NO. _____ FILED
A.M. _____ P.M. _____
AUG 16 2010
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DEPUTY

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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. GERALD WALLACE SILENCE, an individual; WISE ENTERPRISES, LLC, an Idaho limited liability company; WISE LENDING, LLC, an Idaho limited liability company; SHAUNA LEE SILENCE, as a relief defendant; COMPANIES 1 through 10, as yet unknown and unidentified, as relief defendants; and JANE AND JOHN DOES 1 through 10, individuals as yet unknown and unidentified, as relief defendants, Defendants.	Case No. CV OC 1016166 **COMPLAINT** Fee category: Exempt

COMES NOW the State of Idaho, Department of Finance, Securities Bureau (Department), Plaintiff herein, by and through its counsel, A. René Martin, Deputy Attorney General, and upon information and belief, complains and alleges as follows:

JURISDICTION AND VENUE

1. This action is brought pursuant to Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (IUSA), and in particular Idaho Code § 30-14-603, wherein the Department is authorized to bring a civil action seeking injunctive relief, civil penalties, restitution, disgorgement of ill-gotten gains received by individuals or companies resulting from violations of the IUSA, and other appropriate relief against any person who has either violated or is about to violate any provision of the IUSA or a rule adopted or an order issued thereunder; and against any person who has, is, or is about to engage in an act, practice, or course of business that materially aids a violation of the IUSA or a rule adopted or an order issued thereunder.

2. Defendants GERALD WALLACE SILENCE (Silence) and SHAUNA LEE SILENCE (Shauna Silence) both resided in Idaho when the acts alleged herein constituting violations of the IUSA by the Defendants occurred, and ill-gotten gains derived from such violations were received by Shauna Silence and other Relief Defendants to be identified later in this action. The named company Defendants are Idaho limited liability companies, and were established and used by Silence to materially aid in his violations of the IUSA. The acts and practices alleged herein constituting violations of the IUSA by the Defendants occurred in Ada County, Idaho, and elsewhere in the state of Idaho. Most of the individuals and companies injured by the illegal acts alleged herein resided or were located in Idaho, including some who resided or were located in Ada County, when the illegal acts occurred. The companies and

individuals listed as Relief Defendants, as yet unnamed and unidentified, are thought to have been Idaho companies or residents of Idaho at all times relevant to this action.

CASE SUMMARY

3. Silence is regarded by many as friendly, likeable, charismatic, and a convincing talker. Over the years he has leveraged those traits to pursue careers in sales, to include selling cars and recreational vehicles, working as a realtor, and as a residential mortgage loan originator. Nevertheless, he has continually experienced financial problems. From 1995 through 1999, Silence and his spouse Shauna Silence underwent a Chapter 13 bankruptcy proceeding. During approximately the same time period, Silence borrowed approximately $366,500 from friends, acquaintances, and members of a church he attended at the time. He failed to repay such loans, and in 2000 filed a second bankruptcy, this time a Chapter 7, which ultimately resulted in the discharge of such loans.

4. Beginning in at least July of 2005, in violation of the IUSA, in an effort to turn around his financial situation, Silence began offering and selling securities in the form of investment contracts and promissory notes, raising at least **$2,276,636.79** from Idaho investors and others. As a source of potential investors in his investment scheme, Silence turned to friends, family members, business colleagues, and their contacts. As part of his solicitation of investors, Silence represented that he and Shauna Silence were millionaires and models of successful investing, and that he had successfully operated a lending business for between twenty (20) and thirty (30) years, and had never had a loan default. He represented to prospective investors that he would use their investment moneys to extend loans to start-up companies and bridge loans to private individuals and companies, which activity would bring a profit to investors in the range of between 12-15% per annum. He presented seminars on investing and

related topics to further attract investors in his investment scheme. Silence attracted at least sixteen (16) different investors, who invested at least **$2,276,636.79** in his investment scheme. Most investors in Silence's investment scheme were not sophisticated investors or independently wealthy. They raised investment funds through refinancing their residential mortgage loans, taking out second mortgages on real property they owned, using inheritance moneys, and emptying out their savings accounts. After he received their investment moneys, Silence provided most investors with a promissory note showing the amount invested, the rate of return promised, and the date payment of principal and interest was due and payable. When the due dates on the promissory notes arrived and Silence failed to pay, he was able to convince investors to "roll" the principal and interest due into a new promissory note with a later due date. Through that "promissory note" method, Silence was able to forestall payments of principal and interest he had promised to investors.

5. To aid in his investment scheme, Silence established at least twenty (20) Idaho limited liability companies, at least two (2) of which he used directly to further his investment scheme, Wise Enterprises, LLC, and Wise Lending, LLC. He deposited investor moneys in and withdrew the same from the bank accounts established for those two companies, applying the moneys as he saw fit.

6. Silence used some of the **$2,276,636.79** in investor moneys to extend a few loans to friends, relatives, and business colleagues, but used most of the moneys to pay his personal expenses, pay other investors, and transfer funds to Shauna Silence for her personal use. He paid off a few early investors, to further the appearance of success of his investment scheme and attract new investors. Silence's use of investor funds to create a façade of success and prosperity also attracted additional investors.

7. Silence's investment scheme collapsed when it became apparent that he would not be paying most of the investors in his investment scheme either their investment principal or the return he promised. Several investors demanded their money back from Silence, and a few filed lawsuits against him—some receiving money judgments. As of the current date, Silence owes at least **$2,276,636.79** in unpaid investment principal, or such other amount as will be proven at trial. Silence also owes to investors an as yet undetermined sum in unpaid interest or other form of investment return promised to at least sixteen (16) different investors in his illegal investment scheme, which amount will be proven at trial.

FACTS

(A) Defendants

Gerald Wallace Silence

8. GERALD WALLACE SILENCE (Silence), aka Jerry Silence, is an individual who currently resides with his spouse, Shauna Silence, at 28872 Cahill Way, Caldwell, Idaho 83607. Silence has lived in Idaho since at least 1982, and in the Middleton, Idaho community since at least 2001. He is currently approximately fifty-four (54) years old. For a period of time he attended George Fox University, as well as a biblical training institute. In the mid-1990s, Silence was a group leader in a prominent Meridian, Idaho area church. He has pursued careers in sales, to include selling cars and recreational vehicles, working as a realtor, and as a residential mortgage loan originator. He has also presented seminars on various topics, to include offering tips on investing money. One of his seminars was entitled "Creating Wealth—Exercising Philanthropy." Silence was active in school activities associated with the Middleton School District while his children attended school there.

9. Silence has held several state-issued financially-related licenses. From September 10, 2003 to October 1, 2005, Silence was licensed by the Idaho Department of Insurance to sell credit insurance. Beginning in 2002, Silence worked as a residential mortgage loan originator. There was no Idaho-license requirement for that activity until March of 2006. Silence obtained an Idaho residential mortgage loan originator license in July of 2006, and continued to work as residential mortgage loan originator off and on until his license terminated on December 31, 2008. From February 10, 2006 to April 30, 2009, Silence was also licensed by the Idaho Real Estate Commission as a real estate agent. Silence has never been registered with the Department to offer or sell securities in Idaho or to act as a securities broker-dealer, securities broker-dealer agent, or investment adviser in Idaho. Further, Silence did not register with the Department as a security his investment scheme for offer or sale in Idaho.

10. Silence's employment history over the time period between June of 1996 and April of 2009 also consisted of working as a recreational vehicle salesperson, a finance and insurance specialist for a car dealership, a car salesman, and a co-owner with his spouse of a small car dealership, which was a financial failure. For a period of time while Silence worked as a residential mortgage loan originator, both Silence and his wife, Shauna Silence, worked for the same mortgage broker, U.S. Funding Group – Idaho, LLC.

11. Over the time period between July of 2002 and March of 2009, Silence formed at least twenty-two (22) Idaho limited liability companies, all but five (5) of which are now administratively dissolved. He used several of those limited liability companies to aid in his violations of the IUSA in furthering his illegal investment scheme, including particularly Wise Enterprises, LLC and Wise Lending, LLC.

Shauna Lee Silence (Relief Defendant)

12. SHAUNA LEE SILENCE (Shauna Silence) has been married to Silence for the past approximately thirty-five (35) years. She is the sole owner of the real property located at 28872 Cahill Way, Caldwell, Idaho 83607, purchased in July of 2007 for approximately $658,000, where she resides with Silence. Shauna Silence was a mortgage loan originator from at least 1999 to December 31, 2008, holding an Idaho a residential mortgage loan originator licensed from April 25, 2006 to December 31, 2008. She served as a residential mortgage loan originator for an Idaho licensed mortgage broker, U.S. Funding Group--Idaho LLC, from at least March 1, 2007 until approximately December 31, 2008. For a period of time, both she and Silence worked for that same mortgage broker.

13. Shauna Silence has been a student at George Fox University, a case manager for "World Relief," and a co-owner with Silence of an auto dealership that failed.

14. Shauna Silence was a signer on several bank accounts opened by Silence for Idaho limited liability companies named as Defendants herein, to include two (2) bank accounts for Wise Enterprises, LLC, and the bank account Silence established for Wise Lending, LLC.

15. Shauna Silence was the beneficiary of at least $73,200 in ill-gotten gains transferred to her by Silence, or companies he owned or controlled, which moneys were derived primarily from investors in Silence's illegal investment scheme referenced herein. Thus, Shauna Silence is named as a Relief Defendant herein, and should be required to disgorge such ill-gotten gains for the benefit of investors. A higher amount of ill-gotten gains received by Shauna Silence is expected to be proven at trial.

Wise Enterprises, LLC

16. WISE ENTERPRISES, LLC (Wise Enterprises), Defendant herein, was first registered by Silence as an Idaho limited liability company with the Idaho Secretary of State on December 15, 2005, and was administratively dissolved on March 6, 2009. Both Silence and Shauna Silence served as Wise Enterprises' managing members. On March 7, 2007 and on March 16, 2007, Silence opened two separate bank accounts for Wise Enterprises, listing himself and Shauna Silence as signers on the accounts. Silence used Wise Enterprises as a vehicle for perpetrating his illegal investment scheme, to include instructing certain investors to make out their investment checks to Wise Enterprises or wire investment funds to a Wise Enterprises bank account; depositing investor funds in a Wise Enterprises bank account; disbursing investor funds from Wise Enterprises bank accounts as he chose, to include paying his personal expenses, making payments to other investors, transferring moneys to businesses owned or controlled by Silence and/or his friends and family members; and providing money to Shauna Silence for her personal use.

Wise Lending, LLC

17. WISE LENDING, LLC (Wise Lending), Defendant herein, was first registered by Silence as an Idaho limited liability company with the Idaho Secretary of State on May 7, 2007, and was administratively dissolved on August 6, 2009. Silence chose the name "Wise Lending" for this company to lend credibility to his representations to prospective investors that he was operating a legitimate lending business that offered a real investment opportunity. Silence served as Wise Lending's managing member. On July 17, 2007, Silence opened a joint bank account listing himself and Wise Lending as co-owners of the account, and naming himself, Shauna Silence, and another individual as signers on the account. Silence used Wise Lending as

a vehicle for perpetrating his investment scheme, to include using the company's name for his investment scheme; having investors direct their investment funds to, and depositing investor funds in, the Wise Lending bank account; disbursing investor moneys from that account as Silence chose, to include paying his personal expenses, making payments to other investors, transferring moneys to businesses owned or controlled by Silence and/or his friends, business colleagues, and family members; and transferring funds to Shauna Silence for her personal use.

Companies 1 through 10 (Company Relief Defendants)

18. COMPANIES 1 through 10, as yet unknown and unidentified, received ill-gotten gains in the form of investor moneys transferred by Silence and/or companies he owned or controlled, and thus are named as Relief Defendants herein. Such Relief Defendants should be required to disgorge their ill-gotten gains for the benefit of investors. The identities of such companies shall be proven at trial.

Jane and John Does 1 through 10 (Individual Relief Defendants)

19. JANE and JOHN DOES 1 through 10, as yet unknown and unidentified, received ill-gotten gains in the form of investor moneys transferred by Silence and/or companies he owned or controlled, and thus are named as Relief Defendants herein. Such Relief Defendants should be required to disgorge their ill-gotten gains for the benefit of investors. The identities of such individuals shall be proven at trial.

(B) General Allegations

20. Silence is regarded by many as friendly, likeable, charismatic, and a convincing talker. He was named "Citizen of the Month" for the month of April of 2009 for the City of Middleton, Idaho. During the late 1990s, he was a group leader at a large Meridian, Idaho area church which he attended during that time period.

21. Over the years Silence has leveraged his "people skills" to pursue careers in sales, to including selling cars and recreational vehicles, working as a realtor, and as a residential mortgage loan originator. Nevertheless, in the years before he commenced his illegal investment scheme in or around 2005, Silence continually experienced financial problems.

22. On or about October 1, 1995, Silence and his spouse, Shauna Silence, filed a Chapter 13 bankruptcy petition in the U.S. Bankruptcy Court for the District of Idaho. The Silences' Chapter 13 plan was confirmed on April 26, 1996, and the plan was completed and dismissed on January 4, 1999.

23. In the mid to late 1990s, Silence borrowed approximately **$336,500** through personal loans extended by friends, acquaintances, and members of the church he then attended, which loans he failed to repay.

24. On June 23, 2000, Silence and Shauna Silence filed another bankruptcy petition in the U.S. Bankruptcy Court for the District of Idaho, this time a joint Chapter 7. On November 28, 2000, the Silences received a discharge order from the Bankruptcy Court. Such order discharged the approximately **$336,500** in personal loans made to Silence by friends, acquaintances, and fellow church members, as referenced in paragraph 23 above, in addition to other debts owned by the Silences.

25. In an effort to turn his financial situation around, beginning in at least July of 2005, and continuing through at least January of 2009, Silence solicited investment moneys from Idaho residents and others for use in his illegal investment scheme. Such investments constituted securities in the form of investment contracts pursuant to the IUSA.

26. In soliciting investors and prospective investors, Silence represented that he and Shauna Silence were independently wealthy and models of successful investing. Silence

represented that he had been in the business of extending short-term loans for between twenty (20) and thirty (30) years and never had a loan default, or otherwise "go bad." He presented seminars on investing and related topics to further attract investors in his investment scheme.

27. Silence represented to investors and prospective investors that he was operating a lending business, and that if investors placed their investment moneys with him, he would take all necessary steps to apply the moneys to achieve a return on their investment in the range of between 12-15% per annum, and that he also would profit from the investment scheme. Specifically, he represented to investors that their investment moneys would be used to extend loans to start-up companies and bridge loans to private individuals and companies. To enhance the appearance of safety in the investment opportunity Silence offered, he told many investors that he would obtain collateral for the loans he was extending to small businesses and others, using investors' moneys.

28. In soliciting investors and prospective investors, Silence also represented to some investors that the "Holy Spirit" guided him in determining to whom he should extend loans, and had never been disappointed by such screening method.

29. Silence represented to investors and prospective investors that they would receive the return of their investment principal at any time upon thirty (30) days' notice.

30. During the time period between at least 2002 and 2008, Silence established at least twenty (20) different Idaho limited liability companies, to include Wise Enterprises and Wise Lending. Some of those limited liability companies have been administratively dissolved, and a few are still active. Silence used some of such limited liability companies, including particularly Wise Lending and Wise Enterprises, as vehicles for furthering his illegal investment scheme. By giving his companies professional sounding names, Silence was able to create the

appearance that he was operating legitimate businesses, to include a lending business, which deception lured investors into placing their investment moneys in his illegal investment scheme. Silence established bank accounts for both companies that he controlled, and deposited most investor moneys in such accounts.

31. Silence represented to many investors and prospective investors that their investment moneys were safe because he would take a security interest in any property purchased with the loans extended through his purported lending business.

32. Silence attracted at least sixteen (16) different investors to his illegal investment scheme, who invested over $2,000,000 with him. Most investors in Silence's investment scheme were not sophisticated investors or independently wealthy. They raised investment funds through refinancing their residential mortgage loans, taking out second mortgages on real property they owned, using inheritance moneys, and emptying out their savings accounts.

33. When investors gave Silence money to invest in his investment scheme, he typically gave an investor a short-term promissory note, setting forth the terms of repayment of the investment principal plus interest. Such promissory notes also constituted securities under the IUSA. When payment became due on the promissory notes, Silence convinced investors to "roll" the principal and interest due on the matured promissory note into a new promissory note reflecting the principal amount and interest due on the old note, with the new note reflecting a later due date. Using such method, Silence was able to forestall payments of principal and interest he had promised to pay investors, and delude them into believing they were making even more money on their investments with Silence.

34. Silence deposited a significant amount of investors' investment moneys in Wise Lending bank accounts, but also deposited some investor moneys in Wise Enterprises bank

accounts, particularly as to his early investors, and disbursed investors' moneys as he chose from both companies' accounts. He also deposited at least one investor's investment money in his personal bank account.

35. Silence transferred some of the investors' investment moneys to individuals and small businesses, most of which businesses he owned or controlled, or were owned or controlled by Silence's friends, relatives, or business colleagues. Silence used most of the investors' investment moneys to pay his personal expenses, pay other investors, and transfer funds to Shauna Silence for her personal use. He paid off a few early investors, to further the appearance of success of his investment scheme, and used investor funds to create a façade of success and prosperity that also attracted additional investors.

36. Silence's investment scheme collapsed when it became apparent that he would not be paying most of the investors in his investment scheme either their investment principal or the investment return he promised. Several investors demanded their money back from Silence, and a few filed lawsuits against him—some receiving money judgments.

37. As of the current date, Silence owes at least **$2,276,636.79** in unpaid investment principal, or such other amount as will be proven at trial. Silence also owes to investors an as yet undetermined sum in unpaid investment returns promised to at least sixteen (16) different investors in his illegal investment scheme, which amount will be proven at trial.

38. In offering and selling the securities referenced herein, Silence misrepresented numerous facts and also omitted other facts that were material to a prospective investor's decision whether or not to invest with him. Silence's specific misrepresentations and omissions are enumerated elsewhere in this Complaint.

(C) Investor Victims

(1) INVESTOR D. C.

39. D. C. is a married woman who at all times relevant hereto resided in Caldwell, Idaho. In December of 2005, D. C.'s husband met Silence in connection with a Middleton School District sporting event. At that time, Silence told D. C.'s husband that he was operating a lending business that people could invest in, and that D. C. should contact him about investing in it.

40. A short time later, D. C. contacted Silence to obtain more information about his purported investment scheme. Silence told D. C. that his lending business included loaning money to homebuyers to finance the down payment on their homes; then, after the homebuyers were able to obtain a mortgage loan from another source, the loan Silence had extended for the down payment would be paid back, and the investor in Silence's lending business would receive the return of his or her principal investment plus interest. Silence represented that an investment in his lending business would bring a good return.

41. Relying on Silence's representations, D. C. decided to invest with him. On or about December 29, 2005, D. C. gave Silence $10,000 to invest in his purported lending business. In the first half of 2006, D. C. made at least three (3) additional investments with Silence--on January 9, 2006; February 13, 2006; and April 26, 2006. Silence delivered on his promises to D. C. as to these four (4) investments, returning D. C.'s investment principal, plus the interest amount he had promised.

42. Due to the success she experienced with her prior investments with Silence, on or about September 26, 2006, D. C. decided to again invest with him. On or about September 26, 2006, D. C. delivered a check in the amount of $12,750 made out to Silence personally as an

investment in Silence's purported lending business. Silence deposited D. C.'s investment check in his personal checking account. He used some of D. C.'s investment moneys for personal expenses, to include travel, and to advance money to Shauna Silence for her personal use.

43. On or about February 7, 2007, D. C. again invested with Silence. Per Silence's instructions, she wrote a check in the amount of $2,250 to Wise Enterprises to effect that investment.

44. Silence provided D. C. with promissory notes reflecting some or all of the investments she made through him. In a few instances, when a promissory note given to D. C. matured, Silence rolled the matured promissory note into a new note reflecting principal and interest due on the matured note, with the new note reflecting a later maturity date.

45. In or around September of 2008, Silence telephoned D. C. at her home and told her he knew of someone who needed a bridge loan in the amount of $6,000 for a duration of three to four weeks. Relying on such representation, on or about September 24, 2008, D. C. gave Silence a check made out to Wise Lending in the amount of $6,000 to invest with him. Silence provided D. C. with a promissory note reflecting the investment amount, interest rate, and due date.

46. When payment on the note reflecting D. C.'s $6,000 investment became due, Silence failed to pay the investment principal plus promised interest. For several months, D. C. unsuccessfully attempted to contact Silence regarding repayment. Finally in February of 2009, Silence convinced D. C. to "roll" the $6,000 matured promissory note into a new note, reflecting the principal and interest amounts due on the matured note. The new note reflected a maturity date of April 20, 2009.

47. When Silence failed to pay D. C. the $6,000 plus interest, on or about April 20, 2009, D. C. again began a series of unsuccessful attempts to contact Silence concerning the overdue payment.

48. Finally, on or about May 1, 2009, D. C. left Silence a voice mail message threatening to contact the Idaho Attorney General's Office and the Idaho Department of Finance, which triggered a telephone call from Silence. D. C. told Silence that she wanted her money returned. Silence said that he was working to find a way to repay money owed to his investors. He refused to provide D. C. with any information regarding the use of her investment money, as she requested.

49. Silence has failed to return the principal of D. C.'s investments in the amounts of $12,750, $2,250, and $6,000, for a total of at least $21,000, and he has failed to pay the promised investment return.

(2) INVESTORS B. G. AND J. G.

50. B. G. and J. G. are a married couple who at all times relevant hereto resided in Nampa, Idaho. B. G. is distantly related to Silence by marriage. In or around July of 2006, Silence approached B. G. and J. G., representing to them that he was operating a business in which he extended a variety of loans to third-parties, which loans he characterized as "bridge loans." Silence went on to state that if B. G. and J. G. were to invest $30,000 through him, that Silence would apply the money as a loan to a third party through his lending business. Silence represented that he would pay back B. G.'s and J. G.'s principal investment, plus 12% interest per annum for the use of their investment money. B. G. and J. G. decided that those investment terms sounded favorable, so on or about July 18, 2006, they invested $30,000 with Silence,

which amount Silence deposited in a Wise Enterprises bank account. Silence followed through with the promised return of principal plus 12% interest in a short time frame.

51. Because their first investment with Silence proved successful, B. G. and J. G. decided to make a second investment with Silence. Thus, on August 2, 2006, B. G. and J. G. gave an additional $17,500 to Silence to invest, which amount Silence deposited in a Wise Enterprises bank account. Silence made the same representations regarding the use of investment funds and the 12% interest rate that would be paid as with the investments reflected in paragraph 50 above, and issued a promissory note to B. G. and J. G. to reflect the terms of the investment. When the promissory note on the $17,500 investment became due, Silence convinced B. G. and J. G. to roll the principal and interest due on the matured note into a new note, with a later due date, forestalling payment of moneys Silence owed to B. G. and J. G. associated with their $17,500 investment.

52. On or about September 12, 2006, B. G. and J. G. decided to again invest with Silence, this time in the amount of $25,000. Silence deposited such investment moneys in a Wise Enterprises bank account. Silence made the same representations regarding the use of investment money and the 12% interest rate that would be paid as with the original investment reflected in paragraphs 50 and 51 above, and issued a promissory note to B. G. and J. G. to reflect the terms of the $25,000 investment. When the promissory note on this investment amount matured, Silence convinced B. G. and J. G. to roll the principal and interest due on the matured promissory note reflecting the $25,000 investment into a new note, with a later due date, thereby forestalling the payment due to B. G. and J. G. on their $25,000 investment.

53. On or about October 26, 2006, B. G. and J. G. once again invested with Silence. They obtained $102,759 in cash to make the investment by mortgaging a rental property they

owned. In connection with this investment, on October 26, 2006, Silence opened a joint bank account with himself and B. G. and J. G. as co-owners, into which Silence deposited the couple's $102,759 in investment moneys. Silence represented to B. G. and J. G. that he would withdraw such investment moneys as he needed to extend loans through his lending business. Silence promised B. G. and J. G. a 12% return per annum on their investment, and also told B. G. and J. G. that he would make the mortgage payments due on the rental property that had been mortgaged. Silence made a few of the monthly mortgage payments using B. G. and J. G.'s own investment funds held in the joint bank account, and later ceased making such payments. In connection with the $102,759 investment, Silence told B. G. and J. G. that a security interest would be taken in any property that was the subject of loans extended through his lending business. As to each amount Silence withdrew from the investment moneys of B. G. and J. G. held in the joint bank account, purportedly to use in his lending business, Silence issued a promissory note reflecting the principal investment amount and interest payable, and the due date of the note. When the promissory notes matured, Silence again convinced B. G. and J. G. to roll the matured promissory notes into new notes with later maturity dates. Again, by using such method, Silence was able to forestall paying back B. G. and J. G.'s principal investment and the investment return he had promised them when they placed investment moneys with him.

54. On June 26, 2008, Silence closed the joint bank account he held with B. G. and J. G., with the account having a zero balance.

55. To date, B. G. and J. G have invested with Silence a total of at least $145,259, or such other amount as is proven at trial. Silence has failed to return any of such principal investment money, nor paid B. G. and J. G. any return on their investments.

(3) INVESTOR B. B.

56. B. B. is a widow over the age of 80 who at all times relevant hereto resided in Nampa, Idaho. B. B. is the sister of investor B. G., as referenced in paragraphs 50 through 55 above. B. G. introduced B. B. to Silence, and told her that, based on his experience, she could receive a return of 12% per annum if she invested through Silence.

57. In or around early fall of 2006, Silence met with B. B. and convinced her to invest with him. Silence failed to provide a clear explanation to B. B. as to how her investment moneys would be used, but represented generally that solely through his efforts, B. B. would receive a return of 12% per annum on her investment principal, and that Silence would return her investment moneys at any time if she so requested.

58. Relying on Silence's representations and B. G.'s recommendation, B. B. decided to invest through Silence. Over the time period between at least October of 2006 and March of 2008, B. B. invested at least the following amounts through Silence: $23,800 on October 27, 2006, and $22,000 on October 30, 2006, through checks made out to Wise Enterprises; $6,500 on November 27, 2007, $15,000 on December 10, 2007, $5,000 on March 21, 2008, and $3,500 on March 24, 2008, either through checks made out to Wise Lending or other methods of transferring B. B.'s investment moneys to Wise Lending, per Silence's instructions. B. B. invested a total of at least $75,800 with Silence, or such other amount as is proven at trial.

59. Silence gave B. B. promissory notes as to each investment she made through him. The promissory notes reflected the investment amount, the rate of interest payable, and the date payment was due. When the promissory notes matured, Silence convinced B. B. to roll the principal and interest due on the matured notes into new notes with later due dates, forestalling

Silence's payment to B. B. of moneys promised to her associated with her investments with Silence.

60. Silence has failed to return the principal investment of at least $75,800 invested with Silence by B. B., nor any return promised on the moneys she invested with him.

61. On July 21, 2009, B. B. filed suit against Silence in connection with her investments in his illegal investment scheme. Silence has filed an answer, and the case is pending.

(4) INVESTOR C. R.

62. C. R. is a married man who, at all times relevant hereto, was in his late 70s and resided in Ontario, Oregon. C. R. is a long-time friend of Shauna Silence's family.

63. In or about the first of January 2007, Silence contacted C. R. and solicited him to invest in Silence's purported investment scheme. Silence represented to C. R. that his investment money would be used to buy heavy equipment and to extend short-term loans to third-parties for remodeling projects. Silence told C. R. that an investment with him would be paid in full by 2010 and would bring a return of 12% per annum. Silence told C. R. that he had operated a lending business for approximately thirty (30) years, and it had been very successful. C. R. told Silence that he had no cash to invest, so Silence suggested he refinance his residential mortgage, take out some of the equity in his home, and invest the proceeds through Silence's purported lending business. C. R. trusted Silence because he appeared to be very successful and prosperous, and it was C. R.'s understanding that Silence was a licensed preacher. Silence told C. R. that he had never extended a loan through his lending business that had not been repaid.

64. Relying on Silence's representations, C. R. decided to invest with Silence, and refinanced his residential mortgage loan to pull out equity to obtain money to do so. Silence

acted as the residential mortgage loan originator for C. R. on the refinance transaction, and received loan originator fees for such services.

65. On or about January 19, 2007, C. R. gave Silence a cashier's check in the amount of $107,385.63 made out to Wise Enterprises, per Silence's instructions, to invest with Silence. That sum was the full amount of the mortgage loan Silence obtained for C. R. through Silence's mortgage loan origination services on behalf of C. R. Silence deposited $50,000 of such sum in a Wise Enterprise bank account, and $56,885.63 in a joint bank account he set up with C. R. for the purpose of Silence making the mortgage payments on C. R.'s residence that had been refinanced, as Silence had promised. Silence's placement of the additional $500 of C. R.'s investment is as yet unknown, but will be proven at trial.

66. Silence provided C. R. with a promissory note in the amount of his $107,385.63 reflecting the amount of C. R.'s investment. The terms of the note also included interest payable at the rate of 12% per annum, and monthly payments to be made by Silence in the amount of $1,073.86 per month for eleven (11) months to cover C. R.'s mortgage payments relating to the mortgage loan refinancing, with the principal to be paid in full on February 28, 2010.

67. C. R. later decided to make a second investment with Silence. On or about June 21, 2007, C. R. gave Silence a check in the amount of $7,000 made out to Wise Enterprises, per Silence's instructions, to invest with Silence. Silence deposited C. R.'s investment check in a Wise Enterprises bank account.

68. Silence made mortgage payments on C. R.'s new residential mortgage loan for a few months, using C. R.'s investment moneys to do so, and then stopped making such payments. Silence also made a few monthly interest payments to C. R, and then stopped making such payments.

69. To date, Silence has failed to pay to C. R. his investment principal totaling $114,385.63, the remainder of interest payments promised as a return on the investment, and the remainder of the monthly mortgage payments Silence promised to pay on C. R.'s behalf. C. R., who will be 80 years old in September, is currently facing foreclosure on his residential mortgage, due to his inability to make the monthly mortgage payments required for the new loan Silence placed him in for the purpose of taking equity out of C. R.'s home to invest with Silence.

(5) INVESTORS O. W. AND C. W.

70. O. W. and C. W. are a married couple who at all times relevant hereto resided in Nampa, Idaho. O. W. has known Silence for approximately the past fifteen (15) years. Shauna Silence is O. W.'s second cousin.

71. In approximately 2005, Silence represented to O. W. that he was engaged in the business of making bridge loans. Silence stated that he put investor moneys in a fund, and used the moneys to make short-term loans to land developers or others needing loans until they could obtain traditional financing. Silence represented that any investment with him would bring a return of 12% interest per annum. Relying on such representation, in approximately 2005, O. W. and C. W. transferred $25,000 in cash to Silence to invest with him. Silence later repaid $20,000 of such investment, leaving $5,000 due and owing.

72. In approximately 2006, O. W. and C. W. decided to again invest with Silence under the same terms referenced in the preceding paragraph, and took out a home equity loan in the amount of approximately $118,000 to obtain funds to invest. They provided that sum to Silence in the form of a cashiers' check made out to Wise Enterprises, as Silence instructed. Silence opened a joint bank account with O. W. and C. W. and agreed to make the monthly

payments due on O. W. and C. W.'s home equity loan. Silence made such payments for a period of time, using O. W. and C. W.'s investment moneys, and later ceased doing so.

73. O. W. and C. W. invested additional moneys with Silence, to include $1,000 on or about February 22, 2007, and $76,708.16 on or about April 30, 2007.

74. To date, Silence has failed to pay to O. W. and C. W. their investment principal in the total amount of at least $195,708.16, nor pay any of the promised return on such investments.

(6) INVESTORS D. S. AND R. S.

75. D. S. and R. S. are a married couple who at all times relevant hereto resided in the state of Oregon. In approximately the summer of 2007, D. S. and R. S. were introduced to Silence and his purported lending business through their friend, Investor B. G., referenced in paragraphs 50 through 55 above. Investor B. G. told D. S. and R. S. that he had invested with Silence and his investment had performed well.

76. Around that same time period, D. S. and R. S. had some cash available to invest that they had received from the sale of a house and from an inheritance. Investor B. G. gave Silence contact information for D. S. and R. S.

77. On or about August 1, 2007, D. S. and R. S. received an e-mail message from Silence. In that e-mail, Silence represented that he "had been involved in creative and alternative financing for over thirty (30) years." He also represented that he both "create[d] wealth and exercise[d] philanthropy." Silence referenced several of the companies he owned or controlled, that engaged in "real estate investing [and] private money lending." Silence did not provide any more specific details to D. S. and R. S. as to how he would use their investment moneys. However, he represented that if D. S. and R. S. invested $200,000 through him for one (1) year,

he would take the steps necessary for them to receive a minimum return of 10%, which return would increase to 11% for a two-year investment, and 12% for a three-year investment.

78. Relying on Silence's representations regarding investing with him, as well as B. G.'s account of his successful investing experience through Silence, D. S. and R. S. decided to invest with Silence. On or about August 20, 2007, D. S. and R. S. arranged for a wire transfer of $200,000 from their bank to Wise Lending, as instructed by Silence, to invest with Silence. On that date, Silence provided D. S. and R. S. with a promissory note reflecting their $200,000 investment, an interest rate of 13% per annum, and a due date on the note of August 19, 2010.

79. A short time after D. S. and R. S. had made their $200,000 investment with Silence, Silence contacted them and offered them a further investment opportunity, this time representing that the money would be used for a "bridge loan."

80. Relying on Silence's representations, D. S. and R. S. decided to make a second investment with Silence. On September 6, 2007, they arranged for two (2) wire transfers from their bank to Wise Lending, as instructed by Silence, totaling $500,000. On or about September 7, 2007, Silence provided D. S. and R. S. with a promissory note reflecting their $500,000 investment, an interest rate of 18% per annum, and full payment of interest and principal payable on March 6, 2008. The promissory note also included monthly interest payments to D. S. and R. S. to begin on October 6, 2007.

81. Silence used the majority of D. S. and R. S.'s investment moneys to repay other investors, to provide approximately $205,000 to Shauna Silence for a down payment on a new high-end residence for the Silence family, and to pay Silence's personal expenses.

82. Silence has failed to return any of D. S. and R. S.'s principal investment of at least $700,000. Further, he has failed to pay most of the promised investment returns associated with D. S. and R. S.'s investments with him.

(7) INVESTORS M. B. AND T. B.

83. M. B. and T. B. are a married couple who at all times relevant hereto were residents of Ada County, Idaho.

84. In or around August or September of 2007, M. B. attended a seminar where Silence lectured about real estate and investment strategies. Silence represented at the seminar that he and Shauna Silence had become independently wealthy through real estate investments, and solicited the attendees to invest through Silence's purported real estate investment business.

85. In or about November of 2007, T. B. met with Silence at his office at U.S. Funding Group in Boise, Idaho, to discuss investing with him. Silence represented that if M. B. and T. B. gave him a large sum of money, he would invest it in secured real estate, from which they would receive a profit. Silence represented that he had been handling investments for others for thirty (30) years and had never had a deal go bad. He told M. B. and T. B. that they would receive 12% interest per annum on the moneys they invested with him. Silence also represented to M. B. and T. B. that they would be able to receive the return of their investment moneys upon thirty (30) days' notice, if they so desired. During his solicitation of M. B. and T. B. to invest with him, Silence told them that God directed Silence's personal and professional path.

86. Relying on Silence's representations, M. B. and T. B. decided to invest with Silence. Over the time period between December 6, 2007 and at least October 1, 2008, M. B. and T. B. invested the following amounts with Silence: $50,000 on or about December 6, 2007; $28,000 and $31,000 through two separate checks on or about December 28, 2007; $50,000 on

or about April 4, 2008; and $15,000 on or about October 1, 2008. M. B.'s and T. B.'s investments through Silence totaled at least $174,000. Silence deposited all M. B.'s and T. B.'s investment checks in a Wise Lending bank account. M. B. and T. B. obtained some of the funds they invested with Silence by refinancing their residential mortgage loan, using Silence's daughter as a mortgage loan originator. Silence used portions of M. B.'s and T. B.'s investment moneys to pay his personal expenses and to make payments to other investors.

87. At some time during the time period that M. B. and T. B. were investing through Silence, he personally met with M. B. and T. B. to solicit them to roll their 401K accounts into an account with him to obtain additional moneys to invest through him; however, M. B. and T. B. declined to do so.

88. Silence gave M. B. and T. B. promissory notes as to each investment they made with him. The promissory notes reflected the amount invested, the rate of interest payable, and the date payment was due. When the promissory notes matured, Silence convinced M. B. and T. B. to roll the principal and interest due on the matured notes into new notes, with later due dates, forestalling payment of moneys Silence owed to M. B. and T. B. associated with the investments they had made with him.

89. In or around December of 2008, T. B. contacted Silence and told him that she needed $5,000 of M. B.'s and T. B.'s investment moneys returned immediately. Silence wrote T. B. a check in the amount of $5,000 on a Wise Lending account, which check bounced, and then wrote another check in the same amount on his personal checking account, which also bounced.

90. Although M. B. and T. B. repeatedly requested that Silence return their investment moneys to them, to date, Silence has failed to return any of M. B.'s and T. B.'s principal investment of at least $174,000, nor any of the investment return promised by Silence.

91. On March 31, 2009, M. B. and T. B. filed a private lawsuit against Silence, Shauna Silence, and Wise Lending, asserting various causes of action related to their total investment with Silence of $174,000. On May 6, 2009, M. B. and T. B. received a default judgment in that suit against Silence and other named parties, in the total amount of $200,818.02, plus statutory post-judgment interest, attorney fees, and costs. Nothing has been paid by Silence against that judgment to date.

(8) INVESTORS L. W. AND B. W.

92. L. W. and B. W. are a married couple who at all times relevant hereto resided in Parma, Idaho. L. W. and B. W. became acquainted with Silence through a friend, who told them about Silence's investment scheme.

93. On or about September 15, 2007, Silence visited with L. W. and B. W. at their home in Parma, where he discussed with them the details of his investment scheme. Silence represented that he had been advising investors and handling their investments for over twenty (20) years, and that during that entire time, no investor had ever lost money that Silence had invested on his or her behalf. Silence represented that if L. W. and B. W. invested with him, their investment moneys would be used to extend purchase money loans on construction equipment and first mortgages on real property. Silence also represented that the investment moneys would be secured by first liens, and that L. W. and B. W. would be able to receive the return of their investment moneys at any time if they so desired. Silence represented that the

return on the investment would be 13% interest per annum, and that the investment plus interest would be repaid in full by no later than September 17, 2010.

94. Relying on Silence's representations, on or about September 18, 2007, L. W. and B. W. decided to invest with Silence. Upon Silence's instructions, L. W. and B. W. wired $600,000 to a Wise Lending bank account as an investment with Silence. Silence then provided L. W. and B. W. with a promissory note, reflecting their $600,000 investment; the 13% per annum interest they were to receive on such investment; and the due date on the note of September 17, 2010.

95. Sometime after L. W. and B. W. had placed their $600,000 investment with Silence, they contacted Silence and demanded the return of their investment money. Silence responded by stating that, contrary to what he had represented to L. W. and B. W. prior to them making their investment, no funds would be available to them until September 17, 2010, the due date on the promissory note. L. W. and B. W. then requested that Silence provide them with information concerning the security of their investments in Silence's purported lending business, but he refused to provide them with such information.

96. Although L. W. and B. W. requested that Silence return their investment moneys as he had represented to them that would be done upon their request, L. W. and B. W. have received no return of the principal or any interest on their $600,000 investment with Silence.

97. On October 15, 2009, L. B. and B. W. filed a civil lawsuit against Silence and Wise Lending seeking return of their investment moneys, interests, attorney fees, and costs of suit. That lawsuit is still pending.

(9) INVESTORS K. C. AND KRISTINE C.

98. In the fall of 2007, K. C. and his spouse Kristine C. resided in Minnesota when K. C. first became aware of Silence's purported investment scheme through a referral by one of K. C.'s family members. K. C. and Kristine C. moved to Shoreline, Washington, in or around May of 2008, and still reside there.

99. Shortly after learning of Silence's purported investment scheme, K. C. contacted Silence to obtain more information. K. C. told Silence that he and Kristine C. had just sold some property and had some money to invest for a short term. K. C. told Silence that he and Kristine C. were moving to another state in six (6) to eight (8) months and would need their principal investment plus interest paid to them within that time frame. Silence told K. C. that it would be no problem to do so. Silence represented to K. C. that any money K. C. and Kristine C. invested with him would be invested in his lending business that funded second mortgages for individuals who could not otherwise obtain financing, and would bring a 12% return per annum. Silence also represented that he had been in the lending business for thirty (30) years and had never had a loan default. Silence told K. C. that his investment scheme included "Plan A" and "Plan B." Under the terms of "Plan A," K. C. and Kristine C. would receive their entire principal investment back plus interest within six (6) months. In the event that the people to whom K. C. and Kristine C.'s investment money was loaned were not able to refinance their mortgage as soon as planned, "Plan B" would kick in. Under "Plan B," K. C. and Kristine C. would receive monthly payments plus interest on their investment. Silence said that he had never had to resort to Plan B in his thirty (30) years of lending.

100. Relying on Silence's representations concerning his purported investment scheme, on or about November 19, 2007, K. C. and Kristine C. invested $30,000 with Silence

through a wire transfer to Wise Lending, per Silence's instructions. Silence then provided them with a promissory note reflecting their $30,000 investment; 12% interest per annum; the due date on the note of May 18, 2008; and the terms of "Plan A" and "Plan B."

101. Silence used approximately $15,000 of K.C. and Kristine C.'s investment moneys to pay his personal expenses, and approximately $7,000 to pay other investors.

102. Silence has failed to return K. C.'s and Kristine C.'s principal investment of $30,000, and has not paid the full amount of the return promised on such investment.

(10) INVESTOR G. G.

103. G. G. is an individual who at all times relevant hereto resided in Ada County, Idaho. A friend of G. G.'s told her about Silence's "private lending" business.

104. In or around April of 2008, G. G. had a personal meeting with Silence at his Boise office to discuss investing with him. At that meeting, Silence placed an unnamed third-party on his office speaker phone, who represented that he had invested with Silence in the past with great success. Silence represented to G. G. that he used investor moneys to extend real estate-related loans, to include construction loans. Silence represented that if G. G. invested in his lending business over a period of time between one (1) and (3) years, she would receive a 12% return per annum, which was greater than she could earn in most any other investment available at the time. Silence told G. G. that he made his money through "the other end of the transaction," without explaining what that meant. Silence told G. G. that he had been helping people in "private money investing" for over thirty (30) years, and in that time had never had a borrower default on a loan. He represented that he relied on the "guidance of the Holy Spirit" to assess whether a borrower is a good risk for his investment program, and so far he has never been misled by that screening method. Silence represented to G. G. that he was a successful owner of at least twenty

(20) businesses. He told G. G. that he would provide her with a promissory note for each investment, would pay her monthly distributions on the notes, and upon maturity of a promissory note, she would receive return of the full principal investment. From Silence's representations, G. G. determined that his purported investment program was both "sound and altruistic."

105. Relying on Silence's representations, G. G. decided to invest with him. To obtain money to invest, G. G. took out a second mortgage on her home. Using that money, on or about May 16, 2008, G. G. gave Silence a cashier's check in the amount of $82,000 made out to Wise Lending as he instructed, to invest with Silence. Silence gave G. G. two (2) promissory notes reflecting the total $82,000 investment, which notes included different terms. Silence informed G. G. that the two (2) separate promissory notes were necessary for tax purposes, and for his convenience in managing G. G.'s investment.

106. In approximately July of 2008, Silence contacted G. G., informing her that he had an opportunity to invest $20,000 in a real estate-related investment through his purported lending business and asked if G. G. wanted to take advantage of that opportunity. Silence said G. G. only had a window of two (2) to three (3) hours to take advantage of that investment, which would bring 10% interest per annum. Silence represented that a borrower needed the money only until November 11, 2008. G. G. decided to take advantage of that investment opportunity. On or about July 11, 2008, she withdrew $20,000 from her savings account, and arranged for a wire transfer to Wise Lending in that amount to invest with Silence. Silence provided G.G. with another promissory note, reflecting the $20,000 investment amount plus a 12% per annum interest rate, with the additional term that Silence would make monthly interest payments to G. G.

107. In approximately February of 2009, when Silence had defaulted on several of the interest payments he had agreed to pay to or on behalf of G. G. in connection with one of the investments G. G. had placed with him, G. G. began trying to contact him about the overdue payments and insufficient funds checks she had received from him in connection with her investments. Finally, on February 19, 2009, G. G. sent Silence a letter requesting full payment on the notes within thirty (30) days. Silence failed to honor that demand.

108. Silence has failed to pay G. G. her principal investment in the total amount of at least $102,000, plus unpaid interest.

109. On March 9, 2009, G. G. filed a private lawsuit against Silence, Shauna Silence, and several of the Idaho limited liability companies owned or controlled by Silence, in connection with her investments through Silence as described above. On April 8, 2009, G. G. received a judgment in that lawsuit against all named defendants, including Silence and Shauna Silence, in the total amount of $111,324.19, reflecting her principal investment, accrued interest, costs and attorney fees. To date, Silence has paid no money toward satisfaction of such judgment.

(11) INVESTORS B. R. AND L. R.

110. B. R. and L. R. are a married couple who at all times relevant hereto resided in Ada County, Idaho. At some point during 2008, B. R. and L. R. met Silence through their attendance at a seminar he presented on real estate investing.

111. Also during 2008, B. R. and L. R. attended a seminar conducted by Silence which he labeled "Cash Flow Game." During one of the seminars, Silence discussed bridge loans. In his presentations to attendees at both seminars, Silence represented himself as a model of a successful investor, and a millionaire who was an ethical man guided by his religious beliefs.

112. Approximately a week after the last seminar B. R. and L. R. attended, Silence contacted them to discuss investing with him. Silence represented that he was offering the opportunity for B. R. and L. R. to make investments of between $10,000 and $15,000. Silence told B. R. and L. R. that their investment money would be used to extend short-term real estate bridge loans for construction projects.

113. Relying on Silence's representations, B. R. and L. R. decided to invest with Silence. They sold some real estate to obtain the funds to invest. On or about June 27, 2008, they gave Silence a check in the amount of $5,000 made out to Wise Lending, per Silence's instructions. On or about July 11, 2008, B. R. and L. R. made a second investment with Silence by giving him a check in the amount of $10,000, made out to Wise Lending per Silence's instructions. Silence deposited both checks in Wise Lending bank accounts.

114. Silence provided B. R. and L. R. with promissory notes reflecting the amounts of their principal investments, 12% interest payable per annum, and the dates the investment principal and investment return were due and payable to B. R. and L. R.

115. Silence failed to pay the moneys due to B. R. and L. R. on the due dates listed in the promissory notes. To date, he has failed to pay to B. R. and L. R. their total principal investment of at least $15,000, as well as the interest promised on their investments with him.

(12) INVESTOR M. S.

116. M. S. is a single man who at all times relevant hereto resided in Boise, Idaho. He was acquainted with Silence, and a friend referred M. S. to Silence to discuss his purported lending business.

117. When M. S. talked with Silence about his purported lending business, Silence represented to M. S. that he used investor moneys to make "bridge loans" to borrowers until they

could obtain traditional financing. Silence told M. S. that he had extended "hundreds" of these types of loans, and none had ever failed. Silence told M. S. that if he invested with Silence, he could expect a return of between 13 – 15% per annum.

118. Relying on Silence's representations, M. S. decided to invest with him. On or about July 17, 2008, M. S. gave Silence a check in the amount of $20,000 to invest in Silence's purported lending business. Silence deposited that check in a Wise Lending bank account. Silence used such moneys to make transfers to other companies he owned or controlled, and to pay other investors.

119. On or about July 22, 2008, Silence contacted M. S., stating that he had another opportunity to fund a bridge loan. Relying on that information, M. S. gave Silence another check, this time in the amount of $6,984, as a second investment with Silence. Silence deposited M. S.'s investment moneys in a Wise Lending account.

120. Silence provided M. S. with promissory notes reflecting his investments of $20,000 and $6,984, which notes included payment of 12% interest per annum, and the dates when payment of the principal and interest were due.

121. Silence has failed to return M. S.'s principal investments totaling at least $26,984, or pay any interest promised on such investments.

(13) INVESTORS D. N. AND J. N.

122. D. N. and J. N. are a married couple who at all times relevant hereto resided in Ada County, Idaho. D. N. is a principal in B. C. Company, referenced below as Investor No. 14. D. N. and J. N. became acquainted with Silence through a personal referral. Also, they attended a seminar in which Silence solicited customers for a "mortgage accelerator" program he was selling at the time.

123. Silence represented to D. N. and J. N. that he could invest their money in a lending business he operated that funded short-term loans for people who could not secure other financing. Silence told them that they would receive a 12% annual return if they invested with him.

124. Relying on Silence's representations, D. N. and J. N. decided to invest with Silence. On or about August 29, 2008, D. N. and J. N. gave Silence a check for $25,000 as an investment with him. Silence deposited that check in a Wise Lending account. After D. N. and J. N. invested with Silence, he gave them a promissory note reflecting the $25,000 they had invested, a 12% per annum interest rate on the note, and a due date of August 29, 2009.

125. Silence has failed to return D. N. and J. N.'s principal investment of at least $25,000, and has not paid any interest promised on such investment. Silence used some of D. N. and J. N.'s investment funds for his personal use, and some to pay moneys owed to another investor.

(14) INVESTOR B.C. COMPANY

126. B.C. Company is a construction company based in Meridian, Idaho. Its owners are Idaho residents D. B., M. N., and D. N. M. N. knew Silence from activities associated with the Middleton School District.

127. In approximately late summer of 2008, M. N. and D. N. attended a seminar presented by Silence concerning a "mortgage accelerator" program Silence was selling. During the seminar, Silence told the attendees that he also operated a lending business that people could invest in, with investor moneys being used to fund "start-up" loans for companies. He stated that an investment in his business would offer investors 13-15% per annum, considerably more than they could earn in a certificate of deposit at that time. Silence said that he had been involved in

extending short-term loans for a considerable period of time, and that none of the loans he had extended had ever defaulted.

128. After attending the seminar, M. N. and D. N. informed D. B., their partner in B.C. Company, of the details provided by Silence concerning his purported lending business. D. B. requested that Silence provide her with the names of the companies who would be receiving "start-up" loans, but Silence did not provide her with any company names.

129. Nevertheless, the principals of B.C. Company decided that the company would invest in Silence's purported lending business. On or about September 3, 2008, B.C. Company invested $25,000 with Silence by transferring funds in that amount to a Wise Lending bank account via wire transfer. On that same date, Silence gave the company a six-month promissory note, reflecting the amount of the investment plus interest at 15% per annum, the terms of payment and the payment due date, which was March 1, 2009.

130. When the promissory note to B.C. Company became due on or about March 1, 2009, Silence did not pay B.C. Company as the terms of the promissory note provided. Rather, he convinced the company's principals to roll the matured promissory note into a new note, reflecting the principal and interest due on the matured note, plus a 15% interest rate, payable on September 1, 2009. Using this method, Silence was able to forestall making the payments due to B. C. Company.

131. Silence has failed to return the $25,000 principal investment made by B.C. Company, and has not paid the company the investment return promised.

(15) INVESTOR J. T.

132. J. T. is a single man who at all times relevant hereto resided in Caldwell, Idaho. He has recently moved to Orem, Utah. J. T. met Silence through a family friend. In 2006, both

J. T. and his mother made separate investments with Silence in his purported lending business, and both received the return of their investment principal and interest as Silence had promised. Silence represented to J. T. and his mother that their 2006 investment moneys were used to fund short-term loans to start-up companies or companies needing money to expand.

133. In approximately the fall of 2008, J. T. returned to the U. S. from time spent abroad, and discussed with Silence the possibility of investing further with him. Silence informed J. T. that he was then engaged in "hard money lending" to start-up businesses, or businesses that were expanding, and that J. T.'s investment moneys would be used for that purpose. Silence represented that he had been in the lending business for a lengthy period of time. Silence told J. T. that if he decided to invest with him, J. T. would receive a 12% per annum return on his investment. Silence represented to J. T. that if he made investments in the amounts of $10,500 and $4,500, his full principal on both investments would be returned within ninety (90) days, plus a 12% return on each. Silence told J. T. that if he invested another $5,000, that he would receive the full return of his principal on that investment, plus a "flat" $500 in forty-five (45) days.

134. Relying on Silence's representations and the fact that the investments he and his mother had made with Silence in 2006 had worked out as promised, J. T. decided to again invest with Silence. On October 24, 2008, J. T. wrote a check in the amount of $10,500 made out to Wise Lending, pursuant to Silence's instructions, and also gave Silence $4,500 in cash on that same date, both sums intended as investments with Silence. Additionally, J. T. arranged for a wire transfer to Wise Lending in the amount of $5,000 as a further investment with Silence. Silence provided J. T. with promissory notes reflecting the two investments, each of which included 12% interest per annum, with the payment of principal and interest due by January 31,

2009. Silence also provided J. T. with a promissory note reflecting the $5,000 investment, including an interest rate of 12% per annum and a due date of December 15, 2008.

135. Silence used $5,000 of J. T.'s $10,500 investment moneys for his personal use, and all of J. T.'s $5,000 investment moneys for Silence's personal use.

136. When the due dates on the promissory notes passed with no payment made to J. T. by Silence, J. T. began contacting Silence requesting payment, stating that he needed the money for his upcoming move. Silence promised payment at some later time, and said he would not file bankruptcy to discharge the moneys he owed to J. T.

137. Silence has failed to return any of J. T.'s investment principal totaling at least $20,000, and Silence has not paid any return on J. T.'s investments, as promised.

(16) INVESTOR L. R.

138. L. R. is a widow who at all times relevant hereto resided in Canyon County, Idaho. L. R. and the Silences have a mutual friend. Such mutual friend always spoke highly to L. R. about Silence. L. R. bought a Mercedes at the Lyle Pearson car dealership in 2004, where Silence worked as the dealership's finance person at the time. L. R. met Silence through her car purchase.

139. After meeting Silence at the car dealership, L. R. had several occasions to see Silence at social functions. On at least one such occasion, Silence told L. R. that he had a lending business that was available for her to invest in. Silence represented that he had been loaning money for thirty (30) years and had never experienced any losses. Silence told L. R. that if she invested with him, he would provide her with a promissory note reflecting the amount of her investment, 12% per annum interest rate payable on the investment, and a date that the principal and interest would be payable to her.

140. Silence later contacted L. R. and asked if she wanted to take advantage of the opportunity to invest with him. Relying on the information Silence had provided to her concerning the investment, L. R. decided to invest with Silence.

141. On or about January 13, 2009, Silence met with L. R. at her home concerning investing with him. At that time, L. R. gave Silence a check made out to him personally in the amount of $6,500, reflecting her investment in his purported lending business.

142. After she had invested with Silence, L. R. found it necessary to call Silence several times before he e-mailed her the promissory note he had told her would be provided to her concerning her investment. When L. R. finally received the promissory note, it reflected L. R.'s $6,500 principal investment, included a 12% interest rate per annum, and provided that the principal and interest would be paid in full on or before May 13, 2009.

143. On May 18, 2009, L. R. was unable to contact Silence to discuss her matured investment and her failure to receive the promised payment from Silence, so she went to his home to speak to him. During that meeting, Silence told her that the Idaho Department of Finance had informed him that he could not contact his clients, which representation was false.

144. To date, Silence has failed to pay L. R. her investment principal of $6,500, and has not paid any of the 12% interest per annum promised on her investment.

(17) INVESTORS WHOSE IDENTITIES ARE CURRENTLY UNKNOWN

145. During the time period between January 1, 2006 and the current date, Silence offered and sold investments constituting securities in his purported lending program, and other securities, in violation of the IUSA, to other persons as yet unknown and unidentified, as will be proven at trial.

VIOLATIONS

COUNT ONE
(Failure to Register Security)

146. The allegations set forth in paragraphs 1 through 145 above are realleged and fully incorporated herein by this reference.

147. Idaho Code § 30-14-301(c) provides that it is unlawful for a person to offer or sell a security in Idaho unless the security is registered under the IUSA.

148. The securities offered and sold by Silence to investors as reflected above, were not registered with the Department, constituting a violation of Idaho Code § 30-14-301(c).

COUNT TWO
(Transacting Securities Business in Idaho without Proper Registration)

149. The allegations set forth in paragraphs 1 through 145 above are realleged and fully incorporated herein by this reference.

150. Idaho Code § 30-14-402(a) provides that it is unlawful for an individual to transact securities business in Idaho as an agent unless the individual is registered under the IUSA as an agent or is exempt from registration as an agent under subsection (b) of that section.

151. Idaho Code § 30-14-102(2) defines "agent," in pertinent part, as:

> [A]n individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or who represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities. A partner, officer, or director of a broker-dealer or issuer, or an individual having a similar status or performing similar functions, is an agent only if the individual otherwise comes within the term.

152. Idaho Code § 30-14-102(17) defines "issuer," in pertinent part, as a person that issues or proposes to issue a security.

153. In offering and selling the securities to investors as referenced above, Silence violated Idaho Code § 30-14-402(a) by transacting securities business in Idaho as an agent of the issuer of such securities without having registered with the Department to authorize him to do so under the IUSA.

154. Each offer or sale constitutes a separate violation.

COUNT THREE
(Securities Fraud – Employing a Device, Scheme, or Artifice to Defraud)

155. The allegations set forth in paragraphs 1 through 145 above are realleged and fully incorporated herein by this reference.

156. Idaho Code § 30-14-501(1) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to employ a device, scheme, or artifice to defraud.

157. Through a series of misrepresentations and omissions of material fact, Silence fraudulently convinced investors and prospective investors that he was operating a legitimate and successful business making short-term loans to individuals and businesses who could not obtain traditional financing. He represented that the business was long-standing, successful, and investments in such business would be secure. In reality, Silence's illegal investment scheme was designed and implemented primarily to benefit Silence personally, and to defraud investors. Benefits to Silence included Silence gaining control over millions of dollars of investors' moneys to spend as Silence saw fit, to include transferring moneys to companies he owned or controlled or that were owned and controlled by friends, family members, or business colleagues; applying some of such moneys to make a down payment on a high-end home where Silence and his spouse reside; purchase vehicles; and support Silence's lavish lifestyle. Most of Silence's investors have lost their entire principal investment, as well as promised investment

returns. Thus, Silence's investment scheme constituted a device, scheme, or artifice to defraud prospective investors and those investors who purchased the securities Silence offered or sold, constituting a violation of Idaho Code § 30-14-501(1).

COUNT FOUR
(Securities Fraud – Material Misrepresentations)

158. The allegations set forth in paragraphs 1 through 145 above are realleged and fully incorporated herein by this reference.

159. Idaho Code § 30-14-501(2) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of a material fact.

160. In connection with the offers and sales of securities by Silence as referenced above, Silence made the following untrue statements of material fact:

(a) That Silence had been in the business of extending short-term loans, or "bridge loans," for a time period between twenty (20) and thirty (30) years, and that he had never had a loan he extended "go bad;"

(b) That Silence and Shauna Silence were millionaires and models of successful investing;

(c) That Silence would use investor moneys to make short-term loans to individuals or companies through a lending business he had operated for many years;

(d) That investors could receive the return of their investment principal at any time upon request;

(e) That Silence would take a security interest in any property purchased through loans made from investor moneys, which would make the investments safe;

(f) That investors would be repaid their investment principal and investment return as reflected in promissory notes provided to them by Silence;

(g) Such other misrepresentations of material fact that are proven at trial.

161. Each misrepresentation constitutes a separate violation.

COUNT FIVE
(Securities Fraud – Material Omissions)

162. The allegations set forth in paragraphs 1 through 145 above are realleged and fully incorporated herein by this reference.

163. Idaho Code § 30-14-501(2) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to omit to state a material fact.

164. In connection with the offers and sales of securities by Silence as referenced above, Silence omitted the following material facts:

(a) That the securities Silence offered and sold were not registered with the Department as required by the IUSA;

(b) That Silence was not registered with the Department to offer or sell securities in or from Idaho as required by the IUSA;

(c) That on October 1, 1995, Silence and Shauna Silence filed a joint Chapter 13 bankruptcy petition. On April 25, 1996 the Bankruptcy Court confirmed the Silence's Chapter 13 Plan, and the case was closed on January 4, 1999;

(d) That in the mid to late 1990s, Silence borrowed approximately **$336,500** through personal loans extended by friends, acquaintances, and members of his church, which loans he failed to repay. Silence made certain he would not have to repay these loans by filing a joint Chapter 7 bankruptcy petition with Shauna Silence on June 23, 2000, and discharging all such personal loans in a discharge order entered by the Bankruptcy Court on November 28, 2000;

(e) That Silence would use investor money to pay other investors; transfer funds to business(es) he owned or controlled and to business(es) owned or controlled by his friends, family members, and business colleagues; transfer moneys to Shauna Silence for her personal use; and to support his lavish lifestyle, to include making a $205,000 down payment on the purchase of the Silence residence purchased for over $658,000, buying several cars, and paying for personal travel;

(f) That accepting investment moneys derived from the equity in a person's home in connection with securities fraud constitutes a felony under the IUSA; and

(g) Such other material omissions as are proved at trial.

165. Each material omission constitutes a separate violation.

PRAYER FOR RELIEF

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

1. That the Defendants be adjudged to have violated the IUSA as alleged in Counts One through Five above;

2. That the Defendants be permanently enjoined from engaging in any act or practice violating any provision of the IUSA 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 the same with the Department in accordance with the IUSA;

(b) Selling or offering for sale nonexempt securities in any form in the state of Idaho as the agent of an issuer or in any other capacity without first becoming registered with the Department in accordance with the IUSA;

(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 the Defendants jointly and severally be ordered to pay restitution to the Department for the benefit of injured investors, pursuant to Idaho Code § 30-14-603(b)(2)(C), in

the amount of **$2,276,636.79**, constituting lost principal, or such amount as is proven at trial, plus the amount of lost investment return that will be proven at trial.

4. That the Defendants jointly and severally be ordered to pay a civil penalty to the Department in the amount of $10,000 for each violation of the IUSA as set forth above, or proven at trial, pursuant to Idaho Code § 30-14-603(b)(2)(C). Should this matter go by default, the Department seeks the amount of $10,000 for each of the sixteen (16) investors, to include individuals, couples, and at least one (1) company at $10,000 per investor, for a total of $160,000 in civil penalties. The Department intends to seek a higher penalty amount at trial.

5. That the Court order that the Defendants' assets be frozen; that a receiver be appointed for the Defendants' assets; and that such receiver take charge and control of the Defendants' property, including investment accounts and accounts held in depository institutions, rents, and profits; and to acquire and dispose of such property for the benefit of injured investors, pursuant to Idaho Code § 30-14-603(b)(2)(A) and –(B);

6. That the Court enter an order requiring Relief Defendant Shauna Silence to disgorge the amount of $73,200 in ill-gotten gains consisting of investor moneys illegally transferred to her by Silence through his violations of the IUSA, pursuant to Idaho Code § 30-14-603(b)(2)(C), or such other amount as is proven at trial. The $73,200 figure, or such other figure as is proven at trial, is included within the total figure of **$2,276,636.79** owed by the other Defendants in this action, and Shauna Silence is jointly and severally liable with all other Defendants as to the ill-gotten gains she received;

7. That the Court enter an order requiring the other Relief Defendants to disgorge all ill-gotten gains consisting of investor moneys illegally transferred to them by the Defendants in connection with their violations of the IUSA, pursuant to Idaho Code § 30-14-603(b)(2)(C);

8. That the Court order that the Defendants pay to the Department pre-judgment and post-judgment interest;

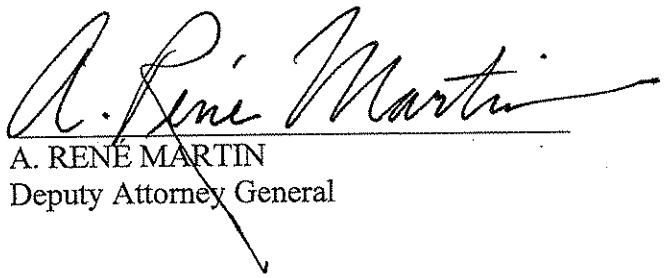
9. That the Department be awarded attorney fees and costs incurred in the preparation and the prosecution of this action, pursuant to Idaho Code § 12-121. Should judgment be taken by default herein, the Department asserts that $7,000 is a reasonable sum for such attorney fees and costs;

10. That the Court award the Department any further relief it deems appropriate under the circumstances; and

11. That the Court award the Department a money judgment for all moneys it finds payable to the Department by the Defendants as authorized by the IUSA and the Court's equitable powers in this action.

DATED this 16th day of August, 2010.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



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