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

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

WAYNE NILES BECKLEY,

Defendant.

Case No. CV OC 1118886

VERIFIED COMPLAINT

Fee category: Exempt

COMES NOW the State of Idaho, Department of Finance, Securities Bureau, Gavin M. Gee, Director, Plaintiff herein (Department), 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 Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), and in particular Idaho Code § 30-14-603, wherein the Department is authorized to bring actions seeking injunctive and other relief against persons who

have either violated or are about to violate provisions of the Act or any rule promulgated thereunder.

2. The acts and practices herein comprising violations of law by the above-named Defendant occurred in Ada County, Idaho, Canyon County, Idaho, Valley County, Idaho, and elsewhere. Defendant Wayne Niles Beckley (Beckley) resided or was located in Eagle, Idaho when the alleged acts constituting violations of the Act were committed.

CASE SUMMARY

3. The Department alleges that Beckley solicited Idaho investors to invest in securities in the form of promissory notes and investment contracts in an aggregate amount of at least seven hundred ninety-five thousand dollars (\$795,000).

4. Investors believed that money provided to Beckley would be pooled together to be used to provide the impression that Beckley had substantial assets to use as collateral when he refinanced certain property, or to finance real estate developments located in Fresno County, California and Valley County, Idaho. Investors were told to expect a return of at least twelve percent (12%) per year, and if his investments were successful, to expect to more than double their money.

5. Beckley defrauded investors by misrepresenting the investment and by omitting material information from the investor solicitations. Beckley failed to register these securities and failed to register as a securities broker-dealer or agent, as required by law. Beckley paid some early investors with funds from later investors in an effort to perpetuate the scheme, and he used some funds to pay personal expenses. Although Beckley made payments to some investors, the scheme eventually collapsed. Despite demand, the invested funds have not been returned to investors.

DEFENDANT

6. Beckley is currently a resident of Eagle, Ada County, Idaho, and has conducted business in Idaho as himself and as several companies at all times relevant herein. Three of such companies include Bald Mountain, LP, E-State Streams, and Towne Side, LLLP.

FACTS

7. Beginning on a date uncertain, but at least during the early summer of 2006, Beckley began soliciting funds from investors by offering and issuing securities in the form of promissory notes and investment contracts. Investors who participated in this common enterprise expected profits from it based solely on the efforts of others.

8. Beckley's investment scheme was divided between two separate real estate developments. The first revolved around the development of a large piece of property Beckley acquired outside Shaver Lake in Fresno County, California. The second involved a stalled condominium development in McCall, Valley County, Idaho. Some of the investors who invested in the Fresno development also invested in the McCall development.

9. Beckley offered both investments with similar terms and provided promissory notes to investors after making an investment. Beckley offered to pay 1% interest per month for a year, after which he would repay the principal. Beckley also promised that, if the real estate developments were successful, he would pay the investors an additional amount equal to the original principal.

10. Beckley's investment scheme is fairly characterized as an affinity fraud, because most of the investors Beckley solicited knew Beckley through work. Beckley presented himself as a successful businessman and investor who had much experience and success investing in real

estate projects. Developing this persona helped Beckley persuade investors to give him their money.

11. Beckley promoted the concept that a person should pull as much money as possible out of real estate at a low interest rate, then take that money and invest it into something that earns a higher rate of return. In fact, Beckley suggested that investors refinance their homes or other real property, take the equity, and invest it in his investment scheme, which many investors did.

12. Beckley solicited investors in person and through email. Most of his investors were fellow firefighters, and he discussed his money-making prowess (the Beckley persona described above) and the details of his investments on the job, or in job-related activities. Many of these discussions occurred in Beckley's home fire station, but others occurred in other fire stations or firefighting-related offices or locations. During the discussions, and in the emails, Beckley made the misrepresentations and omissions set forth in this complaint. The misrepresentations and omissions were typically made a few days before, and in some cases a few weeks before, the investor sent money to Beckley.

13. At least ten Idahoans invested in Beckley's scheme, in the total amount of at least seven hundred ninety-five thousand dollars (\$795,000).

14. Beginning in October 2006, Beckley made interest payments to investors as promised. However, beginning in approximately April 2009, Beckley stopped making interest payments. Beckley paid approximately two hundred fifteen thousand three hundred eighty-seven dollars (\$215,387) in interest payments, resulting in a net loss to investors in the amount of at least five hundred seventy-nine thousand six hundred thirteen dollars (\$579,613).

15. Beckley and his businesses, at all times material herein, were not registered with the State of Idaho or the National Association of Securities Dealers (now known as the Financial Industry Regulatory Authority) as broker/dealers, or as broker/dealer agents.

16. The securities issued by Beckley were not registered with the State of Idaho or the U.S. Securities and Exchange Commission.

The Fresno Development

17. In an email dated July 19, 2006 to prospective investors, Beckley described the investment in the Fresno development as follows:

A loan will be made to my partnership for use in developing a 100 acre parcel.... Each person making this loan will receive payments equal to their proportionate interest in the note.... The note will be in second position, recorded with the county. I will pay 12% [per] year for up to 2 years, payable monthly. I will pay the initial investment back when I refinance the property.... At this point you get your investment back and you no longer receive payments.

18. Beckley provided investors with regular updates on the project. Many of the updates boasted how well the project was doing and reminded investors that their investment was secured by a second lien position on the property. Further, many of Beckley's updates informed investors of the status of the supposed refinancing of the property. Most investors did not question the accuracy of these updates and believed that the project was going very well; they did not feel that their investment was in jeopardy.

The McCall Development

19. Beginning in approximately May of 2007, Beckley began soliciting investors in a similar investment opportunity. This opportunity involved a condominium development located in McCall, Idaho. Beckley invited investors and their friends and families to invest in this opportunity with terms similar to the investment terms of the Fresno development.

20. Beckley described the McCall development in a September 28, 2007 email as a 52-unit condominium project that he was able to “pick up at a huge discount.” On October 5, 2007, Beckley stated that he was a “60% owner” in the development. Further, in that same communication, Beckley stated that the property was appraised at \$9 million; that the “total costs per unit will be around 320K [and that with] a sale price around 600K, there is a lot of room for profit.” Beckley also stated that the investment would be secured by the property; that it would be “very secure;” and that the promissory notes would be recorded with the county.

21. Some investors invested in both the Fresno and McCall investments.

22. Beckley began adding updates relating to the McCall development to the updates relating to the Fresno development. Many updates provided to investors described the status of the McCall development, including construction on buildings and roads. Further, in many of the updates, Beckley gave the impression that he owned the McCall property.

Investors

23. Beginning in at least as early as 2006 and continuing through at least late 2007, Beckley solicited and/or issued unregistered securities to ten (10) investors. Some, but not all, of the investors invested in both the Fresno and McCall developments. Investors D.G. and J.M. identified herein are representative of the interactions and events surrounding the investment dealings investors had with Beckley.

Investor D.G.

24. Investor D.G. met Beckley through work. At some point during their relationship through work, D.G. learned that Beckley was involved in real estate investing. D.G. specifically became aware of the opportunity to invest in the Fresno development on July 19, 2006 when

Beckley sent an email to individuals at work to gauge how many people may be interested in investing in the Fresno development.

25. After receiving the July 19, 2006 email and speaking to Beckley regarding the investment opportunity, D.G. understood that any investment moneys would be placed in an account under Beckley's control to give the appearance that Beckley had a large amount of assets available to effect a refinance of the property within approximately one to two years. Beckley also described to D.G. that the investment involved some risk, but that any risk associated with the investment was mitigated by the fact that it was secured by a lien against the property in second position and that the value of the property was much higher than the price Beckley paid for the property. Beckley also stated that he would pay twelve percent (12%) annual interest on the investment.

26. Based on Beckley's representations about the investment opportunity, D.G. invested a total of \$225,000 on or about September 15, 2006. At Beckley's instruction, D.G. made his investment check payable to Bald Mountain, LP. D.G. acquired the money to invest with Beckley through a refinance of his primary residence.

27. D.G. received payments from Beckley beginning at the time of his investment through approximately April 2009. D.G. received approximately seventy-one thousand one hundred seventy-five dollars (\$71,175) in payments from Beckley.

28. To date, D.G. has not received any additional interest payments or the remaining principal amount invested with Beckley, despite repeated requests.

Investor J.M.

29. Investor J.M. worked with Beckley on the same shift. J.M. often heard Beckley talk about the different ways a person could invest and ways a person could limit tax liability.

30. In or around the spring of 2006, J.M. became aware of Beckley's investment opportunity in the Fresno development after investor D.G. forwarded an email to J.M. regarding the investment opportunity. Similar to investor D.G.'s understanding of the terms of the investment, J.M. understood that any moneys invested with Beckley would be placed in an account to show that Beckley had assets, but would never actually be spent. Beckley also led J.M. to believe that all moneys placed into that account would not be used for any other purpose. J.M. further understood from discussions with Beckley that the investment would earn twelve percent (12%) interest per year and that it would be secured by a second lien position on the property.

31. Eventually, J.M. and his wife took twenty-five thousand dollars (\$25,000) from a second mortgage on their home, and on or about August 31, 2006, invested that amount in the Fresno development. J.M. made the check payable to Beckley.

32. A few months after initiating the Fresno development, Beckley solicited J.M. in or around May 2007 to invest in a project located in McCall, Idaho. Beckley told J.M. that he had a "buy-sell agreement" on a condominium complex going into foreclosure. Beckley also told J.M. that he was working towards getting financing to buy the property located in McCall, and that similar to the Fresno development, Beckley needed money in the bank to show that he had enough assets to purchase the property. J.M. was of the understanding that the investment terms would be the same as the terms of the Fresno development investment. Because he felt that the Fresno development was going really well and that the similar terms of the McCall development investment sounded good, on or about November 19, 2007, J.M. invested an additional thirty-five thousand dollars (\$35,000) with Beckley.

33. J.M. received fourteen thousand eight hundred forty-six dollars and sixty-six cents (\$14,846.66) in payments from Beckley on the August 31, 2006 investment. J.M. has received no

payments from Beckley on the November 19, 2007 investment. J.M. has not received any additional payments since approximately June 2009 or the return of the remaining principal amount invested, despite repeated requests.

Misrepresentations

34. In order to induce investors to invest, Beckley made the following representations, among others:

a. That investor money would be secured by real estate in a second lien position, recorded with the county.

b. That the investment was virtually risk-free.

c. That the investment would provide a twelve percent (12%) annual rate of return.

d. That Beckley would be able to refinance the developments relatively quickly, and that he would not need the money for longer than two (2) years.

e. That investor money would be placed in an account to give the impression that Beckley had a lot of liquid assets.

f. That Beckley owned the McCall property.

35. The statements in the preceding paragraph are false and misleading for these reasons:

a. The investments made into both the Fresno and McCall developments were not secured by real estate in a second lien position and were never recorded with the appropriate county recorder.

b. The investments were not virtually risk-free, which is obvious because the investors have lost most of their money.

c. The investment scheme was not a successful investment and produced no actual returns.

d. Beckley never refinanced either property, and returned only a small portion of investor money.

e. Beckley did not keep investor money in an account for the purpose of creating the illusion that he had a lot of assets. Instead, Beckley used some investor moneys on expenses related to the Fresno development, to repay prior investors, and for Beckley's personal expenses.

f. Beckley never purchased the McCall development and therefore never owned it.

Material Omissions

36. Beckley did not tell potential investors certain information that would be necessary to make other statements not misleading, and that an investor would likely consider as material to a decision to invest with Beckley. Beckley failed to disclose the following material information:

a. Information about Beckley's personal financial condition.

b. Information about the financial condition or operating history of Beckley's companies, specifically Bald Mountain, LP, E-State Streams, or Towne Side, LLLP.

c. That Beckley's brother, Paul Beckley, was a partner in Bald Mountain, LP and that he would be involved with the development of the Fresno property.

d. That investor moneys would be used to fund projects associated with the Fresno development, to pay Beckley's personal expenses, and to pay returns to earlier investors.

e. That Beckley was not registered as an agent to sell the securities, as required by Idaho's Uniform Securities Act (2004).

f. That the securities issued by Beckley were not registered as required by Idaho's Uniform Securities Act (2004).

g. That Beckley or his companies were not registered as broker-dealers, as required by Idaho's Uniform Securities Act (2004).

COUNT ONE
(Fraud – False and Misleading Statements)

37. The allegations of paragraphs 1 through 36 above are realleged and incorporated herein as if set forth verbatim.

38. 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.

39. Beckley's misrepresentations to prospective investors as set forth in paragraph 34 above were made in connection with the offer, sale or purchase of securities. Beckley's misrepresentations, as specifically set forth in paragraphs 33 a. through f. above, were false and misleading, constituting violations of Idaho Code § 30-14-501(2) as to each misrepresentation to each investor.

40. Beckley's omissions of material facts and failures to disclose to prospective investors as set forth in paragraph 36 above were made in connection with the offer, sale or purchase of securities. Beckley's omissions of material facts and failures to disclose, as specifically set forth in paragraphs 36 a. through g. above, constitute violations of Idaho Code § 30-14-501(2) as to each omission and failure to disclose to each investor.

COUNT TWO
(Fraudulent Conduct)

41. The allegations of paragraphs 1 through 36 above are realleged and incorporated herein as if set forth verbatim.

42. 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.

43. Beckley's acts as set forth above were made in connection with the offer, sale or purchase of securities. His conduct, as described above, 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 investor.

44. Specifically, Beckley's ongoing misrepresentations and omissions about the success of his investments were designed to perpetuate the fraud. The misrepresentations and omissions were intended to, and did, beguile investors into giving money to Beckley. This scheme continued for approximately three years, 2006 through 2009, until it eventually collapsed. As the scheme neared collapse, Beckley issued assurances and updates intended to convince investors that the projects were proceeding apace and were still on track to be successful. These ongoing assurances and updates were intended to, and did, cause investors to continue in the investment, and lulled the investors into a false sense of security that kept them from asking questions about the ongoing viability of the investments, thereby allowing Beckley to continue the scheme.

COUNT THREE
(Unregistered Securities)

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

46. Beckley issued, sold or offered for sale in Idaho securities in the form of promissory notes and investment contracts. Such securities were not registered with the Department as required by Idaho Code § 30-14-301.

47. Beckley's failure to register such securities with the Department constitutes a violation of Idaho Code § 30-14-301.

COUNT FOUR
(Failure to Register)

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

49. Beckley, through his companies, Bald Mountain, LP, E-State Streams, and Towne Side, LLLP, transacted business in Idaho as a broker-dealer. Beckley and his companies have never registered as broker-dealers with the Department as required by Idaho Code § 30-14-401(a).

50. Beckley's failure to register himself or his companies as broker-dealers with the Department constitutes violations of Idaho Code § 30-14-401(a).

51. Beckley transacted business in Idaho as an agent of a broker-dealer or of an issuer. Beckley was not registered as an agent with the Department as required by Idaho Code § 30-14-402(a).

52. Beckley 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 Beckley as follows:

1. That Beckley be adjudged to have violated Idaho's 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 Beckley be permanently enjoined from engaging in any act or practice violating

any provision of the Act or any rule promulgated thereunder, pursuant to Idaho Code § 30-14-603(b)(1), and in particular, that he be permanently enjoined from selling or offering for sale securities in any form in the state of Idaho.

3. That Beckley be ordered to pay a civil penalty of up to ten thousand dollars (\$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 forty thousand dollars (\$40,000), and that the Court award a money judgment in favor of the Department in such amount.

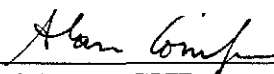
4. That Beckley be ordered to make restitution to investors, pursuant to Idaho Code § 30-14-603(b)(2)(C), in the aggregate amount of five hundred seventy-nine thousand six hundred thirteen dollars (\$579,613) or such other amount as is proven at trial, and that the Court award a money judgment in favor of the Department in such amount.

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

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

DATED this 21st day of September, 2011.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



ALAN CONILOGUE
Deputy Attorney General


VERIFICATION

STATE OF IDAHO)
) ss.
County of Ada)

JAMES A. BURNS, Lead Investigator of the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

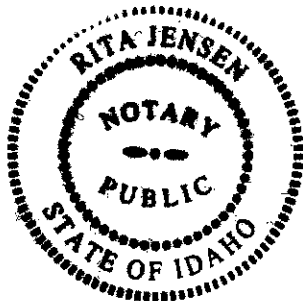
I have read the foregoing Verified Complaint, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

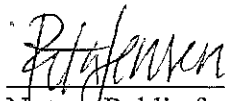
DATED this 27th day of September, 2011.



JAMES A. BURNS

SUBSCRIBED AND SWORN to before me this 27 day of September, 2011.





Notary Public for Idaho
Residing at: Meridian, Idaho
My Commission Expires: 3/6/2013