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**IN THE DISTRICT COURT OF THE FIRST JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR BENEWAH COUNTY**

STATE OF IDAHO, DEPARTMENT OF  
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

MATTHEW EUGENE BLOOD,

Defendant.

Case No. CV 2012-468

**COMPLAINT**

Fee Category: Exempt

COMES NOW the State of Idaho, Department of Finance, Securities Bureau, Gavin M. Gee, Director (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) (the Act), Idaho Code § 30-14-101 *et seq.*, and in particular Idaho Code § 30-14-603, wherein the

Department is authorized to bring a civil action seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the Act.

### **VENUE**

2. The acts and practices alleged herein comprising violations of law by the above-named Defendant occurred in Benewah and Kootenai Counties, Idaho. Defendant resided or was located in Benewah County, Idaho when the alleged acts constituting violations of the Act were committed.

### **JURISDICTION**

3. Defendant Matthew Eugene Blood (Blood) personally engaged in unlawful securities transactions with Idaho residents. Blood offered unregistered securities and made material misrepresentations and omitted material information in connection with the offer or sale of such securities, and employed a device, scheme or artifice to defraud, in violation of Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.*

### **CASE SUMMARY**

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

5. Beginning the summer of 2010 and at least into early 2011, Blood offered securities under the pretense that he could earn better-than-market returns. He did minimal trading with the money he raised and either lost the money in bad investments or used it for his personal benefit.

6. Blood defrauded investors by exploiting his relationship with them through their church and by suggesting investments that did not really exist. He misrepresented the

investments, and he omitted material information from the investor solicitations. Blood spent investor money on personal expenses and did not invest it as he promised.

### **DEFENDANT**

7. Defendant Matthew Eugene Blood has been a resident of Idaho for several years, and currently lives in Saint Maries, Benewah County, Idaho. As of the date of this complaint, he works as a branch manager at Sterling Savings Bank<sup>1</sup> in Plummer, Idaho.

### **FACTS**

8. Blood has worked as a banker in various places over the last few years and eventually landed as the branch manager of Sterling Savings Bank in Plummer, Idaho. Because of this background, Blood was able to portray himself to potential investors as a savvy investor.

9. Blood was also active in religious organizations, including the Family Life Center Church in Coeur d'Alene, Idaho. He also donated money to the Nehemiah World Foundation, which calls itself the "International House of Prayer." Blood used his religiosity to attract investors.

10. Blood met investor M.J. through their mutual affiliation with the Family Life Center Church in Coeur d'Alene, Idaho. M.J.'s elderly parents were in declining health, and the associated health care requirements were stressing the family finances. M.J. had obtained a power of attorney to manage his parents' money, and he was looking for some investment to maximize its utility.

11. M.J. was attracted to Blood because Blood "had given several testimonies as to how the Lord had given [Blood] wisdom in helping different people out financially, and he is a bank Manager with Sterling Bank." Based on this, M.J. decided to consult with Blood about how to put his parents' money to work.

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<sup>1</sup> Sterling Savings Bank is not implicated in any of Blood's activities forming the basis of this complaint.

12. In March and April, 2010, M.J. and his wife met with Blood, and spoke with him over the phone to discuss the potential investment.

13. Blood used the discussions to lure M.J. into giving him money, by telling M.J. how much Blood could earn with it. Blood said he could easily earn 12% returns on an investment, and up to 50%.

14. Blood was vague about specifics of his investments, but he told M.J. that he had two partners in his investment activities, and that they had a proven model for making money.

15. M.J. was interested, but cautious. Blood continued to try to persuade M.J. to give him money to invest. To alleviate some of M.J.'s concerns, Blood eventually offered to take the investment as a personal loan from M.J. to him, contemplating that even if the investment were lost, Blood would still pay the "loan" back to M.J..

16. To evidence this "loan," Blood gave M.J. a promissory note dated July 20, 2010. The note had a one year maturity and listed a 7% interest rate.

17. Although Blood offered to call this investment a loan, and exchanged a promissory note for the \$30,000, M.J. always considered it as a trial run investment that would test whether Blood could make successful investments. Calling it a loan was a means to put M.J.'s mind at ease about the risk, and to convince him to part with his money.

18. This promissory note was a security under Idaho Code § 30-14-102(28).

19. Once Blood received the \$30,000, he opened a new Wells Fargo bank account<sup>2</sup>, deposited the money, and immediately began spending it for his personal desires. For example, between the initial deposit on July 22, 2010 and September 7, 2010, Blood spent \$18,526.11 of the \$30,000, but devoted only \$3,576 to anything that could be called an investment. He sent the

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<sup>2</sup> Opening the account at Wells Fargo Bank is notable because Blood was a branch manager of the Plummer branch of Sterling Savings Bank.

\$3,576 to D. Trade, Inc., which is a web-based firm that buys and sells Iraqi Dinars. Blood spent the remaining \$14,950 on himself. He used \$2,145.89 to “pay off PU [pick up, presumably] in full.” He made purchases at Wal-Mart in the amount of \$282.65, and at Radio Shack in the amount of \$381.57. He paid a law firm \$7,500. He withdrew \$2,400, \$300 at a time, using an ATM, and he made a \$2,000 withdrawal from a bank branch.

20. M.J. was not aware of Blood’s personal use of M.J.’s investment monies, and did not expect his money to be used in that manner.

21. Not long after this initial investment, Blood returned to M.J. seeking more money. He told M.J. that he “felt God wanted him to help us [M.J. and wife] out more.” More discussion ensued, and eventually M.J. agreed to give \$100,000 to Blood to invest.

22. On October 15, 2010, Blood sent M.J. an email outlining the terms of the investment. 1) M.J. would transfer \$100,000 to Blood’s Wells Fargo account. 2) Blood would return the money anytime upon request, with a few days’ notice. 3) M.J. and Blood would split the profit 50/50, up to a maximum of 4.1667% monthly (a 50% annual rate of return). 4) Profit would be figured as of the first day of every month. 5) Blood would allow M.J. to reinvest with him, upon notice.

23. This email and the agreement it embodied was an investment contract and a security under Idaho Code § 30-14-102(28).

24. M.J. transferred \$100,000 to Blood’s account on October 15, 2010. On that date, the balance in Blood’s Wells Fargo account was \$4087.00.

25. Blood transferred a total of \$90,000 to MB Futures Trading, Inc, and although he did some trading, Blood only netted \$1,316.10 in profits. Blood periodically transferred money from the MB Futures Trading account back to his Wells Fargo bank account, until eventually he

had transferred back the entire \$91,316.10.

26. Most of the transfers from the MB Futures Trading account occurred when Blood's Wells Fargo account was running low on funds.

27. As with M.J.'s \$30,000 investment, Blood quickly began spending the new \$100,000 for his personal desires. Between September, 2010 and December 2011, Blood gave \$6,653.74 to religious organizations. Blood spent \$8,439.46 of this money on automobile related expenses, and he withdrew \$27,298.00 in cash from ATMs. On January 18, 2011, Blood sent \$35,360 to D. Trade, Inc., to purchase Iraqi Dinars. The Department believes and alleges that Blood is still in possession of all or most of these Dinars.

28. Blood returned \$24,949.07 to M.J. in periodic payments that he led M.J. to believe were profits on his investment activity. In reality, Blood was simply giving M.J. back some of the money that M.J. had invested, because Blood made only \$1,316.10 in profits.

29. Blood also persuaded investor G.L. to invest \$12,000. G.L. was M.J.'s mother-in-law. G.L. gave Blood \$12,000 on February 28, 2011. True to form, Blood did not invest this money, but instead spent it on personal desires, including an \$8,500 cash withdrawal. Blood used this money to purchase a 2004 Cadillac CTS.

30. M.J.'s wife, on behalf of her mother, G.L., asked for return of G.L.'s \$12,000. Around the time of the request, Blood had less than \$1,000 in his Wells Fargo account, so he transferred some of M.J.'s money back from the MB Futures account, and paid that to G.L., along with purported interest.

31. M.J. eventually soured on his investment and sought return of his money. Blood forestalled this effort with various excuses and requests for more time, but even as M.J. persisted, Blood did not return the principle as promised.

### **Misrepresentations**

32. To induce M.J. to invest, Blood made material false representations. Without these misrepresentations, M.J. would not have invested.

a. Blood represented to M.J. that he would invest M.J.'s<sup>3</sup> money in the investments described above. These representations were false because he did not place the money in the investments. He placed the money in his personal bank account and spent it on personal expenses.

b. Blood represented to M.J. that he would place M.J.'s money in the investments described above. These representations were also false because no such "investment" existed.

### **Material Omissions**

33. Blood did not tell M.J. certain information that would be necessary to make other statements not misleading, and that a reasonable investor would likely consider as material to a decision to invest with Blood. Blood made the material omissions verbally and in writing. Had investors known this omitted information, they would not have invested.

34. Blood failed to disclose the following material information:

- a. That he would not place M.J.'s money in a legitimate investment.
- b. That his unspecified and undescribed investment model did not exist.
- c. That M.J.'s money would be used by Blood for his personal expenses or benefit.
- d. That Blood would use part of M.J.'s money to purchase Iraqi Dinars.
- e. That Blood would use part of the money to pay back another investor.

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<sup>3</sup> At the time, the money belonged to M.J.'s parents. When they both expired, the money was inherited by M.J., and thus it is referred herein as M.J.'s for clarity's sake.

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

35. The allegations of paragraphs 1 through 3 and 7 through 34 above are realleged and incorporated herein as if set forth verbatim.

36. 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 light of the circumstances under which they were made, not misleading.

37. Blood's misrepresentations to prospective investors as set forth in paragraphs 32, a. and b. above, were made in connection with the offer, sale or purchase of securities. Blood's misrepresentations were material and were false and misleading, constituting violations of Idaho Code § 30-14-501(2) as to each misrepresentation.

38. Blood's omissions of material facts and failures to disclose material information to prospective investors, as set forth above, were made in connection with the offer, sale or purchase of securities. Blood's omissions of material facts and failures to disclose material information, as specifically set forth in paragraphs 33 and 34 a. through e. 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)**

39. The allegations of paragraphs 1 through 3 and 7 through 34 above are realleged and incorporated herein as if set forth verbatim.

40. 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.

41. Defendant's acts as set forth in paragraphs 1 through 3 and 7 through 34 above were made in connection with the offer, sale or purchase of securities. His conduct as described in paragraphs 1 through 3 and 7 through 34 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.

42. Specifically, Blood's ongoing misrepresentations and omissions about the investments were designed to perpetuate the fraud. The misrepresentations and omissions were intended to, and did, beguile M.J. into giving money to Blood that Blood then converted for his personal use. This scheme began in 2010 and continued at least through 2011.

43. Blood used his professional office as a banker and his religious affiliations as means to attract investors and take advantage of the trust inherent in those affiliations. Blood used this trust to dupe his clients into giving him money. This ongoing pattern of deception and conversion of client funds constituted a scheme or artifice to defraud.

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

44. The allegations of paragraphs 1 through 3 and 7 through 34 above are realleged and incorporated herein as if set forth verbatim.

45. Blood 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.

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

**COUNT FOUR**  
**(Failure to Register)**

47. The allegations of paragraphs 1 through 3 and 7 through 34 above are realleged and incorporated herein as if set forth verbatim.

48. Blood transacted business in Idaho as a broker-dealer, or as an agent of a broker-dealer or of an issuer. Blood never registered as a broker-dealer with the Department as required by Idaho Code § 30-14-401(a). Blood also never registered as an agent with the Department as required by Idaho Code § 30-14-402(a).

49. Blood's failure to register himself as a broker-dealer with the Department was a violation of Idaho Code § 30-14-401(a).

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

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays that the Court enter Judgment against Defendant as follows:

1. That Blood 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 Blood be permanently enjoined from engaging in any act or practice that violates any provision of the Act, 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 Blood be enjoined for the period of five years from working in any financial

services industry or business, including banking, in the State of Idaho.

4. That Blood 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 Plaintiff in such amount.

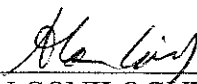
5. That Blood be ordered to make restitution to investors, pursuant to Idaho Code §30-14-603(b)(2)(C), in the amount of one hundred two thousand six hundred fifty dollars and 93 cents (\$102,650.93), or such other amount as proven at trial. That Blood pay the restitution amount to Plaintiff, to be delivered to the investors, and that the Court award a money judgment in favor of Plaintiff in such amount.

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 five thousand dollars (\$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 21<sup>ST</sup> day of November, 2012.

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL

  
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ALAN CONILOGUE  
Deputy Attorney General