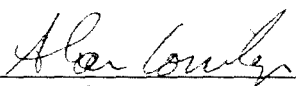
5. That Defendants be ordered to make restitution to investors, pursuant to Idaho Code § 30-14-603(b)(2)(C).

6. That Plaintiff 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 Plaintiff in such amount. Should judgment be taken by default herein, Plaintiff asserts that \$5,000 is a reasonable sum for the same.

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

DATED this 14<sup>th</sup> day of May, 2007.

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL

  
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ALAN CONIOLOGUE  
Deputy Attorney General

VERIFICATION

STATE OF IDAHO    )  
                                  )ss.  
County of Ada        )

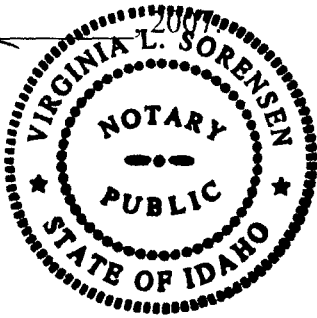
MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

I have read the foregoing Verified Complaint, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

DATED this 4<sup>th</sup> day of May, 2007.

Marilyn T. Chastain  
MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 4<sup>th</sup> day of May, 2007.



Virginia L. Sorensen  
Notary Public for Idaho  
Residing at: Caldwell  
My Commission Expires: 04/05/2012