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TETON CO., ID
DISTRICT COURT

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**IN THE DISTRICT COURT OF THE SEVENTH JUDICIAL DISTRICT
OF THE STATE OF IDAHO, IN AND FOR TETON COUNTY**

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

TYREE MACKEY, JEREMY KING, and
MILLENNIAL FINANCIAL GROUP,
INC.,

Defendants.

Case No. **CV 09-031**

VERIFIED COMPLAINT

Fee category: Exempt

COMES NOW the State of Idaho, Department of Finance, Gavin M. Gee, Director, 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 Idaho Department of Finance, Plaintiff herein, 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.

VENUE

2. The acts and practices herein comprising violations of law by the above-named defendants occurred in Teton County and elsewhere in the state of Idaho. The above named Defendants reside in Teton County, Idaho, and in Utah.

JURISDICTION

3. The individual Defendants have personally participated in unlawful securities transactions in Idaho. Defendants offered unregistered securities for sale, made fraudulent misrepresentations and omitted material information from their securities offerings, and otherwise materially aided in violations of Idaho's Uniform Securities Act (2004).

CASE SUMMARY

4. Plaintiff alleges that Defendants Tyree Mackey, Jeremy King, and Millennial Financial Group, Inc., (hereinafter collectively referred to as "Defendants") have issued securities in an amount of two hundred ninety-five thousand dollars (\$295,000). Defendants failed to register these securities and failed to register as broker-dealers or as agents of a broker-dealer, as required by law. Defendants also defrauded investors by misrepresenting the investment, and by failing to provide required material information.

DEFENDANTS

5. Defendant Tyree Mackey (hereinafter individually referred to as "Mackey") is an individual living in Driggs, Idaho at all times material to this action. Mackey has done business as a member of Millennial Financial Group, Inc., as "Living Family Dreams," a sole

proprietorship, and as part of an unnamed joint venture with Defendant Jeremy A. King and Steven L. Bowers and Patent Holding, LLC, a Utah limited liability company.

6. Defendant Jeremy A. King (hereinafter individually referred to as “King”) is an individual living in Lehi, Utah at all times material to this action. King has done business as a member of Millennial Financial Group, Inc., and as part of an unnamed joint venture with Defendant Tyree Mackey, Steven L. Bowers and Patent Holding, LLC, a Utah limited liability company.

7. Defendant Millennial Financial Group, Inc. (hereinafter individually referred to as “Millennial”) is a corporation incorporated in Utah on November 10, 2004 at the address 880 S. 1660 W., Lehi, Utah, 84043. Millennial is no longer in good standing, its status having expired on November 10, 2006 for failure to renew.

FACTS

Background

8. King had lived in the Driggs, Idaho area for several years before moving to Utah, and during that time became acquainted with Mackey. They continued their acquaintance after King moved to Utah.

9. King and Mackey knew Idaho resident EW from personal acquaintance, EW also living in the Driggs area. EW had recently sold a business and was looking to invest the proceeds. EW, doing business as an LLC, wrote a check to Living Family Dreams dated March 31, 2005, in the amount of \$160,000, as a loan for the purpose of buying and selling real estate.

10. Very soon after receiving the \$160,000 from the EW, King became aware of an alleged opportunity to purchase life insurance policies and then resell them at a higher price. He shared this information with Mackey, and in pursuit of this opportunity, King and Mackey met in Utah

with Steven L. Bowers and Pat G. Miner, who were promoting the investment.

11. Bowers and Miner described a lucrative investment opportunity in viaticals. They asserted that they had access to purchase life insurance policies at 35% of face value, and that they had investors “lined up” to purchase the policies at 50% of face value. They further asserted that they could turn (purchase and sell) the policies within a month.

12. Bowers and Miner described the investment as essentially risk free due to the low purchase price, the nature of such insurance policies, and other vague assurances. They offered to share the investment with Defendants. Defendants agreed, and they set about to obtain funds to invest with Bowers and Miner.

13. King and Mackey decided to commit \$100,000 of EW’s loan to Bowers’ and Miners’ viatical investment scheme. On April 13, 2005, King and Mackey executed an agreement with Patent Holding, LLC and Bowers to provide EW’s \$100,000 for 60 days, with options to renew.

14. Mackey spoke with EW after April 13, 2005, explained the investment, and promised a return of 5% per month. EW ratified the investment, and wanted to invest more.

15. EW traveled to Utah and met with King, Mackey, Bowers and Miner. The investment was again explained as returning 5% per month and essentially risk free. Lured by these promises, EW authorized that the remaining \$60,000 of the \$160,000 invested with Living Family Dreams, be placed with Bowers. EW also decided to invest an additional \$135,000, and around April 26, 2005, provided a cashier’s check to Millennial for that purpose. By this time EW had transferred a total amount of \$295,000 to Defendants.

16. EW asked for documentation of the investment, so Defendants, together with Bowers and Miner, drafted an “Installment Note” evidencing the debt. The note, given in favor

of EW's LLC, was signed by King as President of Millennial, by Mackey as Director of Millennial, and by Bowers as President of Patent Holding, Inc. The note stated \$300,000 was owed, even though EW only transferred \$295,000 to the investment. The \$5,000 difference was said by Defendants, Bowers, and Miner to reflect interest already earned by EW on the earlier \$100,000 investment.

17. Unbeknownst to EW, Bowers told King and Mackey to keep EW's remaining \$60,000 as earnings on EW's initial \$100,000 investment and as a finders fee for bringing EW to the viatical investment.

18. No viaticals were ever purchased. Instead, Bowers used EW's money for various personal reasons. When the initial \$100,000 was deposited into Bowers' account on April 13, 2005, it was \$3,021.87 overdrawn, so that amount was immediately lost. Bowers wrote a check to Miner in the amount of \$6,000 on April 15, 2005 and another to Miner in the amount of \$24,000 on April 18, 2005. Bowers transferred \$9,691.50 to his personal checking account, he bought a Mustang automobile for \$13,375, he wrote checks to himself totaling \$6,400, he paid \$6,000 in commissions, he paid \$14,000 to other individuals, and otherwise paid personal expenses. By April 25, 2005, when Bowers received \$135,000 from EW, he had only \$2,449.23 left in his checking account. Bowers similarly frittered away the \$135,000 on his personal expenses, and by July 1, 2005, he had spent the entire amount.

19. EW has been repaid \$30,000, and Mackey and King have promised to repay the remaining \$265,000.

20. The "Installment Note" is a security as defined by Idaho Code § 28-14-102(28). The agreement among the parties to accept investor money and purchase viaticals is an investment contract security under Idaho Code § 28-14-102(28)(e), which provides that a

security “[i]ncludes as an “investment contract” ... an investment in a viatical settlement, life settlement, senior settlement, or similar agreement.”

21. The security was never registered with the Idaho Department of Finance.

22. Defendants never registered with the Idaho Department of Finance as a broker-dealer or as an agent of a broker-dealer.

Misrepresentations

23. In order to induce investors to invest, Defendants made the following representations, among others:

- a. The investment was guaranteed;
- b. The investment was essentially risk free;
- c. That the investment could be liquidated to meet any obligations; and
- d. That the investment would be used to purchase viaticals.

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

- a. The investments were not guaranteed, which is obvious because EW has lost the investment money;
- b. The investments were not risk free, which is obvious because EW has lost the investment money;
- c. The investment cannot be liquidated because the money has been spent and lost as to EW; and
- d. None of the money invested by EW was used to purchase viaticals as represented by Defendants, Bowers, and Miner.

Material Omissions

25. Defendants did not tell 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 Defendants. Defendants failed to disclose the following material information:

- a. Information about Defendants' financial condition or operating history;
- b. The risks associated with an investment in life settlement policies;
- c. The amount and type of compensation paid to Defendants;
- d. That the funds would be used for the personal and business expenses of Defendants, Bowers, Miner, and Patent Holdings, LLC;
- e. That Bowers had filed a Chapter 13 Bankruptcy during 2001 and that the bankruptcy was discharged in 2002;
- f. The existence or substance of prior legal actions against Bowers or the existence of any past or pending judgments involving Bowers;
- g. That Defendants were not registered as broker-dealers or as agents of broker-dealers to sell the securities, as required by Idaho's Uniform Securities Act (2004); and
- h. That the securities issued by Defendants were not registered as required by Idaho's Uniform Securities Act (2004).

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. Defendants' misrepresentations to prospective investors as set forth in paragraphs 23 and 24 were made in connection with the offer, sale or purchase of securities. Defendants' misrepresentations were false and misleading, constituting violations of Idaho Code § 30-14-501(2) as to each misrepresentation to each investor.

29. Defendants' omissions of material facts and failures to disclose to prospective investors as set forth in paragraph 25 above were made in connection with the offer, sale or purchase of securities. Defendants' omissions of material facts and failures to disclose 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. Defendants' acts as set forth in paragraphs 1 through 25 were made in connection with the offer, sale or purchase of securities. Their 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.

COUNT THREE
(Unregistered Securities)

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

34. Defendants issued, sold or offered for sale in Idaho securities in the form of viaticals. Such securities were not registered with the Idaho Department of Finance as required by Idaho Code § 30-14-301.

35. The Defendants' failure to register such securities with the Idaho Department of Finance 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. Defendants transacted business in Idaho as broker-dealers. No Defendant was registered as a broker-dealer with the Idaho Department of Finance as required by Idaho Code § 30-14-401(a).

38. Defendants' failure to register as broker-dealers with the Idaho Department of Finance constitutes a violation of Idaho Code § 30-14-401.

39. Defendants transacted business in Idaho as agents of broker-dealers or of issuers. No Defendant was registered as an agent with the Idaho Department of Finance as required by Idaho Code § 30-14-402(a).

40. Defendants' failure to register as agents with the Idaho Department of Finance constitutes a violation of Idaho Code § 30-14-402(a).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment in favor of Plaintiff and against Defendants as follows:

1. That Defendants 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 Defendants be permanently enjoined from engaging in any act or practice violating any provision of Idaho's Uniform Securities Act (2004) 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 them with the Idaho Department of Finance in accordance with Title 30, Chapter 14, Idaho Code;

b. Selling or offering for sale nonexempt securities in any form in the state of Idaho without first becoming registered as a broker-dealer and/or broker-dealer agent with the Idaho Department of Finance in accordance with Title 30, Chapter 14, Idaho Code; and

c. In connection with the offer, sale or purchase of any security:

- 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.

3. That Defendants each be ordered to pay a civil penalty of up to \$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 \$40,000 for each Defendant, and that the court award a money judgment in favor of Plaintiff in such amount.

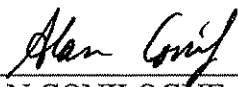
4. That Defendants jointly and severally be ordered to make restitution to investors, pursuant to Idaho Code § 30-14-603(b)(2)(C) in the amount of two hundred sixty five thousand dollars (\$265,000), or in such other amount as is proven at trial. That Defendants pay the restitution amount to the plaintiff, 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 \$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 22 day of January, 2009.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



ALAN CONILOGUE
Deputy Attorney General
Counsel for Plaintiff

VERIFICATION

STATE OF IDAHO)
)ss.
County of Ada)

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

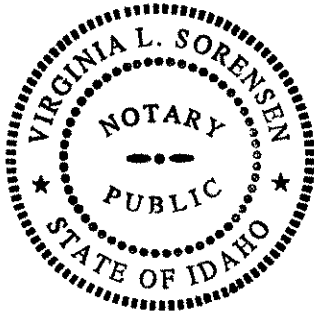
I have read the foregoing Verified Complaint, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

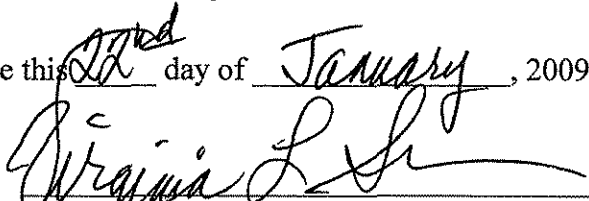
DATED this 22nd day of January, 2009.



MARILYN T. CHASTAIN

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





Notary Public for Idaho
Residing at: Caldwell
My Commission Expires: 4/5/2012