

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

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

DAREN L. PALMER, an individual, and dba
TRIGON GROUP, INC.,

Defendants.

Case No. CV 11-295

VERIFIED COMPLAINT

Fee category: Exempt

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

who have either violated or are about to violate provisions of the Act or any rule promulgated thereunder.

2. The acts and practices herein comprising violations of law by the above-named Defendants occurred in Bingham County, Bonneville County, Jefferson County, and Madison County, Idaho. Defendant Daren L. Palmer resided or was located in Idaho when the alleged acts constituting violations of the Act were committed. Trigon Group, Inc. was incorporated in Nevada on May 2, 1997 and is solely owned by Defendant Daren L. Palmer.

CASE SUMMARY

3. The Department alleges that Defendant Daren L. Palmer, individually and dba Trigon Group, Inc. (Palmer), solicited investors to invest in securities in the form of promissory notes and investment contracts in an aggregate amount of at least sixty-one million dollars (\$61,000,000).

4. Investors understood that money provided to Palmer would be traded in indexes, Standard and Poor 500 (S & P 500) options or futures, currency futures, and/or stocks. Investors were told to expect an annual return of at least 18 percent.

5. Palmer defrauded investors by misrepresenting the investment and by omitting material information from the investor solicitations. Palmer failed to register these securities and failed to register as a securities broker-dealer or agent, as required by law. Palmer paid early investors with funds from later investors, to create the appearance of a functioning investment, but it was a Ponzi¹ scheme that inevitably imploded. While Palmer did engage in

¹ As used herein, "A Ponzi scheme is a financial fraud that induces investment by promising extremely high, risk-free returns, usually in a short time period, from an allegedly legitimate business venture. 'The fraud consists of funneling proceeds received from new investors to previous investors in the guise of profits from the alleged business venture, thereby cultivating an illusion that a legitimate profit-making business opportunity exists and inducing further investment.' *In re United Energy Corp*, 944 F.2d 589, 590 n.1 (9th Cir.1991)." *Donnell v Kowell*, 533 F.3d 762, 767 (9th Cir. 2007).

some trading, investor moneys provided to Palmer was used mostly for personal and business expenses. Although Palmer made payments to some investors, the scheme eventually collapsed. Despite demand, the invested funds have not been returned to investors.

DEFENDANT

6. Defendant Daren L. Palmer is currently a resident of Rexburg, Madison County, Idaho, and has conducted business in Idaho as Trigon Group, Inc. during all times relevant herein.

FACTS

7. Beginning on a date uncertain, but at least as early as 2000, Palmer began soliciting funds from investors by offering and issuing securities in the form of promissory notes and investment contracts through Palmer's company, Trigon Group, Inc. (Trigon). Investors who participated in this common enterprise expected profits from it based solely on the efforts of others.

8. Palmer told friends and family that he had managed to develop a complex trading strategy through which he invested in indexes, Standard and Poor 500 (S & P 500) options or futures, currency futures, and/or stocks in a way that generated consistent annual returns of at least 18 percent. He described the program as being rather complex, but that it essentially worked like a hedge fund.

9. Palmer used his image in the community as an honest, extremely successful man to induce investors to invest into his investment scheme.

10. Palmer also offered generous referral bonuses to individuals who assisted Palmer with soliciting funds from new investors.

11. Neither Palmer nor Trigon, at all times material herein, were registered with the State of Idaho or the National Association of Securities Dealers (now known as the Financial Industry Regulatory Authority) as broker/dealers, or as broker/dealer agents.

12. The securities issued by Palmer were not registered with the State of Idaho or the US Securities and Exchange Commission.

Investors

13. Beginning at least as early as 2000 and continuing through at least October 2008, Palmer solicited and/or issued unregistered securities to at least 55 investors. Investors K.T., D.H., and J.B. identified herein are representative of the interactions and events surrounding the investment dealings investors had with Palmer.

Investor K.T.

14. Investor K.T. has known Palmer for many years and has considered Palmer a trusted, good friend. K.T. has not only been friends with Palmer, but has also had business relationships with him as well. K.T. described Palmer's reputation in the Idaho Falls, Idaho area as an honest family man.

15. In or around 2002, Palmer solicited K.T. to invest in Trigon. As part of the solicitation, Palmer described that he learned to trade securities successfully in college. Palmer advised K.T. to invest in Trigon, and that by doing so, K.T. would earn annual returns of between 30 and 80 percent. Palmer also told K.T. that there was no risk to the principal amount invested and that the returns were guaranteed. Palmer further told K.T. that he was licensed to sell securities and that he would only be compensated based upon the investment performance above the guaranteed returns.

16. Based on Palmer's representations about the investment opportunity, K.T. invested a total of \$550,000 between approximately 2002 and January 2007.

17. K.T. received payments from Palmer beginning at the time of his first investment through June of 2008. Palmer stopped making payments to K.T. beginning in July of 2008.

18. To date, K.T. has not received the remaining principal amount invested with Palmer.

Investor D.H.

19. After hearing reports from several of D.H.'s friends and neighbors regarding Palmer's investment program generating large, consistent returns for investors, D.H. approached Palmer in early 2003 to discuss the possibility of investing into Palmer's investment program.

20. During that discussion, Palmer told D.H. that any moneys invested with Palmer would be pooled together into one fund with other investor's moneys that would be traded by Palmer in a common account. D.H. was also informed that the fund operated like a hedge fund that would generate a 20 percent annual return. Palmer also told D.H. that once his investment reached \$1 million dollars, D.H.'s investment would earn an annual return of 25 percent. Further, Palmer explained to D.H. that there was little or no risk associated with the investment since Palmer could make money in the market whether it went up or down.

21. After speaking to Palmer about the investment program in early 2003, D.H. made a total of 25 investments in the total amount of \$5,000,000.

22. After investing with Palmer, between approximately August 2006 and June 2008, D.H. requested, and subsequently received, the return of some of the principal investment he had made with Palmer, in the total amount of approximately \$1,483,000.

23. In or around August 2008, D.H. requested the return of additional principal from Palmer. At that time, Palmer did not comply with D.H.'s request. Later in 2008, after becoming concerned regarding the safety of his investment principal, D.H. decided he wanted the remaining investment amount returned; however, to date, D.H. has not received the remaining \$3,517,000 in principal amount invested with Palmer.

Investor J.B.

24. Investor J.B. has known Palmer for several years as a casual acquaintance and neighbor. After hearing about the success of Palmer's investment program from friends and fellow neighbors, in the late summer or early fall of 2008, J.B. decided to contact Palmer regarding the investment program.

25. After speaking with Palmer about the investment opportunity, it was J.B.'s understanding that the investment operated like a hedge fund. Further, J.B. understood that the fund had consistently earned at least 20 percent annual returns for more than 12 years. In fact, Palmer informed J.B. that he was so confident in his ability to exceed a 20 percent annual return, that he did not charge a fee on the first 20 percent and that he earned his fees by charging 50 percent on any earnings over 20 percent.

26. This sounded good to J.B., so he decided to invest with Palmer, even though Palmer refused to meet with J.B.'s financial advisor to discuss the details of Palmer's investment program. On October 1, 2008, J.B. wired \$250,000 to an account controlled by Palmer.

27. Sometime in or around December 2008, J.B. spoke with Palmer regarding the safety of his investment monies. Palmer assured J.B. that while some investor monies were in

trouble, J.B.'s were fine. However, to date, J.B. has not received the principal amount invested or the interest promised.

Misrepresentations

28. In order to induce investors to invest, Palmer made the following representations, among others:

- a. The investment was virtually guaranteed.
- b. The investment was risk-free or virtually risk-free.
- c. The investment had been running successfully for years.
- d. The returns were generated by the investment performance of Trigon and that such investment performance depended on investing in indexes, S & P 500 options or futures, currency futures, and stocks.
- e. That investors could receive their investment money at any time.
- f. That Palmer would only be compensated if the investment performed better than the annual returns promised.
- g. That Palmer was licensed to sell securities.

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

- a. The investments are not guaranteed. Palmer relied upon the investment of money from new investors to provide returns to earlier investors. When new investor money became scarce, the scheme fell apart. As a result, since at least July of 2008, investors stopped receiving the promised payments and there are insufficient assets to repay investors. Thus, the payments investors received prior to approximately July of 2008 could only be coming, in part,

from ongoing unlawful fundraising by Palmer and others assisting him with raising additional funds.

b. The investments were not risk-free, which is obvious because the investors have lost their money.

c. While the investment scheme had been operating for several years, it was not a successful investment. In fact, it was not an investment at all; it was an unlawful securities ponzi scheme.

d. Returns were not generated by successful investment performance of Trigon in the index, futures, options, and stock markets. Most investor moneys were not placed into trading accounts whatsoever, but were placed into accounts controlled by Palmer used to make payments to earlier investors with new investor money and to pay for miscellaneous personal expenses.

e. Investors have been unable to receive the return of their investment at any time. In fact, many investors have unsuccessfully requested that their investment be returned.

f. Palmer has never held a license to sell securities.

Material Omissions

30. Palmer 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 Palmer. Palmer failed to disclose the following material information:

a. Information about Palmer's personal financial condition.

b. Information about the financial condition or operating history of Trigon.

- c. Information about the risks associated with investing in indexes, S & P 500 options or futures, currency futures, stocks, or the promissory notes Palmer issued.
- d. That Palmer would be compensated no matter how the investment performed.
- e. That Palmer would pay a generous referral bonus or commission to others for soliciting new investors.
- f. That some investment money would be sent to an offshore advance fee loan scam.
- g. That Palmer would use investor money to purchase trading advice and computer programs to assist him in making trades.
- h. That Palmer would give authorization to others to assist him with trading and that those individuals would be paid with investor money.
- i. That only some of the investment money provided to Palmer would be invested into trading accounts, but that such money would be used to pay Palmer's personal expenses, and to pay returns to earlier investors.
- j. That Palmer was not registered as an agent to sell the securities, as required by Idaho's Uniform Securities Act (2004).
- k. That the securities issued by Palmer were not registered as required by Idaho's Uniform Securities Act (2004).
- l. That neither Palmer nor Trigon Group, Inc. were registered as broker-dealers, as required by Idaho's Uniform Securities Act (2004).

COUNT ONE
(Fraud - False and Misleading Statements)

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

32. 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.

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

34. Palmer's omissions of material facts and failures to disclose to prospective investors as set forth in paragraph 30 above were made in connection with the offer, sale or purchase of securities. Palmer's omissions of material facts and failures to disclose, as specifically set forth in paragraphs 30 a. through 1. 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)

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

36. 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.

37. Palmer's acts as set forth in paragraphs 7 through 30 above were made in connection with the offer, sale or purchase of securities. His conduct, as described in paragraphs 7 through 30, constitutes engaging in transactions, acts, practices, or courses of business which operate or would operate as a fraud or deceit upon investors or prospective investors, in violation of Idaho Code § 30-14-501(3) as to each investor.

38. Specifically, Palmer's ongoing misrepresentations and omissions about the success of his investment were designed to perpetuate the fraud. The misrepresentations and omissions were intended to, and did, beguile investors into giving money to Palmer. This scheme continued for the better part of eight years, 2000 through 2008, until it eventually collapsed.

COUNT THREE
(Unregistered Securities)

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

40. Palmer issued, sold or offered for sale in Idaho securities in the form of promissory notes and investment contracts. Such securities were not registered with the Department as required by Idaho Code § 30-14-301.

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

COUNT FOUR
(Failure to Register)

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

43. Palmer, through his company, Trigon Group, Inc., transacted business in Idaho as a broker-dealer. Neither Palmer nor his company were registered as broker-dealers with the Department as required by Idaho Code § 30-14-401(a).

44. Palmer's failure to register himself or his company as a broker-dealer with the Department constitutes violations of Idaho Code § 30-14-401(a).

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

46. Palmer'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 Palmer as follows:

1. That Palmer 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 Palmer 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 Palmer 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.

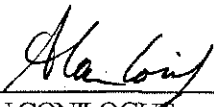
4. That Palmer be ordered to make restitution to investors, pursuant to Idaho Code § 30-14-603(b)(2)(C), in the aggregate amount of twenty-nine million two hundred twenty-six thousand three hundred ninety-nine dollars and seventy-nine cents (\$29,226,399.79) or such other amount as proven at trial. That Palmer pay the restitution amount to Wayne Klein, at Klein & Associates, Receiver in *Securities and Exchange Commission v. Daren L. Palmer and Trigon Group, Inc.*, the civil action filed in United States District Court, for the District of Idaho, Civil No. 09-075-S-EJL, which will be delivered to the investors, and that the Court award a money judgment in favor of the Department in such amount.

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 five thousand dollars (\$5,000) is a reasonable sum for the same.

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

DATED this 8th day of April, 2011.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



ALAN CONILOGUE
Deputy Attorney General

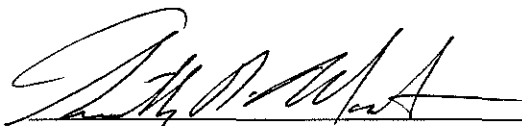
VERIFICATION

STATE OF IDAHO)
) ss.
County of Ada)

TIMOTHY D. MARTIN, Investigator of the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

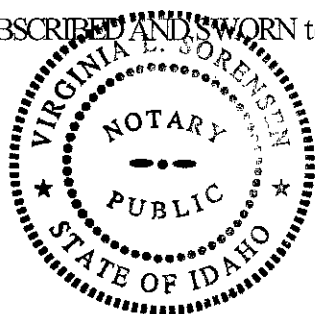
I have read the foregoing Verified Complaint, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

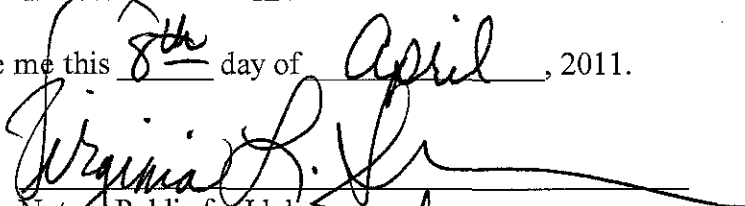
DATED this 8 day of April, 2011.



TIMOTHY D. MARTIN

SUBSCRIBED AND SWORN to before me this 8th day of April, 2011.





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