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J. DAVID NAVARRO, Clerk
By VICTORIA CAULFIELD
DEPUTY

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IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT

OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

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|---|---|
| STATE OF IDAHO, Department of Finance,<br><br>Plaintiff,<br><br>vs.<br><br>JOHN F. CORBIN,<br><br>Defendant. | VERIFIED COMPLAINT<br><br>Civil No. 97964<br><br>Fee Category: Exempt |

Comes now the STATE OF IDAHO, Department of Finance, Belton J. Patty, Director, by and through counsel, to complain and allege as follows:

JURISDICTION

I.

This action is brought under the provisions of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code ("Act"), and in particular Idaho Code § 30-1442 wherein the Director of the Idaho Department of Finance ("Department") is empowered to bring actions

seeking injunctive and other relief against defendants who have either violated or are about to violate provisions of the Idaho Securities Act.

VENUE

II.

The acts and practices alleged herein comprising violations of law by the above-named Defendant occurred in the conduct of trade and commerce in Ada County, and elsewhere in the State of Idaho.

DEFENDANT

III.

Defendant John F. Corbin ("Corbin") was at all relevant times an employee of Graham Securities Corporation ("GSC"). GSC was an affiliate of Graham Resources, Incorporated, a sponsor of oil and gas partnership syndications. Corbin served as a "wholesaler" of securities offerings co-sponsored by Graham Resources, Inc. and Prudential-Bache Securities, Incorporated (now Prudential Securities Incorporated). A wholesaler is a representative of a particular product who promotes the product for sale to the public through broker-dealers. Corbin's last know address was 7055 Elverton Drive, Oakland, California 94611.

BACKGROUND

IV.

Corbin became employed with GSC during November, 1982. During 1984, Graham Resources, Inc. and Prudential-Bache Securities, Inc. began a collaborative effort to underwrite,

issue, offer and sell limited partnership interests to members of the investing public. These offerings were known as various series of the Prudential-Bache Energy Income Funds ("PB Energy Funds"). Limited partnership interests are securities.

V.

Between 1984 and 1989, Corbin was a Vice-President and regional wholesaler for GSC. In this capacity, Corbin traveled the western United States promoting the PB Energy Funds. As a part of his duties, Corbin assisted Prudential-Bache securities salespersons in the offer and sale of the PB Energy Fund securities. Additionally, through GSC, Corbin sponsored multiple public seminars in Idaho about the PB Energy Funds. Corbin was the guest speaker at these seminars where the PB Energy Fund securities were offered and sold. Corbin was compensated, in part, based on the amount of sales of the PB Energy Funds in Idaho.

VI.

GSC was registered as a broker-dealer in Idaho from June 8, 1983 to September 22, 1992. GSC was expelled as a broker-dealer with the National Association of Securities Dealers (NASD) in October, 1992. (The Securities and Exchange Commission has delegated to the NASD, pursuant to Congressional mandate, licensing of broker-dealers. The NASD has the responsibility and power to investigate and sanction its members. Membership in the NASD is essential to the ability of a firm to carry on business on exchanges or across state lines.) Corbin was licensed as a

securities salesperson for GSC in at least sixteen states, including all western states except Idaho, during his employment with GSC. Corbin has never applied for registration, or been registered, as a securities salesperson in Idaho.

COUNT ONE

The allegations contained in paragraphs I through VI are hereby realleged as if fully set forth.

VII.

Beginning on a date uncertain, but at least since mid-1984, Corbin offered or sold, either directly or indirectly, or aided and abetted in the offer or sale, to Idaho residents through printed offering materials, oral solicitations, public meetings, and video and audio-visual materials, securities in the form of limited partnership interests and Depository Units representing limited partnership interests in the various series of the PB Energy Funds.

VIII.

At no time has Corbin been licensed by the Department of Finance as a broker-dealer or salesperson to sell or offer for sale securities as required by Idaho Code § 30-1406.

IX.

Corbin has violated Idaho Code § 30-1406.

COUNT TWO

The allegations contained in paragraphs I through IX are

hereby realleged as if fully set forth.

X.

Corbin offered or sold the identified securities to individuals in this state in violation of the antifraud provisions of the Idaho Securities Act, Idaho Code § 30-1403(2), in that Corbin made false statements of material fact and omitted to state material facts which, in the light of the circumstances under which they were made, were necessary to make his other statements not misleading.

The false statements of Corbin include, but are not limited to the following:

A. After December, 1985 Corbin publicly stated that the market for the acquisition of partnership oil and gas properties was a "buyers' market". In fact, the pertinent prospectuses state that "[c]ompetition for the acquisition of Producing Properties is intense."

B. Corbin stated that an investment in the PB Energy Fund securities was no different in safety than an investment in a municipal bond.

C. Corbin stated that investments in the PB Energy Fund securities would still be profitable even if there were "no inflation."

D. Corbin stated that there was a liquid secondary market for the PB Energy Fund securities. In fact, the pertinent prospectuses stated, "There is no established

public market for the Interests and one is not expected to develop."

Omissions of Defendant include, but are not limited to the following:

E. Corbin stated that investors could expect to realize several years of attractive cashflow from investments in the PB Energy Funds and that at the end of the programs investors could also expect to receive a distribution equal to, or exceeding, their original investment.

Corbin omitted to inform investors of the product, pricing and production assumptions necessary to realize the return of principal. Corbin omitted to explain to offerees and investors that cashflow distributions to occur on the investment would result from depletion of the asset being purchased. Therefore, without substantial and continuing escalations in the price of partnership assets, at the conclusion of the program the partnership interest would be worth only a small fraction of the original purchase price.

F. Corbin utilized cash distribution charts which showed previous program payment rates to PB Energy Fund investors.

Corbin omitted to disclose that the identified rates of return were being manipulated by the general partners so that the charts did not properly reflect the actual operating incomes

experienced by these prior programs during the relevant time periods. Corbin also omitted to disclose that the historical cash distributions charts were distorted by the sale of entire properties owned by specific partnerships.

G. Corbin failed to disclose to offerees that he was not registered with the Idaho Department of Finance as a broker-dealer or salesperson.

XI.

Corbin has violated Idaho Code § 30-1403(2).

PRAYER FOR RELIEF

Wherefore, Plaintiff prays for a Judgment in favor of Plaintiff and against Defendant, as follows:

A. That Defendant be adjudged to have violated the Idaho Securities Act.

B. That Defendant, his officers, agents, servants, employees, and any other persons in active concert or participation with him, who receive actual notice of the Judgment, by personal service or otherwise, be permanently enjoined from engaging in any acts, practices or omissions which would constitute violations of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, commonly known as the Idaho Securities Act, and in particular, that they be permanently enjoined from:

1. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as Defendant

has registered as a broker-dealer or salesman for a broker-dealer or issuer with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;

2. While engaged in, or in connection with, the offer, sale or purchase of any security:

   (a) Employing any device, scheme or artifice to defraud any investor in the securities;

   (b) 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;

   (c) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person;

3. Aiding, abetting, counseling, inducing or causing any other person to engage in any of the types of conduct described in paragraphs 1 or 2, above.

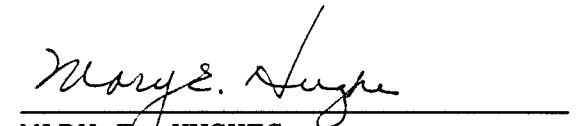
C. That Defendant be prohibited from claiming the availability of, using, or offering or selling securities, under any exemption under the Idaho Securities Act without receiving the prior written consent of the Director.

D. That Defendant be ordered to pay a civil penalty to Plaintiff in an amount of $5,000 for each violation of the Idaho Securities Act.

E. That Plaintiff be awarded attorney's fees and costs incurred in the preparation and the prosecution of this action, and if judgment is taken by default herein, that $5,000 is a reasonable attorney's fee.

F. Such other and further relief as this Court may deem equitable and just.

DATED This 20th day of July, 1994.



MARY E. HUGHES
Deputy Attorney General
Department of Finance

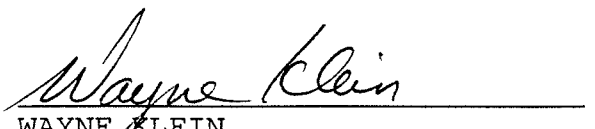
VERIFICATION

STATE OF IDAHO )
) ss:
County of Ada )

WAYNE KLEIN, Bureau Chief for the Securities Bureau of the Department of Finance, STATE OF IDAHO, being first duly sworn, deposes and says:

That he has read the foregoing verified complaint; that he knows the contents thereof; and that the same are true to the best of his knowledge.

DATED this 20th day of July, 1994.



WAYNE KLEIN

SUBSCRIBED AND SWORN to before me this 20th day of July, 1994.

NOTARY PUBLIC FOR IDAHO
Residing at: Caldwell
My Comm. Exp.: 4/5/00