

DISTRICT COURT  
MAGISTRATE DIVISION  
BONNEVILLE COUNTY, IDAHO

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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 SIXTH JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR BONNEVILLE COUNTY**

STATE OF IDAHO, DEPARTMENT OF  
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

KEITH FARRELL RASMUSSEN,  
individually and dba GABLES  
MANAGEMENT, LLC,

Defendant.

Case No. CN-13-154

**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.

### VENUE

2. The acts and practices alleged herein comprising violations of law by the above-named Defendants occurred in several Southeast Idaho counties, primarily Bonneville, Bingham, and Bannock. Defendant resided or was located in Idaho when the alleged acts constituting violations of the Act were committed, and his last known address is in Idaho Falls, Idaho.

### JURISDICTION

3. Defendant, in connection with the offer and sale of securities, made material misrepresentations and omitted material information in connection with the offer or sale of such securities, and engaged in a course of business that operated as a fraud or deceit on other persons, in violation of Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* Jurisdiction is conferred under the provisions of that Act.

### DEFENDANT

4. **Keith Farrell Rasmussen** (Rasmussen) is an individual living near Idaho Falls, Idaho, in Bonneville County, who conducted business as himself and under several other names. Rasmussen has conducted business in Bannock, Bingham, and Bonneville counties, and others. His last known address is 6408 South 5<sup>th</sup> West, Idaho Falls, Idaho.

5. Rasmussen worked for several years as an instructor in a church educational institute and seminaries, and during the same time did building contracting on the side. At some point he became interested in geriatrics and undertook to study it, eventually gaining a masters in geriatrics from a university in Utah. The geriatrics education and the building contracting experience together formed a base upon which Rasmussen was able to develop assisted living facilities.

## RELATED ENTITIES

6. **Gables Management, LLC** (Gables), is a limited liability company formed by Rasmussen in Idaho on April 18, 2003, with an initial address of 1396 Satterfield Drive, Pocatello, Idaho. Gables was initially used by Rasmussen as a business entity to promote his assisted living developments. Gables also did business as **The Gables Assisted Living**. Gables was taken over by the receiver in Rasmussen's bankruptcy case on March 12, 2012.

7. Rasmussen formed three other related companies. On June 15, 2009, Rasmussen formed **Gables of Pocatello, LLC**, which was administratively dissolved on September 20, 2012. On January 8, 2010, Rasmussen formed **Gables of Shelly, LLC**, which was administratively dissolved on April 9, 2012. Also on January 8, 2010, Rasmussen formed **Gables of Blackfoot, LLC**, which was also administratively dissolved on April 9, 2012.

8. **Rasmussen Enterprises, LLC**, is a limited liability company formed by Rasmussen in Idaho on April 18, 2003, with an initial address of 1396 Satterfield Drive, Pocatello, Idaho. Rasmussen Enterprises, LLC was initially used by Rasmussen as a business entity to promote his assisted living developments. Rasmussen Enterprises, LLC, is doing business a **Gables Senior Living** and as **The Gables of Idaho Falls**. One of the owners of Rasmussen Enterprises, LLC, also formed **Gables of Ammon Management, LLC**. Rasmussen passed ownership of Rasmussen Enterprises, LLC to other individuals and is no longer associated with it. Rasmussen Enterprises, LLC, its current owners, and the other businesses identified in this paragraph, are not implicated in the allegations in this complaint, but are identified here because of the similarity of names.

## CASE SUMMARY

9. The statements in this Summary of the Case are not part of the allegations

supporting the Department's causes of action, but are simply intended to provide a framework for understanding this regulatory enforcement lawsuit.

10. Rasmussen initially formed Gables for the purpose of developing and running assisted living facilities. Between 2003 and 2011, Rasmussen formed eight companies engaged in the assisted living business (see Related Entities, above). During this period he was involved with assisted living developments in Idaho Falls, Ammon, Shelly, Blackfoot and Pocatello.

11. In order to develop and run these businesses, Rasmussen borrowed money from various sources, including institutional lenders, private individuals, and family members. The story he told about what the money would be used for varied from lender to lender. Sometimes he would actually use the money as he said, but frequently he used the money for some purpose other than what he told the lender.

12. Although Rasmussen successfully started several businesses, he was unsuccessful in sustaining them. Over time, creditors began to file lawsuits and otherwise demand repayment, and Rasmussen could not keep up. Judgments began to accumulate and in December, 2010, Gables filed a Chapter 11 bankruptcy petition. Rasmussen personally filed a Chapter 7 bankruptcy petition in November, 2011. The assisted living facilities are still in operation, though Rasmussen no longer has any part of them.

13. Rasmussen defrauded investors by making representations about his funds' investments, by omitting from his solicitations certain material information, and by engaging in a course of business that operated as a fraud or deceit upon other persons. Rasmussen essentially treated the funds as personal assets, believing that "Keith [Rasmussen] is Gables," and vice versa. Rasmussen used the money for personal needs, for business needs as he saw them, and to repay previous investors.

## FACTS

14. Rasmussen entered the assisted care business in 2003, as a partner in an Ammon, Idaho assisted care facility. Rasmussen ceased to be a partner in that partnership in 2005.

15. In 2006, Rasmussen purchased an interest in a care facility in Idaho Falls, but sold that interest in 2008.

16. Rasmussen developed Gables of Pocatello, beginning in 2006, and it opened in January 2007.

17. Rasmussen developed Gables of Shelley, beginning in 2007, and it opened in July 2008.

18. Rasmussen next developed Gables of Blackfoot, which opened in December 2008.

19. Throughout the process of developing these facilities, and afterwards, until March 2010, Rasmussen raised money by soliciting investors. He borrowed money from banks and traditional lenders, and from friends and family. He described this money raising both as loans and as investments, depending on his needs at the moment, and, it appears, on what the investors needed to hear in order to part with their money.

20. Investor C.A. invested at least \$195,000 with Rasmussen, including the following: May 22, 2006, \$100,000 investment; September 13, 2007, \$9,000 investment; April 9, 2008, \$8,000 investment; April 10, 2008, \$3,000 investment; and April 29, 2008, \$75,000 investment.

21. Rasmussen told C.A. that the May 2006 investment would be used to develop Gables of Shelley and would be secured by a first position security interest in the property. Rasmussen told C.A. that the April 2008 investments would be used to develop Gables of Blackfoot and would be secured by a first position security interest in the property. Rasmussen

also told C.A. that there was no risk of investment because of C.A.'s position in the deed of trust. These statements were false, or misleading, because C.A. never obtained a perfected security interest in either property. Rasmussen did not tell C.A. that he had been sued for default on April 18, 2008 by a prior investor.

22. Investors M. and A. A. invested at least \$150,000 with Rasmussen, including the following: October 16, 2008, \$20,000 investment; and October 30, 2008, \$130,000 investment.

23. Rasmussen told M. and A. A. that their investments would be used to develop Gables of Shelley and that they would receive a deed of trust as a security interest in the property. Rasmussen also told them that the investment would be risk free. Rasmussen did not tell M. and A. A. that Rasmussen had been sued for default on April 18, 2008 by a prior investor, and on July 14, 2008 by a second prior investor. Rasmussen did not tell M. and A. A. that he would use a portion of their investment for personal expenses and to repay a prior investor.

24. Investors M. and L. C. invested at least \$35,000 with Rasmussen, including the following: March 18, 2009, \$25,000 investment; and March 15, 2010, \$10,000 investment.

25. Rasmussen told M. and L. C. that their investments would be used to fund Gables of Blackfoot operations, and that they would receive a security interest in the Blackfoot property. They never received that security interest.

26. Investor A. J. F. invested at least \$145,000 with Rasmussen, including the following: April 9, 2009, \$50,000 investment; June 15, 2009, \$50,000 investment; August 21, 2009, \$20,000 investment; and November 12, 2009, \$25,000 investment.

27. Rasmussen told A. J. F. that the investment would be a short-term "bridge loan" used to repay a bank loan that had been "called," and that he would repay her when he obtained new financing. Rasmussen told A. J. F. that she would receive a deed on the Gables of Shelly

property to secure the investment. Rasmussen did not tell A. J. F. that Rasmussen, at the time of the investment, was unable to repay existing investors.

28. Investors E. and P.G. invested at least \$25,000 with Rasmussen, including a February 24, 2009 investment of \$25,000. Rasmussen told E. and P.G. that their money would be used to repay existing investors, but did not tell them that he and his companies were experiencing financial difficulties.

### MATERIAL OMISSIONS

29. Rasmussen 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 Rasmussen. Rasmussen failed to disclose the following material information:

- a. Information about Rasmussen's personal financial condition;
- b. Information about the financial condition or operating history of the Gables facilities;
- c. That Rasmussen and Gables were the "same" when using investor money;
- d. The true risks of the investment;
- e. That Rasmussen had a very poor ability to track and monitor investor funds to ensure that returns were appropriately allocated;
- f. That investor money would be used for Rasmussen's personal expenses or to pay returns to other investors;
- g. That Rasmussen had been unable to pay existing investors;
- h. The existence or substance of prior legal actions against Rasmussen or the existence of any past or pending judgments involving Rasmussen;

i. That the investment was not liquid and investors would not be able to receive their money back if/when they requested;

j. That some investors were not recorded on certain deeds as expected;

k. That existing liens on the properties were already in place, making new investor security interests almost valueless;

l. That Rasmussen had been unable to secure financing for additional Gables projects in which investors were fronting money in reliance of being repaid from those funds;

m. That Rasmussen was not registered as an broker-dealer to sell securities, as required by Idaho's Uniform Securities Act (2004);

n. That the agreements between Rasmussen and his investors were securities issued by Rasmussen, but were not registered as required by Idaho's Uniform Securities Act (2004).

### **COUNT ONE**

#### **(Fraud - False and Misleading Statements)**

30. The allegations of paragraphs 1 through 8 and 14 through 29 above are realleged and incorporated herein as if set forth verbatim.

31. 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.

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



33. Rasmussen's omissions of material facts and failures to disclose to prospective investors as set forth in paragraph 29 were made in connection with the offer, sale or purchase of securities. Rasmussen's 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)**

34. The allegations of paragraphs 1 through 8 and 14 through 29 above are realleged and incorporated herein as if set forth verbatim.

35. 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.

36. Rasmussen's acts as set forth in paragraphs 1 through 8 and 14 through 29 above were made in connection with the offer, sale or purchase of securities. His conduct as described in those paragraphs 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.

37. Specifically, Rasmussen's ongoing misrepresentations and omissions about the status of the investors' first position security interest in the property, thus making their investments risk-free, were designed to perpetuate the fraud. The misrepresentations and omissions were intended to, and did, deceive investors C.A., M. and A. A., M. and L. C., and M.F., and others, about the true value of their collateral interest and the potential risk of making the investment based upon that interest. The misrepresentations and the lack of material information caused investors to give Rasmussen investment money that, had investors known the

truth, they might not have invested.

38. Rasmussen withheld important information from potential investors about pending complaints and judgments that existed against him for non-performance of previously entered promissory notes.

**COUNT THREE**  
**(Unregistered Securities)**

39. The allegations of paragraphs 1 through 8 and 14 through 29 above are realleged and incorporated herein as if set forth verbatim.

40. Rasmussen issued, sold or offered for sale in Idaho securities in the form of promissory notes and investment contracts, as described in paragraphs 14 through 28 above. Such securities were not registered with the Department as required by Idaho Code § 30-14-301.

41. Rasmussen'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 8 and 14 through 29 above are realleged and incorporated herein as if set forth verbatim.

43. Rasmussen transacted business in Idaho as a broker-dealer, or as an agent of a broker-dealer or of an issuer. Rasmussen never registered as a broker-dealer with the Department as required by Idaho Code § 30-14-401(a).

44. Rasmussen's failure to register himself as a broker-dealer with the Department was a violation of Idaho Code § 30-14-401(a).

**PRAYER FOR RELIEF**

WHEREFORE, the Department prays for judgment in favor of the Department and

against Rasmussen as follows:

1. That Rasmussen 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 Rasmussen 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 that he be permanently enjoined from selling or offering for sale securities in any form in the state of Idaho.


3. That Rasmussen 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 Rasmussen be ordered to make restitution to investors, pursuant to Idaho Code §30-14-603(b)(2)(C), in the amount of at least five hundred fifty thousand (\$550,000), or such other amount as proven at trial, that Rasmussen pay the restitution amount to Plaintiff, to be delivered to the investors, and that the Court award a money judgment in favor of Plaintiff in such amount.

5. That 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 7<sup>th</sup> day of January, 2013.

  
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ALAN CONILOGUE  
Deputy Attorney General