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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.

HOME SWEET HOME, LLC,
STREAMLINE FINANCIAL, LLC,
MICHAEL J. BREINHOLT, an
individual and dba HOME SWEET
HOME, LLC and STREAMLINE
FINANCIAL, LLC, ANNUIT COEPTIS,
LLC, GABRIEL JOSEPH, an individual
and dba ANNUIT COEPTIS, and
TERRY DEEBLE,

Defendants.

Case No. CV OC 07-21972

AMENDED 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 the Idaho 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 (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. The acts and practices herein comprising violations of law by the above-named defendants occurred in Ada County and elsewhere in the state of Idaho.

CASE SUMMARY

3. Plaintiff alleges that Defendants Michael J. Breinholt (Breinholt) and Terry Deeble (Deeble), individually and dba as one or more LLCs, have issued and/or promoted securities in the form of promissory notes and investment contracts in an aggregate amount greater than five million dollars (\$5,000,000). In ongoing transactions, these defendants take investor money and send it to a Utah company named Annuity Coeptis (Annuity), which in turn sends it to another Utah company named Founders Capital. Annuity pays Defendants 3% monthly, or 36% annual, interest on the money. Defendants in turn pay the investors typically 1.5% or 2% monthly interest (18% or 24% annually, respectively), keeping the difference for themselves. Defendants failed to register these securities, and failed to register as broker/dealers or as agents, as required by law. Defendants also defrauded investors by misrepresenting the investment and by failing to provide required material information.

4. Defendants also participated in a course of business that operated as a fraud or deceit upon investors, in order to increase the amount invested with Defendants, using a model developed by a person sanctioned by the state of Wyoming for violating its securities laws. To help the investors obtain money to invest, Defendants engaged in two types of real estate

transactions. Defendants would help an investor get, in effect, a home equity loan. A key component is that Defendants work with certain appraisers and mortgage loan originators who cooperate in obtaining high appraisals and loans at inflated values, in order to maximize the available equity. Money from the home equity loan is then invested with Defendants, who forward it to Annuity Coeptis.

5. These defendants also identify properties that are allegedly undervalued. They will assist the investor in buying the property at the low price, then will swiftly have it reappraised at a much higher value. The investor will then refinance the property. The difference between the lower purchase price and the subsequent higher appraisal represents equity that the investor can borrow against to provide the proceeds to Defendants.

DEFENDANTS

6. Defendant Home Sweet Home, LLC (HSH) is or was a limited liability company in the State of Idaho. Due to irregularities with its company records, HSH's current status is not clear.

a. HSH was organized under the laws of Idaho on February 22, 2005, with Michael J. Breinholt and Elijah Rich as its managers.

b. On January 24, 2006 HSH changed its name to Streamline Financial, LLC, and deleted Elijah Rich as a manager, leaving Breinholt as the sole manager and member.

c. HSH is and was a mere alter ego for Breinholt, used to effectuate the unlawful sale of securities and fraud as described in this Amended Complaint.

7. Defendant Streamline Financial, LLC (Streamline) is or was a limited liability company in the State of Idaho. Due to irregularities with its company records, Streamline's current status is not clear.

a. Streamline first appears on January 24, 2006, when HSH changed its name to Streamline Financial, LLC and named Breinholt as the sole manager and member.

b. Streamline is and was a mere alter ego for Breinholt, used to effectuate the unlawful sale of securities and fraud as described in this Amended Complaint.

8. Defendant Breinholt has been a resident of Boise and Meridian in Ada County, Idaho and has conducted business in Idaho during all times relevant herein.

9. Defendant Deeble has been a resident of Boise and Meridian in Ada County, Idaho and has conducted business in Idaho as an employee of Breinholt and his companies during all times relevant herein.

10. Annuity Coeptis, a Utah LLC, and Gabriel Joseph (Joseph), an individual residing in Utah but doing business in Idaho as Annuity Coeptis, have received and have possession of funds as a result of the violations of law and fraudulent conduct described in this complaint. These Defendants knowingly and intentionally directed their activities into the State of Idaho for the purpose of raising money for personal use and to invest with Founders Capital.

FACTS

Background

11. Beginning at least as early as March, 2006, and continuing through December, 2007, Defendants Breinholt and Deeble offered and/or issued securities in the form of promissory notes and investment contracts. These defendants accepted money in exchange for a promissory note that offered a monthly interest rate of 1.5%, 2%, or 3%. Investors who participated in this common enterprise expected profits from it based solely on the efforts of others.

12. Defendants follow an investment philosophy taught by The Franklin Squires Company, LLC, a company formed by C. Rick Koerber. Koerber professes he coined the phrase “equity milling,” which appears to be how returns were generated in Defendants’ scheme. Investors refinance their homes and borrow against the accumulated equity, then invest the money with Defendants, thus “milling the equity.” A homeowner might pay 6% interest on the equity loan, but will supposedly make 18% to 24% annually on the invested money.

13. Defendants also offered to find properties for investors to purchase for equity milling. Defendants asserted that they could find undervalued property, help the investor purchase it, and then quickly refinance the property at a higher value. The investor/purchaser could either rent the home or commercial property, or, in the right circumstances, could leave it empty. These transactions occurred during a real estate market characterized by rapidly rising prices. Mortgage lenders believed that loans bore little risk because even if the purchaser defaulted, the property would have risen in value. Since they perceived little risk, lenders loaned money without traditional risk mitigation aspects. Borrowers could obtain loans that required only the interest to be paid for two years or so, and at low interest rates. The carrying costs on the loans were low enough that the 18% to 24% annual return on the investment would easily make the payments, even without renting the property.

14. Defendants, at all times material herein, were not registered with the Idaho Department of Finance or the National Association of Securities Dealers (NASD) (now known as the Financial Industry Regulatory Authority, or FINRA) as broker/dealers or as broker/dealer agents.

15. The securities issued by Defendants were not registered with the Idaho Department of Finance or the NASD/FINRA.

Misrepresentations

16. In order to induce investors to invest, Defendants Breinholt and Deeble made the following representations, among others:

- a. The investment was guaranteed.
- b. The investment was risk free.
- c. The investment was backed by real estate and precious gems and metals.
- d. The returns were generated by “hard money lending.” Hard money lending, as used by Defendants, appears to simply mean loaning money. Defendants used the phrase as a term of art to imply some greater importance to their activities.
- e. Defendants Breinholt and Deeble were engaged in “hard money lending.”
- f. The returns were also generated by purchasing undervalued real estate which was then somehow made to yield a high return.

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

- a. The investments are not guaranteed. Rather, it appears that payments from Annuity Coeptis to Defendants have stopped and that Defendants do not have sufficient assets to repay investors. Thus, if payments to Defendants from Annuity Coeptis have stopped and yet investors continue to receive payments, such payments can only be coming from ongoing unlawful fundraising by Defendants.
- b. The investments are not risk free.
- c. Most, if not all, of the money placed with Defendants was sent to a Utah company, Annuity Coeptis, which then forwarded it to another Utah company, Founders Capital. Defendants did not invest it in real estate or precious gems and metals.

d. The returns were not generated by “hard money lending.” Defendants did little or no lending. They borrowed money, issued securities in the form of promissory notes and investment contracts, and sent the money to Annuity Coeptis. Annuity Coeptis forwarded the money to Founders Capital.

e. Defendants were not engaged in “hard money lending.” If Defendants loaned money, it was not in amounts as to be a significant source of returns for the investments.

f. The investments were not used by Defendants to purchase real estate. Most, if not all, of the investment monies were placed with Annuity Coeptis and other companies.

Material Omissions

18. Defendants 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 Defendants. Defendants failed to disclose the following material information:

a. That the author of the equity milling capital accumulation plan, C. Rick Koerber, was the subject of an administrative action by the State of Wyoming. The action resulted in a Stipulated Order that forbid future violations of Wyoming securities law;

b. Information about Defendants’ financial condition or operating history;

c. That some investors, including those related to Defendants, received higher rates of return than other investors;

d. The amount and type of compensation paid to Defendants;

e. That most, if not all, of the investment money was forwarded to other entities for investment with yet another entity;

f. That the other entities paid higher rates of return than was offered to Defendants' investors;

g. That investor money would eventually be forwarded to an entity or entities controlled by Koerber;

h. That Defendants were not registered as agents to sell the securities, as required by the Idaho Uniform Securities Act (2004); and

i. That the securities issued by Defendants were not registered as required by the Idaho Uniform Securities Act (2004).

INVESTORS

19. Beginning at least as early as March, 2006, and continuing at least through July, 2007, Defendants Breinholt and Deeble offered, sold or issued at least 45 unregistered securities to at least as many investors. The aggregate face amounts of the securities issued is in the range of five million dollars (\$5,000,000).

COUNT ONE

(Fraud - False and Misleading Statements)

20. The allegations of paragraphs 1 through 19 above are realleged and incorporated herein as if set forth verbatim.

21. 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.

22. Defendants' misrepresentations to prospective investors as set forth in paragraphs 16 and 17 were made in connection with the offer, sale or purchase of securities. Defendants' misrepresentations, as specifically set forth in paragraphs 16 a through f above, were false and

misleading, constituting violations of Idaho Code § 30-501(2) as to each misrepresentation to each investor.

23. Defendants' omissions of material facts and failures to disclose to prospective investors as set forth in paragraph 18 were made in connection with the offer, sale or purchase of securities. Defendants' omissions of material facts and failures to disclose, as specifically set forth in paragraphs 18a 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)

24. The allegations of paragraphs 1 through 19 above are realleged and incorporated herein as if set forth verbatim.

25. 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.

26. Defendants' acts as set forth in paragraphs 1 through 19 were made in connection with the offer, sale or purchase of securities. Their conduct as described in paragraphs 1 through 19 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)

27. The allegations of paragraphs 1 through 19 above are realleged and incorporated herein as if set forth verbatim.

28. Defendants 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.

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

COUNT FOUR

(Failure to Register)

30. The allegations of paragraphs 1 through 19 above are realleged and incorporated herein as if set forth verbatim.

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

32. Breinholt's failure to register as a broker-dealer with the Department constitutes a violation of Idaho Code § 30-14-401.

33. Defendants Breinholt and Deeble transacted business in Idaho as agents of broker-dealers or of issuers. Neither Defendant was registered as an agent with the Department as required by Idaho Code § 30-14-402(a).

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

COUNT FIVE

(Constructive Trust)

35. The allegations of paragraphs 1 through 19 above are realleged and incorporated herein as if set forth verbatim.

36. Plaintiff alleges that Defendants transferred funds obtained through the unlawful and fraudulent transactions described in this Amended Complaint to Defendants Annuit and Joseph. Such funds were obtained by Defendants Breinholt and Deeble under circumstances rendering it unconscionable for Defendants Annuit and Joseph to use or retain the funds or proceeds from them. Defendants Annuit and Joseph have no legal or equitable right, claim or interest in such funds, and would be unjustly enriched if allowed to retain the funds and/or proceeds of them. Therefore, equity requires that a constructive trust or equitable lien be imposed on the funds and proceeds, and that the funds and proceeds be conveyed to the Plaintiff forthwith as restitution for the investors. The amount of the funds and proceeds will be proven at trial, but appears to exceed three million dollars (\$3,000,000).

PRAYER FOR RELIEF

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

1. That Defendants Breinholt and Deeble be adjudged to have violated the Idaho 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 the Idaho 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 Department 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 Department in accordance with Title 30, Chapter 14, Idaho Code;

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.

3. That Defendants 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 \$500,000, and that the court award a money judgment in favor of Plaintiff in such amount.

4. That Defendants be ordered to disgorge all money rightfully belonging to the investors, in amounts to be proven at trial, pursuant to Idaho Code § 30-14-603(b)(2)(C).

5. That Defendants be ordered to make restitution to investors, pursuant to Idaho Code § 30-14-603(b)(2)(C).

6. That the Court impose a constructive trust or equitable lien on all funds and proceeds fraudulently obtained from investors and transferred to the possession or control of the Defendants Annuit and Joseph, in an amount to be proven at trial, so that such funds may be paid by Plaintiff as restitution to the investors.


7. That the Court unwind any transfers by Defendants of investor funds and transferred to Defendants Annuit Coeptis and Gabriel Joseph, pursuant to the provisions of Chapter 9, Title 55, Idaho Code.

8. 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.

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

DATED this 11 day of September, 2008.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



ALAN CONILOGUE
Deputy Attorney General

