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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.

JERRY FRANCIS WARD, an individual,  
and dba MED-LIFE,

Defendants.

Case No. **CV OC 1002136**

**VERIFIED COMPLAINT**

Fee Category: Exempt

COMES NOW the State of Idaho, Department of Finance, Securities Bureau, Gavin M. Gee, Director (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) (Act), Idaho Code § 30-14-101 *et seq.*, and in particular Idaho Code § 30-14-603, wherein the

Department is authorized to bring a civil action seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the Act.

### **VENUE**

2. The acts and practices alleged herein comprising violations of law by the above-named Defendant occurred in Ada County, Canyon County, Elmore County, and Valley County, Idaho. Defendant resided or was located in Idaho when the alleged acts constituting violations of the Act were committed.

### **JURISDICTION**

3. Defendant Jerry Francis Ward (Ward) personally engaged in unlawful securities transactions with Idaho residents. Ward offered unregistered securities for sale or sold such securities, made material misrepresentations and omitted material information in connection with the offer or sale of such securities, and employed a device, scheme or artifice to defraud, in violation of Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101, *et seq.*

### **CASE SUMMARY**

4. Beginning at least by June 13, 2006, and continuing through October 2009, Ward issued securities in the form of investment contracts, for the purpose of raising money for his personal benefit, to at least three (3) investors in an aggregate amount of eighty-nine thousand dollars (\$89,000). Ward promised better than market returns on his investment.

5. Ward defrauded investors by misrepresenting the investment and by omitting material information from the investor solicitations. Ward failed to register these securities and failed to register as a securities broker-dealer or agent, as required by law. Ward spent investor money on personal and business expenses and did not invest it as he promised.

## DEFENDANT

6. Defendant Jerry Francis Ward has been a resident of Idaho for several years, doing business as an insurance agent. He has focused his insurance business primarily in Ada, Canyon and Kootenai counties, though he has had clients in other areas in the state.

## FACTS

7. Beginning at least by June 13, 2006, Ward began offering and issuing securities for his own benefit. He described the securities in different ways to different people. In some cases, Ward took investor money and, to evidence the debt, gave the investor a document that he prepared which misleadingly bore the words "Certificate of Deposit." In other cases, Ward simply described a vague investment in a North Idaho nursing home project that he said he expected to result in huge returns. In at least one case, he gave a "Certificate of Deposit" to evidence an investment in the nursing home project.

8. Ward did not invest the money as promised. Instead, he spent it on personal expenses.

9. Ward told investor B.R. that he was offering an investment in a nursing home that was being developed in North Idaho, and convinced B.R. to invest. B.R. gave Ward \$5,000 on June 13, 2006, \$7,000 on August 25, 2009, \$12,000 on September 23, 2009, and \$10,000 in October 2009.

10. Ward told investor A.L. that he was offering an investment in a North Idaho nursing home development that would provide a 7% return in 90 days. A.L. transferred \$20,000 to Ward's bank account on December 26, 2008. In return, A.L. received two post-dated checks in the amounts of \$1,400 and \$20,000, representing the interest and the principal, respectively. A.L. was able to cash the \$1,400 check, but has not been able to cash the \$20,000 check.

11. Ward convinced investor M.T. to invest, again by describing the North Idaho nursing home development. M.T. gave Ward \$10,000 on May 14, 2008, \$15,000 on January 5, 2009, and \$10,000 on March 31, 2009.

12. Ward signed a Consent Order to Cease and Desist with the Idaho Department of Finance on June 22, 2009. That Order required Ward to stop violating Idaho's Uniform Securities Act (2004), to stop making material misrepresentations and omissions, to stop selling unregistered securities, and to stop selling securities without the proper registration as a broker-dealer or agent.

13. Ward's sales of securities to investor B.R. in August, September and October, 2009, violated the Consent Order to Cease and Desist.

#### **Misrepresentations**

14. To induce investors to invest, Ward made material false representations, both verbally and in writing. Without these misrepresentations, the investors would not have invested. Ward made these misrepresentations in the homes of the investors, on or about the dates of the investments as identified in paragraphs 7 through 11.

a. Ward represented to investors that he would place investor money in a nursing home development in North Idaho. This was false because he did not place the money in such a development. It is also false because no such development exists.

b. Ward told investor A.L. that A.L.'s principal would be returned in 90 days. This was false because A.L. has been unable to obtain return of the funds. The funds were to be returned by March 26, 2009, but as of the date of the filing of this complaint, the funds have not been returned.

c. Ward represented that his "Certificates of Deposit" were FDIC insured by

placing the FDIC symbol on at least one of the "Certificates of Deposit". Ward's "Certificates of Deposit" were not FDIC insured.

#### **Material Omissions**

15. Ward 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 Ward. Ward made the material omissions verbally and in writing, and made them to various investors, but essentially omitted the same information from communications with all investors. Had investors known this omitted information, they would not have invested.

16. Ward made these omissions in the homes of the investors, on or about the dates of the investments as identified in paragraphs 7 through 11.

17. Ward failed to disclose the following material information:

- a. Information about Ward's financial condition.
- b. That investor money would be used by Ward for his personal expenses or benefit.
- c. That the "Certificates of Deposit" Ward provided to evidence debt were not Certificates of Deposit issued by a financial institution, as that term is commonly understood. Rather, they were just meaningless documents Ward ginned-up to serve as a sort of receipt to give to the investor.
- d. That Ward's phony "Certificates of Deposit" were not insured by the FDIC.
- e. That his company, Med-Life, was not affiliated in any way with "MetLife," also known as the Metropolitan Life Insurance Company.

- f. That Ward filed for Chapter 7 bankruptcy in 2000 and was discharged on August 1, 2002.
- g. That Ward filed for Chapter 13 bankruptcy on July 26, 2002.
- h. That the securities were not registered with the State of Idaho.
- i. That Ward was not registered as a securities broker-dealer or agent with the State of Idaho.

**COUNT ONE**  
**(Fraud - False and Misleading Statements)**

18. The allegations of paragraphs 1 through 17 above are realleged and incorporated herein as if set forth verbatim.

19. 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 light of the circumstances under which they were made, not misleading.

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

21. Ward's omissions of material facts and failures to disclose material information to prospective investors, as set forth above, were made in connection with the offer, sale or purchase of securities. Ward's omissions of material facts and failures to disclose material information, as specifically set forth in paragraphs 15, 16 and 17 a through g 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)**

22. The allegations of paragraphs 1 through 17 above are realleged and incorporated herein as if set forth verbatim.

23. 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.

24. Defendant's acts as set forth in paragraphs 1 through 17 were made in connection with the offer, sale or purchase of securities. His conduct as described in paragraphs 1 through 17 above 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.

25. Specifically, Ward'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 Ward. This scheme began in 2006 and is ongoing.

26. Ward denominated the documents he gave to investors as "Certificates of Deposit." By doing so, Ward misled investors into thinking that the investment was secured, and that the investment was low risk because it was backed by real Certificates of Deposit issued by a financial institution.

27. Ward's misrepresentation that his "Certificates of Deposit" were insured by the FDIC were intended to mislead investors about the safety of the investments, in order to persuade the investors into giving Ward money, and in order to keep the investors from

questioning the safety of the investment going forward.

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

28. The allegations of paragraphs 1 through 17 above are realleged and incorporated herein as if set forth verbatim.

29. Ward issued, sold or offered for sale in Idaho securities in the form of investment contracts. These investment contract securities were not registered with the Department as required by Idaho Code § 30-14-301.

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

**COUNT FOUR**  
**(Failure to Register)**

31. The allegations of paragraphs 1 through 17 above are realleged and incorporated herein as if set forth verbatim.

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

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

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

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



**COUNT FIVE**  
**(Violation of Cease and Desist Order)**

36. The allegations of paragraphs 1 through 17 above are realleged and incorporated herein as if set forth verbatim.

37. Idaho Code § 30-14-603(a) provides that it is unlawful for any person to violate an order issued under Idaho's Uniform Securities Act.

38. Ward violated the Consent Order to Cease and Desist issued by the Department on July 22, 2009 when he sold securities to investor B.R. in August, September and October, 2009. At the time, his securities were not registered as required by the Order, and he was not registered as a broker-dealer or agent as required by the Order. Further, the misrepresentations and omissions he made while offering the securities also violated the Order.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays that the Court enter Judgment against Defendant as follows:

1. That Ward 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 Ward 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 Ward 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 fifty thousand dollars (\$50,000), and that the Court award a money judgment in favor of Plaintiff in such amount.

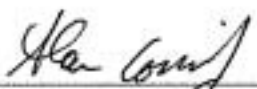
4. That Ward be ordered to make restitution to investors, pursuant to Idaho Code §30-14-603(b)(2)(C), in the amount of eighty-nine thousand dollars (\$89,000), or such other amount as proven at trial. That Ward pay the restitution amount to Plaintiff, to be delivered to the investors, and that the Court award a money judgment in favor of Plaintiff in such amount.

5. That 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 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 28 day of January, 2010.

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL

  
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ALAN CONILOGUE  
Deputy Attorney General

VERIFICATION

STATE OF IDAHO )  
 )ss.  
County of Ada )

WALTER L. BITNER, Examiner-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 the same are true to the best of my knowledge and belief.

DATED this 27<sup>th</sup> day of January, 2010.

W. Bitner  
WALTER L. BITNER

SUBSCRIBED AND SWORN to before me this 27<sup>th</sup> day of January



Virginia L. Sorensen  
Notary Public for Idaho  
Residing at: Caldwell  
My Commission Expires: 04/05/2012