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J HEIDEMAN, DEPUTY

LAWRENCE G. WASDEN
Attorney General

ALAN CONILOGUE
Deputy Attorney General
State of Idaho
P. O. Box 83720
Boise, ID 83720-0031
Telephone: 208.332.8093
Fax: 208.332.8016
ISBN 3196
alan.conilogue@finance.idaho.gov

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

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

JASON WINWAR LEE, individually and
dba ELITE VENTURES LLC,

Defendant.

Case No. CV11-8888

VERIFIED COMPLAINT

Fee category: Exempt

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

1. This action is brought pursuant to Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), and in particular Idaho Code § 30-14-603, wherein the

Department is authorized to bring actions seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the Act or any rule promulgated thereunder.

2. Jason W. Lee (Lee) is an individual residing in Nampa, Canyon County, Idaho who sometimes conducted business as Elite Ventures LLC (Elite), a limited liability company formed under the laws of the State of Idaho, with a primary place of business in Star, Ada County, Idaho. The acts and practices herein comprising violations of law by the above-named defendant occurred in Ada County and elsewhere in the state of Idaho.

CASE SUMMARY

3. The Department alleges that Lee issued securities in the form of joint venture agreements and investment contracts to six (6) investors, in an aggregate amount of four hundred ninety-eight thousand dollars (\$498,000). Between July 2006 and May 2007, Lee solicited and accepted investor money and sent it to a Utah company named Paragon Investments, Inc. (Paragon), which in turn sent it to a New York company named Overseas Investors, LLC. Paragon was to pay Lee 4% monthly, or 48% annual, interest on the money. Lee in turn was to pay the investors 3% monthly interest (36% annually), keeping the 1% difference for himself.

4. Lee defrauded investors by misrepresenting the investment and by omitting material information from the investor solicitations. Lee failed to register these securities, and Lee failed to register as a securities broker-dealer or agent, as required by law. Although Paragon made its payments for a time to Lee, and Lee also made payments for a time to his investors, the scheme eventually collapsed. Paragon is not paying Lee, and Lee is not paying his investors. Despite demand, the invested funds have not been returned.

DEFENDANT

5. Defendant Jason Lee graduated from Nampa High School in Nampa, Idaho in 1999. He attended Boise State University through 2003. In 2005, Lee went to work for Edmond Urwin Mortgage as a loan officer, and worked there through September, 2007. Lee currently resides on Bonner Drive in Nampa, Idaho.

FACTS

6. Lee formed Elite on April 17, 2006, and shortly thereafter entered into a joint venture agreement with Paragon, a Utah corporation. The agreement provided that Lee would send money to Paragon, and that Paragon would pay Lee 4% monthly (48% annually) on amounts invested.

7. Paragon, like Lee, took investor funds and forwarded them along to another entity; Thomas Bannon, doing business in New York as Overseas Investors, LLC.

8. To raise money to place with Paragon, Lee soon began offering and issuing securities to individuals in the form of "Financial Joint Venture Agreement[s]." These agreements provided that Lee would pay investors 3% monthly (36% annually). Thus, Lee was able to solicit investor money, forward it to Paragon, earn 4% monthly on it and pay out 3% monthly, thereby netting 1% monthly on investor money.

9. Paragon stopped paying interest sometime around September 2007. Lee continued to pay his investors for a time, but eventually stopped. Lee still owes an aggregate of three hundred forty thousand five hundred ninety dollars (\$340,590).

10. Lee used new investor money to pay prior investors as a means to perpetuate the scheme.

11. Lee used some investor money for his personal expenses, instead of sending it to

Paragon.

12. In order to beguile investors into signing the agreements, Lee made the misrepresentations set forth below. Lee also omitted from his sales pitch important information necessary to make an informed investment decision. These misrepresentations and omissions were made at various locations and at various times, but all were made in or around Boise, Meridian, Star, and Nampa, Idaho. The misrepresentations and omissions were made, typically, in the days preceding a given investment.

13. The joint venture between Lee and Paragon, and the Financial Joint Venture Agreements between Lee and individual investors, created a common enterprise whereby the investor would earn a return simply by providing the money. The investor was not expected to expend any effort to obtain the return, other than transferring the investment funds. The agreements thus constituted investment contracts.

14. Lee, at all times material herein, was not registered with the State of Idaho or the National Association of Securities Dealers (NASD) (now known as the Financial Industry Regulatory Authority, or FINRA) as a broker/dealer, or as a broker/dealer agent.

15. The securities issued by Lee were not registered with the State of Idaho or the NASD/FINRA.

Misrepresentations

16. To induce investors to invest, Lee made certain representations. These representations were false.

a. Lee represented to some investors that the investment was risk free or low risk, and the invested principal was safe. This was false because the investment was not risk free or low risk. Further, Lee has stopped paying the agreed interest and cannot return the invested

funds because he cannot get investor money back from Paragon. An investment that does not pay the expected return and that loses the investors' money is not risk free.

b. Lee represented that the investor could withdraw all or part of the invested funds upon 30 days written notice. This was false because investors have been unable to withdraw their funds, despite requests. Several investors have asked for return of their funds, but Lee has not returned the money.

c. Lee told at least some investors that the investment was based on banking, bank arbitrage, and/or overnight funds trading between the United States and Europe. However, Lee did not place investor funds in any bank or with anyone who participated in banking, bank arbitrage, or overnight funds trading. Lee placed the funds with Paragon, which in turn sent the funds to Overseas Investments, LLC in New York.

Material Omissions

17. Lee 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 Lee. Lee failed to disclose the following material information:

- a. Information about Lee's financial condition or operating history;
- b. That investor money would eventually be forwarded to an entity or entities about whom Lee knew nothing;
- c. Information about Paragon's, Overseas Investment's, and Thomas Bannon's financial condition or operating history;
- d. That Lee had no ability to track and monitor investor funds to ensure that investor money was being used for appropriate and legitimate purposes;
- e. That new investor money may be used to make interest payments to prior

investors;

f. The amount and type of compensation paid to Lee;

g. That Lee would use investor money for his personal expenses;

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

i. That the joint venture agreements were securities issued by Lee, but were not registered as required by Idaho's Uniform Securities Act (2004).

Investors

18. Beginning in the summer of 2006, and continuing through at least May 2007, Lee solicited and/or issued unregistered securities to at least six investors.

19. Investor H.P. invested fifty-nine thousand dollars (\$59,000) with Lee on November 14, 2006, and invested another fifty-nine thousand dollars (\$59,000) on December 14, 2006. H.P. received sixty-five thousand nine hundred ten dollars (\$65,910) in interest payments, and sustained a net loss of fifty-two thousand ninety dollars (\$52,090). Lee's misrepresentations and omissions of material facts were made in conversations between Lee and H.P. that occurred in the days preceding the investments.

20. H.P.'s first investment was deposited into Lee's bank account and co-mingled with a deposit of fifty thousand dollars (\$50,000) from investor R.B. Of that one hundred nine thousand dollars (\$109,000), Lee sent eighty-nine thousand dollars (\$89,000) to Paragon, and transferred twenty thousand dollars (\$20,000) to himself. The Department finds no evidence that H.P.'s December investment was sent to Paragon, and therefore alleges on information and belief that Lee unlawfully converted the fifty-nine thousand dollars (\$59,000) for his own purposes.

21. Investor G.R. invested one hundred thousand dollars (\$100,000) with Lee on

April 11, 2007, and invested another fifty thousand dollars (\$50,000) on May 11, 2007. G.R. received twenty-six thousand five hundred dollars (\$26,500) in interest payments, and sustained a net loss of one hundred twenty-three thousand five hundred dollars (\$123,500). Lee's misrepresentations and omissions of material facts were made in conversations between Lee and G.R. that occurred in the days preceding the investments.

22. Investor J.R. invested fifty thousand dollars (\$50,000) with Lee on May 9, 2007. J.R. received seven thousand five hundred dollars (\$7,500) in interest payments, and sustained a net loss of forty-two thousand five hundred dollars (\$42,500). Lee's misrepresentations and omissions of material facts were made in conversations between Lee and J.R. that occurred in the days preceding the investment.

23. Investor W.B. invested fifty thousand dollars (\$50,000) with Lee on May 9, 2007. W.B. received seven thousand five hundred dollars (\$7,500) in interest payments, and sustained a net loss of forty-two thousand five hundred dollars (\$42,500). Lee's misrepresentations and omissions of material facts were made in conversations between Lee and W.B. that occurred in the days preceding the investment.

24. Investor K.T. invested eighty thousand dollars (\$80,000) with Lee on July 12, 2006. K.T. received thirty-six thousand dollars (\$36,000) in interest payments, and sustained a net loss of forty-four thousand dollars (\$44,000). Lee's misrepresentations and omissions of material facts were made in conversations between Lee and K.T. that occurred in the days preceding the investment.

25. Investor R.B. invested fifty thousand dollars (\$50,000) with Lee on November 14, 2006. R.B. received fourteen thousand dollars (\$14,000) in interest payments, and sustained a net loss of thirty-six thousand dollars (\$36,000). Lee's misrepresentations and omissions of

material facts were made in conversations between Lee and R.B. that occurred in the days preceding the investment.

COUNT ONE
(Fraud - False and Misleading Statements)

26. The allegations of paragraphs 1 through 25 above are realleged and incorporated herein as if set forth verbatim.

27. Idaho Code § 30-14-501(2) provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to make an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

28. Lee's misrepresentations to prospective investors as set forth in paragraphs 16 a through c were made in connection with the offer, sale or purchase of securities. Lee's misrepresentations were false and misleading, constituting violations of Idaho Code § 30-14-501(2) as to each misrepresentation to each investor.

29. Lee's omissions of material facts and failures to disclose to prospective investors as set forth in paragraph 17 were made in connection with the offer, sale or purchase of securities. Lee's omissions of material facts and failures to disclose, as specifically set forth in paragraphs 17 a through i 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)

30. The allegations of paragraphs 1 through 25 above are realleged and incorporated herein as if set forth verbatim.

31. 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.

32. Lee's acts as set forth in paragraphs 1 through 25 were made in connection with the offer, sale or purchase of securities. His conduct as described in paragraphs 1 through 25 constitutes engaging in transactions, acts, practices, or courses of business which operate or would operate as a fraud or deceit upon investors or prospective investors, in violation of Idaho Code § 30-14-501(3) as to each victim. The fraud was accomplished by luring people into the investment with misrepresentations and omissions, sending the money upstream to another fraudulent investment, concealing from investors that the upstream investment had stopped paying interest, converting investor money to Lee's personal use, and paying prior investors with new investor money, all as alleged in paragraphs 1 through 25 above.

COUNT THREE
(Unregistered Securities)

33. The allegations of paragraphs 1 through 25 above are realleged and incorporated herein as if set forth verbatim.

34. Lee issued, sold or offered for sale in Idaho securities in the form of joint venture agreements and investment contracts. Such securities were not registered with the Department as required by Idaho Code § 30-14-301.

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

COUNT FOUR
(Failure to Register)

36. The allegations of paragraphs 1 through 25 above are realleged and incorporated

herein as if set forth verbatim.

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

38. Lee's failure to register as a broker-dealer with the Department constitutes a violation of Idaho Code § 30-14-401(a).

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

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

PRAYER FOR RELIEF

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

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

3. That Lee be ordered to pay a civil penalty of up to ten thousand dollars (\$10,000) for each violation of the Act as the Court deems appropriate, pursuant to Idaho Code § 30-14-

603(b)(2)(C), for total penalties of at least forty thousand dollars (\$40,000), and that the Court award a money judgment in favor of the Department in such amount.

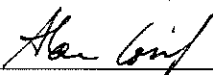
4. That Lee be ordered to make restitution to investors, pursuant to Idaho Code § 30-14-603(b)(2)(C) in the amount three hundred forty thousand five hundred ninety dollars (\$340,590); that Lee pay the restitution amount to the Department, to be held for the benefit of and to be delivered to the investors; that the Court award a money judgment in favor of the Department in such amount; and that such restitution be deemed not an asset of the Department.

5. That The Department be awarded attorney fees and costs incurred in the preparation and prosecution of this action, pursuant to Idaho Code § 12-121, and that the Court award a money judgment in favor of the Department in such amount. Should judgment be taken by default herein, the Department asserts that \$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 24th day of August, 2011.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



ALAN CONILOGUE
Deputy Attorney General

VERIFICATION

STATE OF IDAHO)
)ss.
County of Ada)

COLEEN F. HODSON, Investigator for the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

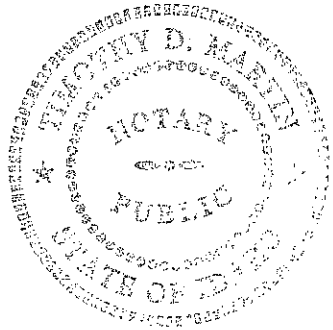
I have read the foregoing Verified Complaint, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

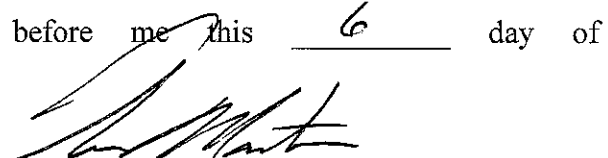
DATED this 6th day of SEPTEMBER, 2011.



COLEEN F. HODSON

SUBSCRIBED AND SWORN to before me this 6 day of September, 2011.





Notary Public for Idaho
Residing at: Boise, Idaho
My Commission Expires: 11/12/2011