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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.

REX STANLEY DUNBAR, an individual
dba RESOURCE MANAGEMENT,

Defendant.

Case No. **CV QC 1107518**

VERIFIED 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 Ada County, Idaho. Defendant resided or was located in Idaho when the alleged acts constituting violations of the Act were committed.

JURISDICTION

3. Defendant Rex Stanley Dunbar (Dunbar) personally engaged in unlawful securities transactions with Idaho residents. Dunbar 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. Beginning at least by January 18, 2005, and continuing through December, 2007, Dunbar offered securities in the form of investment contracts for the purpose of raising money for his personal benefit to at least twelve (12) investors in an aggregate amount of one hundred thirty thousand six hundred forty-two dollars (\$130,642).

5. Dunbar defrauded investors by exploiting his relationship with them as their financial advisor and suggesting investments that did not exist. He misrepresented the investments, and he omitted material information from the investor solicitations. Dunbar also spent investor money on personal and business expenses and did not invest it as he promised. Taken as a whole, these acts constituted a scheme or artifice to defraud.

DEFENDANT

6. Defendant Rex Stanley Dunbar has been a resident of Idaho for several years, doing business as a financial advisor and broker/dealer agent. He operated as a financial advisor under the auspices of 1717 Capital Management Company, which was located in Boise Idaho. In August 2008, 1717 Capital Management Company merged with Nationwide Securities. Dunbar worked for Nationwide in its Boise office until he was terminated on March 3, 2009. Dunbar's customers came primarily from Ada County.

7. Dunbar also conducted business under the assumed business name Resources Management. The investors Dunbar bilked in the unlawful scheme described in this complaint wrote their investment checks to Resource Management. Dunbar deposited those check into a checking account held in his name and the name of his former wife.

FACTS

8. Dunbar worked in Boise as an investment advisor and broker/dealer agent beginning in 1985 and over the years developed a clientele. Beginning at least by January 18, 2005, Dunbar began offering non-existent securities to his clients. Because of his longstanding relationship as their financial advisor, Dunbar's clients trusted him and he was able to exploit this trust for his personal benefit. Dunbar would contact a client, suggest an investment, and then simply "pocket" the money by putting it in his personal banking account. In many cases Dunbar made the call to solicit the investment when he was personally low on money.

9. Dunbar described the securities in different ways to different people. In some cases, Dunbar suggested a specific type of investment, such as "GE Notes." In other cases, Dunbar just told his clients that he had an "investment" for them.

10. The investments that were tied to a specific investment product constituted an

investment contract. The investors invested money in a common enterprise with Dunbar (i.e. his financial advisor business). The investors expected to earn a profit from the investment, and they expected to do so based solely on the efforts of others, including Dunbar.

11. The investments that were not tied to a specific investment were obtained as part of Dunbar's overall scheme or artifice to defraud. That scheme or artifice to defraud was Dunbar's ongoing exploitation of his office and client relationships to sucker people into giving him money that he spent on personal expenses. Every so often, apparently as the need for money or as an opportunity arose, Dunbar contacted a client, suggested the bogus investment, and took the money. The investments and discussions described in the following paragraphs occurred, for the most part, in Dunbar's office or on the telephone, on or shortly before the date of the investment.

12. On or about January 18, 2005, Dunbar met with investor and client T.M. for an annual client account review. Dunbar proposed that T.M. invest in a mining company stock that was doing very well. T.M. recalls that Dunbar told him that it was a good time to "get in." T.M. wrote a personal check for \$5,200 payable to Resource Management dated January 18, 2005.

13. Investor J.H. hired Dunbar to roll a 401K into an IRA account and manage it. About 3 to 6 months after rolling into the IRA account, J.H. received a call from Dunbar. Dunbar told J.H. that J.H. would be receiving a check from the IRA account soon. This surprised J.H. because he had not requested a distribution and had not authorized Dunbar to request a distribution. Dunbar then proceeded to explain to J.H. that Dunbar had a great investment opportunity in petroleum stocks. Dunbar told J.H. that the investment would triple in one year. J.H. wrote Dunbar a check dated April 15, 2006 payable to Resource Management in the amount of \$4,600. Of that amount, Dunbar deposited \$3,500 into his personal checking

account and took \$1,100 in cash. At the time of the deposit, Dunbar's account balance was \$436.66.

14. Dunbar contacted investor and client S.C. in August 2006, and explained that he had an investment opportunity that would create a great return. According to Dunbar, the investment would be a long-term investment that would not generate a return for several years. Dunbar explained the investment involved fractional shares in a skyscraper commercial building in Texas. The shares supposedly were being sold through a bidding process that was part of an estate sale. S.C. gave Dunbar a check dated August 30, 2006 payable to Resource Management in the amount of \$15,000. Dunbar deposited the check in his personal account. At the time of the deposit, Dunbar had \$389.10 in his checking account. Dunbar spent the entire \$15,000 on personal expenses, and by September 25, 2006, his checking account was overdrawn by \$562.26.

15. Dunbar contacted S.C. in October to inform S.C. that more shares were available than Dunbar had originally thought. At Dunbar's urging, S.C. gave Dunbar another check, this one dated October 16, 2006, payable to Resource Management for an additional \$8,200, which Dunbar deposited into his personal checking account. Dunbar spent the entire \$8,200 by November 24, 2006. Except for an occasional small deposit, Dunbar's checking account was overdrawn almost continuously from November 24, 2006 through December 20, 2006.

16. In February of 2007, Dunbar contacted investor R.E. about an investment in an IPO. R.E. was out of town traveling for business and does not recall the details of the IPO, except that Dunbar made some guarantees about the safety of the investment and said that R.E. would earn about \$6,000 to \$7,000 on an investment of \$9,800. Because R.E. was out of town, R.E.'s spouse wrote a check to Dunbar dated February 13, 2007, payable to Resource Management in the amount of \$9,800. Dunbar deposited the check in his personal account and

spent the money on personal expenses.

17. Investor and client S.M. approached Dunbar in December of 2007 regarding recommendations for an investment that would be safe but that would earn more interest than a savings account. Dunbar recommended purchasing “GE Notes.” Dunbar described the notes as a solid investment that would yield at least twice as much as a regular savings account. Dunbar stated that the investment would need to remain untouched for two years in order to earn the interest. If withdrawn in less than two years, the principle would remain intact but no interest would be paid. S.M. gave Dunbar a check dated December 10, 2007, payable to Resource Management in the amount of \$6,000. Of the \$6,000, Dunbar deposited \$5,900 in his personal account and kept \$100 in cash.

18. Dunbar also duped several other investors into investing, simply by recommending an undescribed or unexplained “investment.” These investors all had an existing client relationship with Dunbar, and trusted his advice, so they were willing to invest based solely on his bare recommendation. These recommendations and the resulting conversion of investor money were part of his larger scheme or artifice to defraud. These transactions were accomplished in the same manner and for the same reason as the securities transactions described in the previous paragraphs.

a. Investor and client S.M. wrote Dunbar a check dated February 10, 2005, in the amount \$9,000 dollars, payable to Resource Management, which Dunbar deposited into his personal account.

b. Investor and client R.F. wrote Dunbar a check dated May 16, 2005, in the amount of \$16,650, payable to Resource Management, which Dunbar deposited into his personal account. At the time of the deposit, Dunbar’s checking account balance was \$62.44.

c. Investor and client D.T. wrote Dunbar a check dated June 22, 2005, in the amount of \$9,800, payable to Resource Management, which Dunbar deposited into his personal account.

d. Dunbar called investor and client D.L. in the fall of 2005 and told him he had a good investment opportunity. Dunbar told D.L. that the investment would take about two years to mature and then he would sell it and get out. D.L. wrote Dunbar a check dated September 22, 2005, in the amount of \$6,100, payable to Resource Management, which Dunbar deposited into his personal account. At the time of the investment, Dunbar had been carrying a negative (overdrawn) balance in his personal checking account for about a month. When the \$6,100 was deposited, \$1,539.80 immediately was applied to Dunbar's negative balance.

e. Dunbar approached investor and client G.B. in the fall of 2005 with a "great investment" in a fund of prime or blue chip stocks that was "turning over," and that Dunbar could purchase and resell in about a year for a great return. G.B. does not remember whether Dunbar promised a specific return, but remembers that the investment was either guaranteed or extremely low risk. Investor R.F. wrote Dunbar a check dated November 18, 2005, in the amount of \$9,692, payable to Resource Management, which Dunbar deposited into his personal account on November 23, 2005. At the time of the deposit, Dunbar had a balance in his personal checking account of \$732.59. Two days after the deposit, on November 25, 2005, Dunbar withdrew \$9,172.84 and purchased a cashier's check in that amount, made payable to Midland Mortgage. This left a balance in his account of \$567.14.

f. Investor and client C.R. wrote Dunbar a check dated April 26, 2006, in the amount of \$12,000, payable to Resource Management. Of the \$12,000, Dunbar deposited \$11,900 into his personal account and took \$100 in cash.

g. Dunbar approached investor and client L.S. in the summer of 2006 with a "really

good investment,” telling L.S. that he, Dunbar, had already invested. L.S. withdrew \$15,000 from his IRA account and kept a portion to pay the penalties and taxes, in the amount of \$3,968.20. L.S. gave a check for the remainder of \$11,031.80 to Dunbar on July 6, 2006, payable to Resource Management, of which Dunbar deposited \$11,000.80 into Dunbar’s personal account. At the time of the deposit, Dunbar was overdrawn in the amount of \$356.12. By July 17, 2006, Dunbar had spent L.S.’s entire investment on personal expenses, and was again overdrawn, by \$91.23.

h. Investor and client S.V.O. wrote Dunbar a check dated December 22, 2006, in the amount of \$3,600, payable to Resource Management, which Dunbar deposited into his personal account. Dunbar spent the entire \$3,600 by December 29, 2006.

Misrepresentations

19. To induce investors to invest, Dunbar made material false representations. Without these misrepresentations, the investors would not have invested. Dunbar made these misrepresentations primarily in his office or on the telephone, on or about the dates of the investments as identified in paragraphs 12 through 18.h.

a. Dunbar represented to investors that he would place their money in the investments described in paragraphs 12 through 18 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. Dunbar represented to investors that he would place their money in the “investment” described in paragraphs 18 and 18.a through 18.h. 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. These representations were also false

because no such “investment” existed.

Material Omissions

20. Dunbar 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 Dunbar. Dunbar made the material omissions verbally and made them to various investors, but essentially omitted the same information from communications with all investors. Had investors known this omitted information, they would not have invested.

21. Dunbar made these omissions primarily in his office or on the telephone, on or about the dates of the investments as identified in paragraphs 12 through 18.h.

22. Dunbar failed to disclose the following material information:

- a. Information about Dunbar’s financial condition.
- b. That he would not place investor money in a legitimate investment.
- c. That his unspecified and undescribed “great investment” did not exist.
- d. That investor money would be used by Dunbar for his personal expenses or benefit.

COUNT ONE

(Fraud - False and Misleading Statements)

23. The allegations of paragraphs 1 through 22.d. above are realleged and incorporated herein as if set forth verbatim.

24. 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.

25. Dunbar’s misrepresentations to prospective investors as set forth in paragraphs 19

a. through b. above were made in connection with the offer, sale or purchase of securities. Dunbar's misrepresentations were material and were false and misleading, constituting violations of Idaho Code § 30-14-501(2) as to each misrepresentation to each investor.

26. Dunbar'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. Dunbar's omissions of material facts and failures to disclose material information, as specifically set forth in paragraphs 22 a. through d. 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)

27. The allegations of paragraphs 1 through 22.d. above are realleged and incorporated herein as if set forth verbatim.

28. 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.

29. Defendant's acts as set forth in paragraphs 1 through 22.d were made in connection with the offer, sale or purchase of securities. His conduct as described in paragraphs 1 through 22.d 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.

30. Specifically, Dunbar's ongoing misrepresentations and omissions about the investments were designed to perpetuate the fraud. The misrepresentations and omissions were intended to, and did, beguile investors into giving money to Dunbar that he then converted for

his personal use. This scheme began in 2005 and continued at least through December 2007.

31. Dunbar used his professional office as an investment advisor and broker/dealer agent and his relationships with his clients as a means to take advantage of the trust he had built with his clients over time. Knowing that his clients trusted him to make sound financial recommendations, Dunbar 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.

PRAYER FOR RELIEF

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

1. That Dunbar 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 and Two alleged above, as well as any additional counts proven at trial.

2. That Dunbar 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 Dunbar 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 twenty thousand dollars (\$20,000), and that the Court award a money judgment in favor of Plaintiff in such amount.

4. That Dunbar be ordered to make restitution to investors, pursuant to Idaho Code

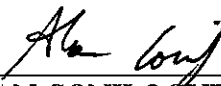
§30-14-603(b)(2)(C), in the amount of one hundred thirty thousand six hundred forty-two dollars (\$130,642), or such other amount as proven at trial. That Dunbar pay the restitution amount to Plaintiff, to be delivered to the investors, and that the Court award a money judgment in favor of Plaintiff in such amount.

5. 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.

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

DATED this 14th day of April, 2010.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



ALAN CONILOGUE
Deputy Attorney General

VERIFICATION

STATE OF IDAHO)
) ss.
County of Ada)

KURT MERRITT, Securities Analyst for the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

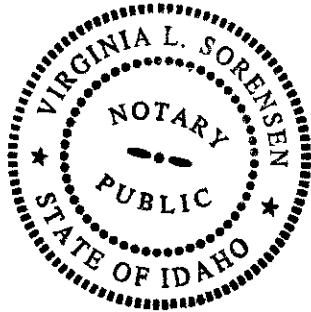
I have read the foregoing Verified Complaint and know the contents thereof, and the same are true to the best of my knowledge and belief.

DATED this 14th day of April, 2010.

Kurt Merritt

KURT MERRITT

SUBSCRIBED AND SWORN to before me this 14th day of April, 2010.



Virginia L. Sorensen

Notary Public for Idaho
Residing at: Caldwell
My Commission Expires: 04/05/2012