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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.)

IDAHO DEVELOPMENT GROUP, INC.,)
an Idaho corporation; and JEREMIAH)
CHRISTIAN YANCY, a/k/a/ JEREMY)
CHRISTIAN GLAUB, JEREMIAH)
CHRISTIAN GLAUB, and JEREMIAH)
C. YANCEY, as president of such)
corporation and as an individual; and JOHN)
DOES 1 through 5, as nominal or relief)
defendants,)
)
Defendants.)

CV 0C 0913894
Case No. _____

VERIFIED COMPLAINT

Fee category: Exempt

COMES NOW the State of Idaho, Department of Finance, Securities Bureau, Gavin M. Gee, Director (Department), Plaintiff herein, by and through its counsel, A. René Martin, Deputy Attorney General, and upon information and belief, complains and alleges as follows:

1. This action is brought pursuant to the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 *et seq.* (IRMPA) and rules promulgated thereunder, and particularly Idaho Code § 26-3106(1), which authorizes the Director to bring an action in any court of competent jurisdiction whenever it appears to the Director that a person has engaged in or is about to engage in any act or practice constituting a violation of the IRMPA, any order issued or rule promulgated under the IRMPA, or federal law or rule related to residential mortgages as set forth in that section. Idaho Code § 26-3106 also authorizes the court to grant relief, including injunctive relief; civil penalties; attorney fees, costs, and investigative expenses; and restitution to borrowers for excess charges or actual damages, upon a showing of any violation referenced in that section.

2. This action is also brought pursuant to Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (IUSA), and in particular Idaho Code § 30-14-603, wherein the Department is authorized to bring a civil action seeking injunctive relief, civil penalties, restitution, and other relief against persons who have either violated or are about to violation provisions of the IUSA.

3. This action is also brought pursuant to the Idaho Commodity Code, Idaho Code § 30-1501 *et seq.* (ICC), and particularly Idaho Code § 30-1511, which authorizes the court to grant relief, including injunctive relief, civil penalties, restitution, and other remedies upon a showing by the Director of the State of Idaho, Department of Finance (Director) that a person has violated, or is about to violate, any provision of the ICC.

JURISDICTION AND VENUE

4. Defendant Jeremiah Christian Yancy, a/k/a Jeremy Christian Glaub, Jeremiah Christian Glaub, and Jeremiah C. Yancey (Yancy), resided in Idaho when the acts alleged herein constituting violations of the IRMPA, IUSA, and the ICC were committed. Several of the borrowers and investors injured by Yancy's violations of such laws resided in Ada County, Idaho at the time such violations occurred.

5. Defendant Idaho Development Group, Inc. (IDG) is an Idaho corporation established by Yancy to further his securities investment scheme. IDG was used by Yancy to materially aid in his violations of the IUSA.

CASE SUMMARY

6. Beginning in approximately January of 2006, Yancy began serving as a lay pastor for a large, Meridian, Idaho-area church (the Church). About a month earlier, in December of 2005, Yancy had become employed by a mortgage broker. His prior work history had included jobs in computer sales, as a church pastor, and as an athletic trainer. On May 31, 2006, Yancy became licensed by the Department as a residential mortgage loan originator. After becoming a lay pastor, Yancy became a prominent figure at the Church. He spoke often to groups associated with the Church about rising above his difficult childhood to become a successful family- and businessman. In furtherance of the image of his financial success, Yancy and his wife drove expensive cars and bought an upscale home. In his capacities as both a lay pastor for the Church and a residential mortgage loan originator, Yancy was able to win the trust of many Idaho residents and others, which trust he leveraged to his personal advantage. Yancy's violations of Idaho financial statutes administered by the Department included violating the IRMPA by making false promises and representations to entice one married couple to refinance their

residential mortgage loan through him, as to which he benefited through residential mortgage loan origination fees. Yancy's actions as to that couple led to a chain of events resulting in the loss of their home. In other cases, Yancy enticed Idaho residents, and others, to refinance their residential mortgage loans and apply their home equity to purported real estate-based investments constituting securities under the IUSA that he offered and sold. Yancy was not properly registered to offer or sell such securities, and such securities were not registered, as required by the IUSA. Further, in offering and selling such securities, Yancy engaged in material misrepresentations and omissions, constituting securities fraud under the IUSA. Yancy convinced another married couple to invest through him in a purported real estate-based investment, then deposited their investment moneys in his and his wife's personal bank account, and spent most or all of the moneys on his personal expenses.

7. As a vehicle to expand his investment scheme, Yancy later established IDG as an Idaho corporation. In offering and selling shares of IDG to investors and prospective investors, Yancy used his capacity as a residential mortgage loan originator to assist prospective investors who lacked cash to invest, in refinancing their residential mortgage loans to access equity in their homes to invest through him, which act constitutes a felony under the IUSA. Through his investment scheme, Yancy gained financially both in receiving residential mortgage loan origination fees pursuant to the mortgage refinancing by some investors, and also by obtaining control of the investors' investment moneys.

8. Yancy then turned to the offer or sale of commodities in the form of foreign currency to Idaho residents and others, some of whom had already invested in securities through him, while he was not properly registered under the ICC to do.

9. Few, if any, of the Idaho residents who invested in securities and/or commodities through Yancy have received any return on their investments, nor the return of their investment principal. In engaging in the acts alleged herein, Yancy violated the IRMPA and rules promulgated thereunder, the IUSA, and the ICC, as set forth more fully below.

FACTS

(A) Defendants

10. Defendant **Yancy** has also used the names Jeremy Christian Glaub, Jeremiah Christian Glaub, and Jeremiah C. Yancey. He was born in Arizona in 1972, but apparently spent some of his childhood in Idaho. Yancy asserts that he attended Bible college between 1995 and 1998. Yancy's past employment history during the time period from March of 1998 to December 15, 2005 included the following: working in computer sales from March 1, 1998 to June 1, 1999; serving as a pastor at a Nampa, Idaho church from June 1, 1999 to November 1, 2003; serving as a pastor at a church in Tucson, Arizona from November 1, 2003 to December 1, 2004; and serving as a trainer at an athletic club in Meridian, Idaho from January 1, 2004 to June 15, 2005. In or around early 2005, Yancy joined the Church, where he became a lay pastor. While serving as a lay pastor for the Church, Yancy occasionally spoke during church services or other church events about overcoming a difficult childhood to become a family man and financially successful. To further that image, Yancy and his wife, Rita Teresa Yancy, drove expensive cars and purchased an upscale home.

11. During the time period between at least June 15, 2005 up to and including his offers and sales of securities to Idaho residents and others in or around 2006, as set forth in the paragraphs that follow, Yancy maintained a poor personal credit rating.

12. In June of 2005, Yancy and Boise, Idaho resident Jason Ashcraft (Ashcraft) established JCO Development, LLC as an Idaho limited liability company. Yancy and Ashcraft formed that company to carry out their plan to purchase a home in need of remodeling, to remodel the home, and then attempt to sell it at a profit. JCO Development, LLC then purchased a home for that purpose. By agreement with Ashcraft, Yancy and his wife lived in the home during the renovation period. Yancy promised Ashcraft that he would pay rent on the home while the renovation was taking place; however, Yancy failed to follow through with that promise, but lived in the home largely rent-free during the home's renovation. Ashcraft found it necessary to provide most of the money and effort needed to remodel the home. In February of 2006, the home was sold with little or no financial gain to Yancy or Ashcraft. In March of 2006, at Ashcraft's request, Yancy withdrew from JCO Development, LLC.

13. In December of 2005, Yancy became employed by a mortgage broker. In March of 2006, Yancy applied to the Department for a residential mortgage loan originator license. On May 31, 2006, the Department issued a residential mortgage loan originator license to Yancy. Such license remained in place until October 31, 2007, when it was terminated due to Yancy's failure to comply with license renewal requirements. While Yancy was licensed as a residential mortgage loan originator in Idaho, he was affiliated with five (5) mortgage broker/lender companies, to include Lighthouse Home Loans, Inc., during the time period from May 31, 2006 to September 12, 2006; and North American Home Funding, Inc., from September 13, 2006 to August 15, 2007.

14. Yancy has never been registered by the Department as an agent to offer or sell securities for or on behalf of an issuer, in or from Idaho, nor is he exempt from such requirement.

Further, Yancy has never registered any security with the Department for offer or sale in or from Idaho.

15. Yancy has never registered under the Idaho Commodity Code to sell or purchase or offer to sell or purchase any commodity in or from Idaho.

16. Yancy recently left Idaho and has informed some of the married couples and/or individuals who invested in securities and/or purchased commodities through him that he does not intend to return to Idaho. Yancy's address last known to the Department is in Colorado Springs, Colorado.

17. Defendant **IDG** was established by Yancy as an Idaho corporation on September 1, 2006. IDG's first annual report was filed with the Idaho Secretary of State (SOS) on or about October 12, 2007, listing Yancy as president. IDG was administratively dissolved by the SOS on December 5, 2008 for failure to file an annual report form by the due date. On January 5, 2009, IDG, through Yancy as its president, applied to the SOS for reinstatement, and on January 22, 2009, the corporation was reinstated. IDG's annual report form, filed by Yancy with the SOS on January 5, 2009, listed Yancy as president. On that same date, Yancy filed a report with the SOS listing directors for IDG for the first time. Such director list included many of the married couples and individuals who had previously invested in IDG.

(B) General Allegations

Yancy's Acts in Violation of the IRMPA

Couple A

18. J.F. and R.F. (Couple A) are a married couple who at all times relevant hereto resided in Meridian, Idaho. Couple A met Yancy through the Church.

19. In or around the winter or spring of 2006, Couple A invited Yancy to dinner at their home. Couple A's residential property consisted of a small acreage on Locust Grove Road in Meridian, Idaho, which included an older home where they lived and a smaller home that they used as a rental (Locust Grove Property). When Yancy saw the Locust Grove Property while joining them for dinner, he told Couple A that they were "sitting on a gold mine" in real estate. Yancy told Couple A that he had been working with real estate developers who might be interested in developing the Locust Grove Property. Yancy said he would "put together some figures" as to how Couple A could make money on the Locust Grove Property.

20. Approximately a week later, Yancy contacted Couple A. He asked Couple A if they had ever considered building a "dream home." Yancy told Couple A that he had located a buyer for the Locust Grove Property, which should bring between \$600,000 and \$800,000. Couple A owed approximately \$180,000 on their residential mortgage loan at that time. Yancy stated that the buyer would want to demolish the older houses on the Locust Grove Property and then subdivide it. He told Couple A that if they were interested in the considerable sum of money they would make on such a deal, they should immediately find a lot and get a builder for their "dream home," because the deal would happen fast. Yancy told Couple A that the first step in the plan he proposed for them in selling the Locust Grove Property and obtaining the moneys necessary to build their "dream home" was to refinance the residential mortgage loan on Couple A's home, pulling out equity to pay off debt and buy a lot upon which their "dream home" would be built. Yancy said that when the buyer he had located had purchased the Locust Grove Property, Couple A would be able to pay off the refinanced mortgage loan, pay for the lot upon which their "dream home" would be built, and have a large sum of money left to apply to building their "dream home."

21. Couple A agreed to the plan Yancy had suggested. Relying on Yancy's representation that he had a buyer for the Locust Grove Property, Couple A proceeded with the steps Yancy had told them to follow. First, they refinanced the residential mortgage loan on the Locust Grove Property through Yancy as a residential mortgage loan originator, taking out a first and a second residential mortgage loan that included approximately \$130,000 in cash to pay off debt and apply toward the purchase of a lot and to the expense of building their "dream home." The fees associated with the refinance amounted to at least \$6,715, including residential mortgage loan origination fees of at least \$4,000 on both loans paid to Yancy.

22. In March of 2006, Couple A's refinance was completed. They applied some of the cash received in the refinance to pay off some debt they owed. Following Yancy's instructions, Couple A then gave \$67,000 of such moneys to J. R., a builder they had located for building their "dream home." J. R. applied approximately \$67,000 of such moneys to purchase, in his own name, a lot in Wilder, Idaho that Couple A had located, where they wanted to build their "dream home." Couple A and J. R. worked with an architect to draw up plans for a \$1,000,000 house to be built on the Wilder lot, and to take steps to prepare the lot for building Couple A's "dream home." Couple A paid the architect at least \$3,000. J. R. obtained a construction loan in his name to begin building Couple A's "dream home." Per Yancy's plan, as he represented it to Couple A, once construction of their "dream home" was complete, Couple A would obtain an "end loan" and purchase the completed home on the Wilder, Idaho lot from J. R.

23. However, after the steps set forth in the previous paragraph had already been taken, Couple A learned that Yancy had misrepresented to them that he had a buyer for the Locust Grove Property. There was no such buyer.

24. The inability to sell the Locust Grove Property left Couple A with serious financial problems, and their relationship with Yancy began to deteriorate. Yancy discussed with Couple A various remaining options for selling the Locust Grove Property, to include: (1) Yancy and J. R. purchasing such Property as a joint project between Yancy and J. R.; (2) Yancy purchasing such Property for himself; and later, (3) IDG purchasing such Property (after Yancy had established that corporation). All three options included Couple A selling the Locust Grove Property for a price much lower than the \$600,000 to \$800,000 figure Yancy had originally led Couple A to believe the sale of the Locust Grove Property would bring. Yancy's representation to Couple A that the sale of the Locust Grove Property would bring between \$600,000 and \$800,000, coupled with Yancy's representation to Couple A that he had a buyer for the Locust Grove Property, was the basis of Couple A's agreement to embark on Yancy's plan for the refinancing of their residential mortgage loan and then the sale of such Property. Couple A declined to sell the Locust Grove Property for the much reduced price Yancy offered under the various scenarios enumerated earlier in this paragraph.

25. Couple A's inability to sell the Locust Grove Property anywhere near the price Yancy had told them it would bring, or at all, caused Couple A to experience a series of losses. Such losses included being forced to give up any claim to the Wilder, Idaho lot, as to which J. R. had made a down payment from Couple's A's moneys but retained in his own name, and causing them to have to "short sell" the Locust Grove Property. The resulting actual damages to Couple A included, but were not limited to: (1) \$6,715 in loan fees for the refinancing of their residential mortgage loan on the Property, to include at least \$4,000 in residential mortgage loan origination fees paid to Yancy; (2) \$67,000 paid to J. R. for the Wilder, Idaho lot; (3) \$3,000 in fees to the architect for the "dream home"; and (4) at least a \$110,000 loss due to their forced

short sale of the Locust Grove Property. The total of such actual damages to Couple A was at least \$186,715. A higher amount may be proved at trial.

Yancy's Offers and Sales of Securities to Idaho Investors and Others

26. As will be set forth more fully below, during the time period in or around the summer and fall of 2006 and continuing through at least the spring of 2007, Yancy offered and sold investments constituting securities in the form of *investment contracts* under the IUSA to Idaho investors and others. Such securities were not registered with the Department as required by the IUSA. Yancy was the issuer of such securities or acted as the agent of the issuer of such securities, while he was not registered with the Department to do so as required by the IUSA. Further, in connection with such offers and sales of unregistered securities, Yancy engaged in securities fraud under the IUSA by misrepresenting and omitting material facts in his representations to investors and prospective investors concerning such securities.

Initial Investors

Couple B (Offerees and Investors)

27. C.K. and M.K. (Couple B) are a married couple who at all times pertinent hereto resided in Emmett, Idaho. Couple B were members of the Church. In or around March of 2006, Couple B became interested in investing in real estate, particularly in investing in an assisted living facility. The Church's pastor told Couple B that Yancy might have some useful information for them concerning investing. Around that time, Couple B approached Yancy about their idea to invest in an assisted living facility. A short time later, Yancy told Couple B that they might be able to invest in real estate through him and double their investment money. Yancy told Couple B that if they invested through him, he would use their investment money for a real estate investment and that their return would be "great." He also told them that it would

take a minimum of two (2) years for the investment to mature. Yancy told Couple B that to invest through him, they would simply need to put up the investment money and he would take care of all the details. Couple B decided to invest through Yancy. Because at that time Couple B lacked cash to invest, Yancy, in his capacity as a residential mortgage loan originator, arranged for the refinancing of Couple B's residential mortgage loan to access money for them to invest through him. Yancy received residential mortgage loan origination fees in the amount of at least \$3,700 in the refinancing transaction. In or about April of 2006, Couple B wrote a check in the amount of \$30,000 made out to Yancy using moneys they obtained through the refinance, and gave the check to him to invest. Yancy failed to apply Couple B's investment moneys to the real estate plan he had proposed or to any other investment; rather, he deposited Couple B's investment moneys into his and his wife's joint personal bank account and spent all or nearly all of such moneys on his personal and family expenses. Several months later, Couple B asked Yancy for the return of their investment principal. Yancy returned \$2,000 of Couple B's investment moneys to them and told them he would return the rest of their investment principal; however, Yancy never did so, nor did he provide any return on Couple B's investment. Couple B eventually lost their home through foreclosure due to the unfavorable residential mortgage loan Yancy had placed them in. Yancy's investment dealings with Couple B constituted the offer and sale of a security under the IUSA. The total losses incurred by Couple B through their investment with Yancy totaled at least \$31,700, taking into account the \$2,000 of their \$30,000 investment principal Yancy had returned to them, or in such other amount as is proven at trial.

Couple C (Offerees and Investors)

28. T.L. and J.L. (Couple C) are a married couple who at all times pertinent hereto resided in Gilbert, Arizona. On or about May 18, 2006, M.K. (of Couple B; see ¶ 27 above), a

friend of Couple C, informed Couple C about Couple B's investment through Yancy and suggested that Couple C contact Yancy if they were interested in investing through him.

29. Couple C and Yancy began a series of communications by telephone and e-mail concerning investing. Yancy told Couple C of an investment opportunity he offered in real estate, which included Couple C using their good credit rating to fund the purchase of a home located at 1311 E. Franklin Road in Boise, Idaho. According to Yancy's representation of the investment plan he offered to Couple C, the existing home on the 1311 E. Franklin Road property would be torn down and a new home would be built on the property, which home would then be sold at a profit that Couple C and Yancy would share. Yancy informed Couple C that they could expect a return of between \$30,000 and \$60,000 on the investment. He told Couple C that they would simply need to put up the investment money and he would take care of all the details concerning the investment. Based on Yancy's representations to Couple C concerning the investment plan he offered, they decided to invest through him.

30. On or about August 30, 2006, Couple C wrote a check to Stewart Title in the amount of \$53,000 as a down payment on the investment project located at 1311 E. Franklin Road, and Yancy, in his capacity as residential mortgage loan originator, arranged for an adjustable rate mortgage loan (ARM) for Couple C in the amount of approximately \$291,000 to buy such real property and eventually build a new home on the property. Yancy received a residential mortgage loan origination fee in the amount of at least \$2,910 for his residential mortgage loan originator services for Couple C. On or around the date that Couple C funded the down payment on the 1311 E. Franklin Road property, Couple C received a bank wire in the amount of \$23,000 originating from L.T. (of Couple H; See ¶¶ 64 through 67 below.) Couple C did not know L.T., but understood the \$23,000 to be a refund of a portion of their \$53,000 down

payment on the mortgage they had taken out for the home on the 1311 E. Franklin Road property, as J.L. (of Couple C) had previously told Yancy that he wanted to limit Couple C's investment with Yancy to no more than \$35,000. Some time after a new home on the 1311 E. Franklin Road property was completed, Couple C learned that Yancy had received an offer to buy such home for \$350,000, but Yancy declined the offer, informing Couple C that he felt more money could be made on the home. Shortly thereafter, the Boise, Idaho housing market dropped substantially, and Yancy, unable to sell the new home built on the 1311 E. Franklin Road property, took it off the market. For a period of time, Yancy attempted to keep renters in the home to cover the mortgage payments owed by Couple C, but the rental income fell behind, and eventually Couple C had to personally meet the mortgage and utility payments on the property. Further, they were left saddled with a residential mortgage loan in negative amortization, with the principal balance increasing substantially each month, and they have been unable to sell the property or modify the loan. Although Yancy had requested that Couple C quitclaim the property to IDG (after he had formed that corporation), they declined to do so. To date, Couple C has paid at least \$38,107.89 in out of pocket expenses to avoid foreclosure on the 1311 East Franklin Road property. Further, Couple C is "underwater" on the mortgage on the property in the amount of \$18,147.48 to date, with that amount increasing monthly. Yancy's investment dealings with Couple C constituted the offer and sale of a security under the IUSA. Couple C's total losses to date resulting from their investment through Yancy are at least \$89,165.37, which amount is increasing monthly due to Couple C's continuing liability for the mortgage payments and ongoing expenses associated with the 1311 East Franklin Road property.

Offerees and Investors in Idaho Development Group, Inc.

31. Sometime during the summer of 2006, Yancy and several members of a social group headed by Yancy that was associated with the Church gathered for a picnic at a park in Nampa, Idaho (2006 Summer Picnic). Yancy told the attendees at the 2006 Summer Picnic that he was a “broker” and had made good money buying properties in a neighborhood located in Boise, Idaho, known as the “North End,” razing the old houses existing on the properties, then building and selling new houses built on the properties. At that time, the real estate market in Boise, Idaho was booming. After the 2006 Summer Picnic, some of the attendees with an interest in investing had discussions with Yancy at the Church or elsewhere concerning Yancy’s investment ideas.

32. In or around the first week of August of 2006, Yancy invited several of the attendees at the 2006 Summer Picnic, as well as other individuals and couples, many of whom were associated with the Church, to a meeting that would be held at Yancy’s home in Nampa, Idaho.

33. On or about August 17, 2006, Yancy held the meeting at his Nampa, Idaho home (August 2006 Meeting). At least twenty (20) people attended the August 2006 Meeting. The attendees included, but may not have been limited to, the following Idaho residents: Couple A; Couple B; Couple D; Couple E; Couple G; Couple H; Couple J; J. R. and J. R. (Couple A’s designated builder and his spouse, and IDG’s designated builder; see ¶ 22 above and ¶ 35 below); K.S. (of Couple F; see ¶¶ 57 through 59 below); O.O; and M.W. Connie Murphy, an accountant, was also present at the August 2006 Meeting.

34. At the August 2006 Meeting, Yancy presented what he referred to as his “vision” of a real estate based investment program that the attendees and possibly others could invest in,

with the hope of a return of between 15 and 100%. Yancy told the attendees that a \$50,000 investment would be required by a minimum of ten (10) investors to fund the investment program, and that the investors would become shareholders in IDG, a corporation that he would establish. Yancy explained that his plan for use of the investors' moneys would be to purchase lots with existing older homes, tear down the existing homes, subdivide the properties, and where appropriate, build "skinny homes" on the properties. Yancy represented that the "skinny homes" would be sold at a profit, which would bring the return on the investors' investment moneys.

35. At the August 2006 Meeting, Yancy told the attendees that the profits from the investment program would be distributed as follows: A percentage would be retained by IDG to further additional purchases and sales of real estate; a percentage would be distributed as a return for the investors; and 10% would be applied as tithing to the Church. Yancy also stated that he would only be paid if the investment was profitable. Yancy stated that he had already obtained some lots for the investment program and had others "lined up." Yancy stated that he had done that type of real estate investment project before, and that the real estate market in the Boise, Idaho area was "hot" for the kind of homes the program would be building and selling. Yancy informed the attendees that a local builder, J. R., who was in attendance at the August 2006 Meeting, would be the builder of the homes on the properties purchased for IDG. J. R. was the builder designed by Couple A to build their "dream home." (See ¶ 22 above.)

36. Also at the August 2006 Meeting, Yancy told the attendees that if they decided to invest and later changed their minds, their investment moneys would be returned to them. Yancy told the attendees that because the investment program's yet-to-be-formed corporation, IDG, had no established credit, it would be necessary for some of the investors to be "guarantors" for a

period of time on real properties to be purchased for IDG. Yancy represented that investors serving as “guarantors” would need to take out a mortgage in their own names on real properties to be purchased for IDG. Yancy told the attendees that the “guarantors” would receive an enhanced return for providing such service. At least one attendee, O. O., “signed up to be a guarantor” at or soon after attending the August 2006 Meeting. Also during the August 2006 Meeting, Yancy represented that the to-be-formed corporation, IDG, would take care of the monthly payments on the mortgages held by the “guarantors,” as well as any other related expenses incurred by the “guarantors” on certain properties that were purchased for IDG.

37. Yancy represented at the August 2006 Meeting that the investors in his investment program (IDG) would be responsible only for putting up the investment money, and that he would take care of the details necessary to bring about the expected return. Yancy provided no written materials to the attendees about the investment program he was offering, nor about his own personal financial situation. He also represented that due to the circumstances of the investment program, securities laws would not apply. In connection with his offer of the investment presented at the August 2006 Meeting, Yancy failed to mention facts material to such investment, as referenced in paragraph 103 below.

38. Approximately two (2) weeks after the August 2006 Meeting, Yancy contacted the attendees, as well as some other individuals or couples who were not in attendance at such Meeting, and solicited investment moneys for his investment program, the terms of which he had presented at the August 2006 Meeting. Yancy told the prospective investors he contacted that if they “want[ed] in, it’s \$50K within two weeks.”

39. The investment that Yancy offered to attendees at the August 2006 Meeting and to others, and later sold to several investors, constituted a security under the IUSA. Yancy’s

pitch to prospective investors to invest in IDG constituted an offer to sell securities under the IUSA. In so doing, Yancy acted in the capacity of agent for the issuer of the securities, IDG being the issuer of such securities.

40. Several of the individuals or couples solicited by Yancy at the August 2006 Meeting later invested in IDG. A few of the offerees decided not to invest, or were unable to obtain the moneys Yancy required to invest in IDG.

41. Couple C, who had previously invested through Yancy by establishing themselves as “guarantors” on real property located at 1311 E. Franklin Road, Boise, Idaho in a real estate investment through Yancy that occurred prior to the August 2006 Meeting (see paragraphs 28 through 30 above), were not present at such Meeting. However, Yancy represented to the attendees at such Meeting that Couple C’s prior investment through him would be considered an investment in IDG, and the property located at 1311 E. Franklin Road, Boise, Idaho, as to which Couple C were “guarantors,” would be an asset of IDG.

42. Paragraphs 43 through 80 that follow set forth details concerning the individuals or couples to whom Yancy offered a security in the form of shares in IDG, and those who actually purchased such security from Yancy.

Couple A (Offerees and “Grandfathered” Investors)

43. The August 2006 Meeting took place during the dealings between Yancy and Couple A concerning the Locust Grove Property, as set forth in paragraphs 18 through 25 above. Despite the strained relationship between Yancy and Couple A, Yancy invited them to attend the August 2006 Meeting, and they did so.

44. At the August 2006 Meeting, Yancy represented to the attendees that the Locust Grove Property would be an asset of IDG and the first real property to be developed by IDG,

notwithstanding the fact that such Property was still owned by Couple A, and no agreement had been made for IDG to buy the Locust Grove Property from them. Despite such representation, Yancy informed Couple A at or around the time of the August 2006 Meeting that Couple A would be required to pay \$50,000 to invest in IDG. Couple A informed Yancy that they were not in a position to invest \$50,000 in IDG because of their impaired financial situation due to the failure to sell the Locust Grove Property. Yancy expressed dissatisfaction with that information, but later told Couple A that he would “grandfather them in” as investors in IDG, and that they could pay him the \$50,000 necessary for the investment after they had sold the Locust Grove Property.

45. Couple A were never able to obtain the additional \$50,000 Yancy required for them to invest in shares of IDG, so they did not make a cash investment in shares of IDG.

M.W. (Offeree)

46. M.W. is a realtor who at all times pertinent hereto lived in Caldwell, Idaho. M.W. met Yancy through real estate business dealings prior to 2006, and had previously discussed investing in real estate with Yancy.

47. M.W. attended the August 2006 Meeting where Yancy represented the terms of an investment in IDG to the attendees.

48. After considering the investment terms Yancy presented at the Meeting, M.W. saw several “red flags” and decided not to invest.

Couple D (Offerees and Investors)

49. J.N. and L.N. (Couple D) are a married couple who at all times pertinent hereto lived in Meridian, Idaho. L.N. is M.W.’s sister. Couple D met Yancy through M.W.

50. Couple D attended the August 2006 Meeting where Yancy represented the terms of an investment in IDG to the attendees.

51. A short time after attending the August 2006 Meeting, Couple D decided to invest in Yancy's investment program. Because Couple D did not have cash available to invest, Yancy, in his capacity as a residential mortgage loan originator, assisted them with refinancing the mortgage on their home to access money to invest in IDG. Yancy received a residential mortgage loan origination fee in the amount of at least \$1,000 for doing so.

52. In or around September of 2006, Couple D delivered to IDG's accountant, Connie Murphy, a check in the amount of \$20,000 made out to IDG, which money was derived from the refinance of Couple D's residential mortgage loan, as an investment in that company.

53. Couple D later reconsidered their decision to invest in IDG, and asked Yancy for the return of their investment money. In or around late October of 2006, Connie Murphy, as accountant for IDG, wrote a check in the amount of \$20,000 to Couple D on the IDG bank account, which check she delivered to Couple D as the return of their investment money. While Couple D received the return of their investment principal, they experienced a loss of at least \$1,000, the amount of the residential mortgage loan origination fee they had paid to Yancy for his residential mortgage loan origination services in connection with the refinancing transaction that provided the source of the money they invested in IDG.

Couple E (Offerees and Investors)

54. G.W. and D.W. (Couple E) are a married couple who at all times pertinent hereto resided in Nampa, Idaho, and are members of the Church. Couple E knew Yancy as the Church's lay pastor. Couple E attended the August 2006 Meeting where Yancy represented the terms of his investment in IDG to the attendees.

55. In or around September of 2006, Couple E decided to invest in IDG. Because Couple E did not have the \$50,000 in cash that Yancy represented as necessary to invest in IDG, they refinanced the mortgage loan on their residence through a residential mortgage loan originator other than Yancy. Later in September of 2006, using moneys obtained from the equity in their residence through the refinance, Couple E wrote a check to IDG in the amount of \$50,000 and gave it to Yancy as an investment IDG. On or about October 1, 2006, Yancy gave Couple E a certificate indicating that they owned 5,000 shares of IDG.

56. A few months after investing in IDG, Couple E asked Yancy if their investment principal could be returned to them. Yancy responded by stating that it was “too late”—that other investors had requested that their investment moneys be returned, but it was not possible to do so because the moneys were “all wrapped up.” Couple E have received no return on their investment in Yancy’s investment program, nor the return of their principal investment of \$50,000. Couple E has experienced losses associated with their investment in IDG totaling at least \$50,000 in investment principal.

Couple F (Offerees and Investors)

57. K.S. and C.S. (Couple F) are a married couple who at all times pertinent hereto resided in Boise, Idaho. Couple F are members of the Church, and knew Yancy from their membership in the Church. Couple F had an interest in investing in real estate, and K.S. attended the August 2006 Meeting where Yancy represented the terms of an investment in IDG to the attendees.

58. A short time after K.S. attended the August 2006 Meeting, Couple F decided to invest in IDG. To obtain the money necessary to invest, Couple F refinanced the mortgage on their residence through Yancy, in his capacity as a residential mortgage loan originator. Couple

F then wrote a check to IDG in the amount of \$60,000, using funds taken from the equity in their home through the refinance transaction, and gave the check to Yancy. Yancy later gave Couple F a certificate indicating that they had purchased 5,000 shares in IDG. Yancy represented to Couple F that because they had paid \$10,000 more to purchase 5,000 shares in IDG than other investors, they would receive a higher return on their investment than the investors who paid a lesser amount for the same number of shares.

59. Couple F have received no return on their investment in Yancy's investment program, nor the return of their principal investment of \$60,000. Couple F have experienced losses associated with their investment in IDG totaling at least \$60,000 in investment principal or such other amount as is proven at trial.

Couple G (Offerees and Investors)

60. G.F. and S.F. (Couple G) are a married couple who at all times pertinent hereto resided in Nampa, Idaho, and are members of the Church. G.F. met Yancy at the Church, and the two often discussed working together to build houses.

61. Couple G attended the August 2006 Meeting where Yancy represented the terms of an investment in IDG to the attendees. After considering Yancy's representations, Couple G decided to invest in IDG.

62. In or about October of 2006, Couple G wrote a check for \$50,000 made out to IDG and gave the check to Connie Murphy, IDG's accountant, as an investment in IDG. Couple G obtained the \$50,000 in investment moneys from the sale of investment property, and also through refinancing their residential mortgage loan through Yancy as a residential mortgage loan originator. Yancy received a residential mortgage loan origination fee of at least \$2,080 in connection with Couple G's refinancing transaction.

63. On or about April 22, 2009, G.F. asked Yancy for the return of Couple G's investment principal. Yancy failed to return Couple G's investment moneys to them. Couple G have received no return on their investment in Yancy's investment program, nor the return of their principal investment of \$50,000. Couple G has experienced losses associated with their investment in IDG totaling at least \$52,080.

Couple H (Offerees and Investors)

64. M.T. and L.T. (Couple H) are a married couple who at all times pertinent hereto resided in New Plymouth, Idaho. Couple H met Yancy through Couple B, who are L.T.'s parents. Couple H are not members of the Church.

65. Couple H attended the August 2006 Meeting where Yancy represented the terms of an investment in IDG to the attendees. After considering Yancy's representations about investing in IDG as presented at such Meeting, Couple H later informed Yancy that they wanted to invest in IDG.

66. On or about August 29, 2006, following Yancy's instructions concerning the steps required for Couple H to invest in IDG, L.T. wired \$23,000 to Couple C. (See ¶ 30 above.) Then on or about September 8, 2006, Couple H wrote two (2) checks made out to IDG, in the amounts of \$22,000 and \$5,000, bringing their total investment in IDG to \$50,000. The source of Couple H's \$50,000 in investment moneys was a refinancing of their residential mortgage loan through Yancy's services as a residential mortgage loan originator. Couple H paid a residential mortgage loan origination fee to Yancy for such services in an amount to be proven at trial.

67. On or about April 22, 2009, Couple H asked Yancy to return their \$50,000 investment principal, but Yancy failed to return such moneys to Couple H. The losses

experienced by Couple H associated with their investment in IDG total at least their principal investment of \$50,000, plus the residential mortgage loan origination fee they paid to Yancy, or such other amount as is proven at trial.

Couple I (Offerees and Investors)

68. B.C. and R.C. (Couple I) are a married couple that at all times pertinent hereto resided in Nampa, Idaho. B.C. met Yancy through the Church and through friends. B.C. had occasionally discussed investments with Yancy.

69. Couple I did not attend the August 2006 Meeting. In approximately the spring of 2007, Yancy approached B.C. about investing in IDG, giving B.C. essentially the same details about the investment program that he gave to prospective investors at the August 2006 Meeting. Yancy gave B.C. no written materials about the investment program.

70. In approximately May of 2007, Couple I decided to invest in IDG. Couple I wrote a check in the amount of \$40,000, which they delivered to Yancy as an investment in IDG. Couple I obtained the investment money from a refinance of the mortgage loan on their residence through Yancy as a residential mortgage loan originator. Yancy received a residential mortgage loan origination fee of at least \$1,320 on the refinancing transaction.

71. Couple I have received no return on their investment in IDG, nor the return of their principal investment of \$40,000. Couple I have experienced losses associated with their investment in IDG total of at least \$41,320.

O.O. (Offeree and Investor)

72. O.O. at all times pertinent hereto resided in Nampa, Idaho, and in 2006 became acquainted with Yancy through O.O.'s membership in the Church.

73. O.O. attended both the 2006 Summer Picnic and the August 2006 Meeting, at which Meeting he heard Yancy represent the details of an investment in IDG. During or soon after the August 2006 Meeting, O.O. agreed to serve as a “guarantor” on one of the real properties that Yancy wished to purchase for IDG, which property was located at 3031 Anderson, Boise, Idaho. O.O. took out both first and second mortgages to purchase that real property as an investment in IDG. Later, at Yancy’s suggestion, O.O. quitclaimed that property to IDG, while remaining liable on both the first and second mortgage loans.

74. O.O. later decided to make another investment in IDG. In approximately September of 2006, O.O. accessed money from a home equity line of credit, and invested \$50,000 in cash in IDG. O.O. sent a cashier’s check in that amount made out to IDG, which he gave to Yancy.

75. On or about April 22, 2009, O.O. asked Yancy for the return of his investment money. Yancy failed to return O.O.’s investment principal, and O.O. has received no return on his \$50,000 investment in IDG. Both the first and second mortgages O.O. took out on the real property located at 3031 Anderson in Boise, Idaho are now in default. O.O.’s losses from his investments through Yancy total at least \$50,000, plus the amount of damages he has incurred due to losses associated with his purchase for IDG of the real property located at 3031 Anderson in Boise, Idaho, which property he purchased on behalf of IDG. The total amount of O.O.’s losses associated with investing through Yancy in IDG will be proven at trial.

Couple J (Offerees)

76. R.F. and C.F. (Couple J) are a married couple that at all times pertinent hereto lived in Nampa, Idaho. Couple J belong to the Church and met Yancy there. Couple J attended church-related meetings at Yancy’s home in Nampa, Idaho, where they first heard Yancy discuss

investing in real estate. Yancy told Couple J that he had invested in a couple of homes, the investments were going well, and that he wanted to expand.

77. Couple J attended the August 2006 Meeting at Yancy's home in Nampa, Idaho, where Yancy represented the terms of his investment program to the attendees.

78. Couple J found the terms of the investment Yancy proposed at the August 2006 Meeting to be confusing and decided not to invest.

Offerees and Purchasers of Securities Who Are Currently Unknown

79. During the time period between the summer of 2006 and the present date, Yancy offered and sold interests in IDG to prospective investors and investors not yet known or identified, while such securities were not registered, while he was not properly registered with the Department to do so, and as to which he engaged in securities fraud in the offer and sale of such securities, as will be proven at trial.

80. The aggregate amount of investors' losses through their investments in IDG known at this time is \$425,265.37, which amount is increasing daily.

Yancy's Offers and Sales of Commodities to Idaho Residents and Others

81. During the time period between November 1, 2006 and the current date, Yancy sold or purchased or offered to sell or purchase commodities in the form of foreign currency (Forex) contracts for investment purposes in or from Idaho to at least seven (7) different investors or prospective investors who resided in Idaho, while Yancy was not registered to do so as required by the ICC, and while he failed to qualify for an exemption from that requirement.

COUNT ONE

(Misrepresentation in Connection with a Residential Mortgage Loan)

82. The allegations of paragraphs 18 through 25 above are realleged and fully incorporated herein by this reference.

83. Idaho Code § 26-3114A(7) provides no residential mortgage loan originator licensee or person required to be so licensed shall engage in any misrepresentation in connection with a residential mortgage loan.

84. Rule 60.01.a. of the Rules Pursuant to the Idaho Residential Mortgage Practices Act, located at IDAPA 12.01.10.060.01.a., provides, in pertinent part, that it is a prohibited practice for any licensee or person required to be licensed under the IRMPA to make any representation or statement of fact, if the representation is false or misleading or has the tendency or capacity to be misleading, or if the licensee does not have sufficient information upon which a reasonable belief in the truth of the representation could be based.

85. Yancy's misrepresentation to Couple A that he had a buyer for the Locust Grove Property, which misrepresentation led Couple A to refinance the residential mortgage loan on such Property using Yancy's services as a residential mortgage loan originator, and to a sequence of events that led Couple A to lose their home to a short sale, as well as incur other significant damages, as set forth in paragraphs 18 through 25 above, constituted a violation of Idaho Code § 26-3114A(7).

86. Yancy's misrepresentation to Couple A that he had a buyer for the Locust Grove Property, as referenced in paragraph 85 and elsewhere above, constituted a false or misleading representation, or a representation that had the tendency or capacity to be misleading, or a representation that Yancy did not have sufficient information upon which a reasonable belief in the truth thereof could be based, within the meaning of and in violation of Rule 60.01.a., as set forth in paragraph 84 above.

87. Each of Yancy's violations of the IRMPA and rules promulgated thereunder constitutes a separate violation.

COUNT TWO
(Failure to Register Security)

88. The allegations of paragraphs 26 through 80 above are realleged and fully incorporated herein by this reference.

89. Idaho Code § 30-14-301(c) provides that it is unlawful for a person to offer or sell a security in Idaho unless the security is registered under the IUSA.

90. The securities offered and sold by Yancy to Couple B, Couple C, and to investors in IDG, as reflected in paragraphs 26 through 80 above, were not registered with the Department, constituting a violation of Idaho Code § 30-14-301(c) of the IUSA.

91. Each offer and sale constitutes a separate violation.

COUNT THREE
(Transacting Securities Business in Idaho without Proper Registration)

92. The allegations of paragraphs 26 through 80 above are realleged and fully incorporated herein by this reference.

93. Idaho Code § 30-14-402(a) provides that it is unlawful for an individual to transact securities business in this state as an agent unless the individual is registered under the IUSA as an agent or is exempt from registration as an agent under subsection (b) of that section.

94. Idaho Code § 30-14-102(2) defines “agent,” in pertinent part, as:

[A]n individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or who represents an issuer in effecting or attempting to effect purchases or sales of the issuer’s securities. A partner, officer, or director of a broker-dealer or issuer, or an individual having a similar status or performing similar functions is an agent only if the individual otherwise comes within the term.

95. Idaho Code § 30-14-102(17) defines “issuer,” in pertinent part, as a person that issues or proposes to issue a security.

96. In offering and selling the securities to Couple B, Couple C, and investors and prospective investors in IDG, as referenced above, Yancy violated Idaho Code § 30-14-402(a) by transacting securities business in Idaho as an agent of the issuer of such securities without having registered with the Department to authorize him to do so under the IUSA.

97. Each offer or sale constitutes a separate violation.

COUNT FOUR
(Securities Fraud – Employing a Device, Scheme, or Artifice to Defraud)

98. The allegations of paragraphs 26 through 80 above are realleged and fully incorporated herein by this reference.

99. Idaho Code § 30-14-501(1) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to employ a device, scheme, or artifice to defraud.

100. Yancy's real estate investment scheme(s), with regard to the investors and prospective investors referenced in paragraphs 26 through 80 above, were designed and implemented primarily to benefit Yancy and to defraud investors or prospective investors. Benefits to Yancy included Yancy earning residential mortgage loan origination fees in his refinancing of prospective investors' residential mortgage loans to access equity from their homes to invest through him; gaining control of investors' investment moneys to spend as Yancy saw fit, to include applying some of such moneys to pay Yancy's personal expenses; and Yancy's acts of misrepresenting and omitting material facts concerning the securities he offered or sold to investors. Most of Yancy's investors have lost their entire principal investment, and some have experienced additional out-of-pocket losses that are continuing, as well as damage to their credit ratings. Thus, Yancy's investment scheme constituted a device, scheme, or artifice to

defraud prospective investors and those investors who purchased the securities Yancy offered or sold, in violation of Idaho Code § 30-14-501(1).

COUNT FIVE
(Securities Fraud – Material Misrepresentations)

101. The allegations of paragraphs 26 through 80 are realleged and fully incorporated herein by this reference.

102. Idaho Code § 30-14-501(2) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of a material fact.

103. In connection with the offers and sales of securities consisting of an investment in IDG, as alleged in paragraphs 26 through 80 above, Yancy made the following untrue statements of material fact:

- (a) That an investor would receive his investment moneys back upon request;
- (b) That investors would receive a good return on their principal, ranging from 15 to 100%, with no basis upon which to base that projection;
- (c) That he had previously successfully invested in real estate in the Boise, Idaho market;
- (d) That Yancy would be paid only if IDG was profitable;
- (e) That securities laws would not apply to an investment in IDG; and
- (f) Such other untrue statements of material fact as are proven at trial.

104. Each misrepresentation constitutes a separate violation.

COUNT SIX
(Securities Fraud - Material Omissions)

105. The allegations of paragraphs 26 through 80 above are realleged and fully incorporated herein by this reference.

106. Idaho Code § 30-14-501(2) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to omit to state a material fact.

107. In connection with his offers and sales of securities consisting of an investment in IDG, as alleged in paragraphs 26 through 80 above, Yancy omitted the following material facts:

- (a) That the security Yancy offered and sold was not registered with the Department;
- (b) That Yancy was not registered with the Department to offer or sell securities in or from Idaho;
- (c) That Yancy had a poor personal credit rating;
- (d) That Yancy's experience in real estate investing consisted of his experience participating with a partner in buying an older home in Boise, Idaho's North End, renovating and selling such home, barely breaking even on the deal;
- (e) That Yancy had a conflict of interest in steering prospective investors to access their home equity to obtain investment moneys to invest through him in that he was a residential mortgage loan originator who would personally benefit financially through residential mortgage loan origination fees he would receive on any residential mortgage loans he

- originated for investors needing to access funds from their home equity in order to invest through him;
- (f) That investors who desired to withdraw from the program and receive their investment funds back would not be able to do so;
 - (g) That Yancy would use some of the investor funds to pay for his personal expenses;
 - (h) That investors would pay varying amounts to purchase the same number of shares in IDG;
 - (i) That the investors serving as “guarantors” could ultimately be left responsible for making mortgage payments and paying related expenses on the properties they purchased for IDG if Yancy or IDG ceased covering such payments;
 - (j) That Yancy could later withdraw from running and managing IDG if it proved unsuccessful, leaving investors on their own in a down real estate market;
 - (k) That Yancy had deposited in his personal checking account investment moneys given to him by the Couple B, failed to apply such moneys to the investment he had represented, and applied most or all of the same to payment of his personal expenses;
 - (l) That IDG would not hold title to all properties asserted to be properties of the corporation;

(m) That accepting investment moneys derived from the equity in a person's home in connection with securities fraud constitutes a felony under Idaho's securities laws;

(n) Such other material omissions as are proved at trial.

108. Each of Yancy's material omissions referenced in paragraph 107 above constitutes a separate violation.

COUNT SEVEN

Offer or Sale of Commodities by Unregistered Salesperson

109. The allegations of paragraph 81 above are realleged and fully incorporated herein by this reference.

110. Idaho Code § 30-1502 provides that no person shall sell or purchase or offer to sell or purchase any commodity under any commodity contract or offer to enter into or enter into as seller or purchaser any commodity contract, except as provided in §§ 30-1503 or 30-1504, Idaho Code.

111. Idaho Code §§ 30-1503 and 30-1504 set forth exemptions from the requirements of § 30-1502 for certain persons and transactions. Yancy failed to qualify for such exemptions.

112. Idaho Code § 30-1501(3) defines "commodity" to include "any foreign currency" (e.g., Forex).

113. The investments in foreign currency Yancy offered and/or sold to Idaho residents and others as set forth in paragraph 81 above constitute commodity contracts within the meaning of Idaho Code 30-1501(4)(a). Yancy failed to qualify for an exemption pursuant to Idaho Code §§ 30-1503 or 30-1504, constituting a violation of Idaho Code § 30-1502.

114. Each of Yancy's offers and sales of commodity contracts to Idaho residents constitutes a separate violation.

PRAYER FOR RELIEF

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

IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT VIOLATIONS

1. That Defendant Yancy be adjudged to have violated the IRMPA and rules promulgated thereunder, as alleged in Count One above;

2. That Defendant Yancy be permanently enjoined from engaging in any act or practice violating the IRMPA or any rule promulgated thereunder, pursuant to Idaho Code § 26-3106(1)(a), to include engaging in any misrepresentation in connection with a residential mortgage loan, as set forth in Idaho Code § 26-3114A(7);

3. That Defendant Yancy be ordered to pay a civil penalty of \$5,000 for each violation of the IRMPA and rule promulgated thereunder, pursuant to Idaho Code § 26-3106(1)(b);

4. That Defendant Yancy be ordered to pay to the Director costs, including investigative expenses and attorney fees incurred in prosecuting Yancy's violations of the IRMPA and rules promulgated thereunder, and that the sum of \$3,000 is a reasonable sum therefor, should this matter go by default;

5. That Defendant Yancy be ordered to make restitution to the Department on behalf of all persons injured by his violations of the IRMPA and any rules promulgated thereunder, pursuant to Idaho Code § 26-3106(1)(e) in the amount of at least \$186,715, or in such other amount as is proven at trial.

IDAHO'S UNIFORM SECURITIES ACT (2004) VIOLATIONS

6. That the Defendants be adjudged to have violated the IUSA as alleged in Counts Two through Six above;

7. That the Defendants be permanently enjoined from engaging in any act or practice violating any provision of the IUSA or any rule promulgated thereunder, pursuant to Idaho Code § 30-14-603(b)(1), and in particular, that they be permanently enjoined from:

- (a) Selling or offering for sale nonexempt securities in any form in the state of Idaho without first registering the same with the Department in accordance with the IUSA;
- (b) Selling or offering for sale nonexempt securities in any form in the state of Idaho as the agent of an issuer or in any other capacity without first becoming registered with the Department in accordance with the IUSA;
- (c) In connection with the offer, sale or purchase of any security, directly or indirectly:
 - i. Employing any device, scheme, or artifice to defraud;
 - ii. Making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; and
 - iii. Engaging in any act, practice or course of business that operates or would operate as a fraud or deceit upon another person.

8. That the Defendants jointly and severally be ordered to pay a civil penalty to the Department in the amount of \$10,000 for each violation of the IUSA as set forth above or proven at trial, pursuant to Idaho Code § 30-14-603(b)(2)(C);

9. That the Defendants jointly and severally be ordered to pay to the Department as restitution for injured investors, pursuant to Idaho Code 30-14-603(b)(2)(C), the amount of \$425,265.37, or such amount as is proven at trial;

10. That the court order that the Defendants' assets be frozen; that a receiver be appointed for the Defendants' assets; and that such receiver take charge and control of the Defendants' property, including investment accounts and accounts in a depository institution, rents, and profits; and to acquire and dispose of such property for the benefit of injured investors, pursuant to Idaho Code § 30-14-603(b)(2)(A) and –(B);

11. That the court order that the Defendants pay to the Department prejudgment and postjudgment interest;

12. That the Department be awarded attorney fees and costs incurred in the preparation and the prosecution of this action, pursuant to Idaho Code § 12-121. Should judgment be taken by default herein, the Department asserts that \$5,000 is a reasonable sum for such attorney fees and costs; and

13. That the court award the Department a money judgment for all moneys it finds payable to the Department by the Defendants under the IUSA in this action.

IDAHO COMMODITY CODE VIOLATIONS

14. That Defendant Yancy be adjudged to have violated the Idaho Commodity Code, Idaho Code § 30-1501 *et seq.*, rules promulgated thereunder, and other applicable federal laws

and regulations as set forth above or as proven at trial, as to Count Seven alleged above, as well as any additional counts under the Idaho Commodity Code as proven at trial;

15. That Defendant Yancy be permanently enjoined from offering or selling any commodity in or from Idaho or to Idaho residents without having first obtained the proper registration required by the Idaho Commodity Code;

16. That Defendant Yancy be permanently enjoined from engaging in any act or practice violating any provision of the Idaho Commodity Code or any rule promulgated thereunder, pursuant to Idaho Code § 30-1511(1)(b), and in particular, that he be permanently enjoined from selling or offering for sale commodities in any form in or from the state of Idaho or to Idaho residents without first having obtained the proper registration required by the Idaho Commodity Code;

17. That Defendant Yancy be ordered to pay to the Department a civil penalty in the amount of \$25,000 for each violation of the Idaho Commodity Code, or \$100,000 for multiple violations in a single proceeding or a series of related proceedings, pursuant to Idaho Code § 30-1511;

18. That Defendant Yancy be ordered to disgorge all moneys rightfully belonging to the victims of his violations of the Idaho Commodity Code, in the total amount as is proven at trial, pursuant to Idaho Code § 30-1511(1)(b)(ii);

19. That Defendant Yancy be ordered to pay restitution to the Department for the benefit of investors wishing restitution, resulting from his violations of the Idaho Commodity Code, pursuant to Idaho Code § 30-1511(b)(iv), in such amount as is proven at trial;


20. That a receiver be appointed for Defendant Yancy's assets, pursuant to Idaho Code § 30-1511(b)(v);

21. That the Department be awarded attorney fees and costs incurred in the preparation and the prosecution of this action, pursuant to Idaho Code § 12-121. Should judgment be taken by default herein, the Department asserts that \$1,000 is a reasonable sum for such attorney fees and costs; and

22. That the Court award the Department a money judgment for all moneys it finds payable to the Department by Defendant Yancy resulting from his violations of the Idaho Commodity Code as alleged in this action.

DATED this 23rd day of July, 2009.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL


A. RENE MARTIN
Deputy Attorney General

VERIFICATION

STATE OF IDAHO)
) ss.
County of Ada)

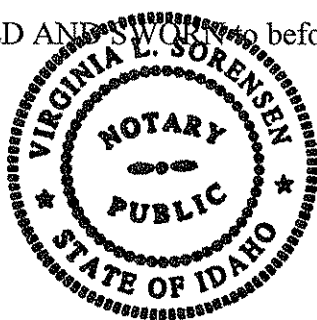
MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the State of Idaho,
Department of Finance, being first duly sworn, deposes and says:

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

DATED this 22nd day of July, 2009.

Marilyn T. Chastain
MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 22nd day of July, 2009.



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