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J. DAVID NAVARRO, Clerk
By M. COLE
Deputy

LAWRENCE G. WASDEN
Attorney General

JOSEPH B. JONES
Deputy Attorney General
State of Idaho
Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031
Telephone: (208) 332-8091
Facsimile: (208) 332-8099
Idaho State Bar #2768

Attorneys for Plaintiff

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT

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

STATE OF IDAHO, DEPARTMENT OF FINANCE, SECURITIES BUREAU, Plaintiff, vs. THEODORE SEBASTIAN HAUK, aka SCOTT THOMAS ALLEN, dba SCOTLAND CONSTRUCTION AND RESTORATION, and dba HAUK PROFESSIONAL CARPENTRY, Defendant.	Case No. CV OC 0409342D **VERIFIED COMPLAINT** Fee Category: Exempt

The State of Idaho, Department of Finance, Gavin M. Gee, Director, by and through its counsel, complains and alleges as follows, on its information and belief:

I

This action is brought pursuant to the former Idaho Securities Act, Title 30, Chapter 14, Idaho Code (hereinafter referred to as the "Act"), and in particular, Idaho Code § 30-1442,

wherein the Director is authorized to bring actions seeking injunctive and other relief against Defendants who have either violated or are about to violate the provisions of the Act or any rule promulgated thereunder.

II

The acts and practices alleged herein comprising violations of law by the Defendant occurred in Ada County, and elsewhere in the state of Idaho.

III

Defendant is, and all times relevant hereto was, a resident of Ada County, Idaho. Defendant is the sole proprietor of a business known as Scotland Construction and Restorations (hereinafter referred to as "Scotland C & R"). Scotland C & R has its principal place of business in Boise, Idaho.

IV

Defendant has not registered any security issued by Scotland C & R with the Department of Finance for sale in or from the State of Idaho.

V

In or about November of 2003, the Defendant offered Tim and Bonnie Darland (hereinafter referred to as the "Darlands"), residents of Boise, Idaho, the opportunity to invest in a business Defendant was starting. The business was to be known as Scotland Construction and Restorations (Scotland C & R).

VI

In or about November of 2003, the Defendant drafted a business plan for Scotland C & R. The business had as its purpose projects ranging from the construction of custom wood products to complete home remodels. The Defendant presented his business plan to the Darlands in or

about November of 2003. A copy of the Defendant's business plan is attached hereto this Complaint as Exhibit A and incorporated herein as though fully set forth.

VII

In or about November of 2003, the Defendant gave the Darlands an Investor Contract, setting forth the terms of their investment in Scotland C & R. The Darlands and the Defendant signed the Investor Contract on or about November 20, 2003. A copy of the Defendant's Investor Contract is attached hereto this Complaint as Exhibit B and incorporated herein as though fully set forth.

VIII

On or about December 18, 2003, the Darlands gave the Defendant a cashier's check in the amount of $12,115.00. This sum represented the Darlands' investment in Scotland C & R, pursuant to the Investor Contract the parties signed on or about November 20, 2003 (Exhibit B). A copy of the cashier's check the Darlands gave the Defendant in December of 2003 is attached hereto this Complaint as Exhibit C and incorporated herein as though fully set forth.

IX

In or about December of 2003, Tim Darland authorized the Defendant to use his business credit card to charge $300 to $400 in purchases for office supplies for Scotland C & R. This sum was intended as an additional investment by the Darlands in Scotland C & R. Contrary to the authorization Defendant received from Tim Darland, the Defendant used Tim Darland's credit card to purchase food, gas, entertainment, and a Delta airlines plane ticket, said charges totaling the approximate sum of $1,800.00.

X.

On or about the time of the Darlands' investment in Scotland C & R, the Defendant opened or reactivated a business checking account at DL Evans Bank. The name on that checking account was Hauk Professional Carpentry. On or about December 18, 2003, the Defendant deposited the Darlands' cashiers check in the amount of $12,115.00 at DL Evans Bank. From that cashiers check, the Defendant deposited $5,115.00 of that sum in the Hauk Professional Carpentry account. Defendant deposited $5,000.00 from the cashiers check in his personal checking account at DL Evans Bank, and he had the remaining $2,000.00 represented by the cashiers check disbursed to him in cash.

XI

Between January of 2004 and February of 2004, Defendant transferred the $5,115.00 deposited in the Hauk Professional Carpentry account on December 18, 2003 to Defendant's personal account.

XII

Following the deposit of a portion of the Darlands' investment in his personal bank account ($5,000), and the transfer of $5,115.00 from the Hauk Professional Carpentry account to his personal account, the Defendant expended those funds for personal purposes such as ATM cash withdrawals, entertainment, payment of rent on his residence, repayment of a personal debt to a man named David Briggs, and repayment to the Darlands of the $1,800.00 sum Defendant charged on Tim Darland's business credit card without authorization.

XIII

The Investor Contract the Defendant entered into with the Darlands (Exhibit B), followed by the payment of the sum of $12,115.00 by the Darlands to Defendant as an investment in

Scotland C & R, constituted the sale of a security and more specifically, an "investment contract," within the meaning of Idaho Code Section 30-1402(12) and the Rules Pursuant to the Idaho Securities Act (IDAPA 12.01.08).

XIV

In all of his dealings with the Darlands, the Defendant used the name Theodore Sebastian Hauk. At no time did the Defendant inform the Darlands that he is also known as Scott Thomas Allen.

COUNT ONE

OMITTING TO STATE MATERIAL FACTS IN CONNECTION WITH THE OFFER, SALE, OR PURCHASE OF A SECURITY

XV

Plaintiff hereby realleges and incorporates by reference paragraphs I through XIV above as though fully set forth.

XVI

In his dealings with the Darlands, the Defendant failed to inform the Darlands that he had a dual identity or alias. This fact was a material fact that Defendant was obligated to disclose to the Darlands prior to their investment in Scotland C & R.

XVII

In his dealings with the Darlands, the Defendant failed to inform the Darlands that he had significant personal debts and that he required funds to repay those debts. This fact was a material fact that Defendant was obligated to disclose to the Darlands prior to their investment in Scotland C & R.

XVIII

In his dealings with the Darlands, the Defendant failed to inform the Darlands that he intended to use their funds to repay personal debts and to pay personal expenses. This fact was a material fact that Defendant was obligated to disclose to the Darlands prior to their investment in Scotland C & R.

XIX

Defendant's conduct, as set forth above, constituted omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, within the meaning of Idaho Code Section 30-1403(2). Defendant's conduct also constituted employing a device, scheme, or artifice to defraud, within the meaning of Idaho Code Section 30-1403(1), and engaging in an act, practice, or course of business which operates or would operate as a fraud or deceit upon a person, within the meaning of Idaho Code Section 30-1403(3).

XX

Based on the foregoing, Plaintiff is entitled to a Judgment from this Court against the Defendant, awarding it a permanent injunction prohibiting further violations of Idaho's securities laws by Defendant; a penalty of $10,000 against the Defendant for each of his violations of the Idaho Securities Act as described in this Count, said penalties totaling the sum of $30,000; ordering that any consideration paid by the Darlands to Defendant as a result of Defendant's unlawful actions be restored to the Darlands by Defendant, said sum totaling $12,115.00; reasonable attorneys fees incurred by Plaintiff, said sum totaling $1,500.00 in the event this matter proceeds by default; reimbursement for Plaintiff's costs of investigation in this matter,

said sum totaling $1,000.00 in the event this matter proceeds by default, and any other relief Plaintiff may be entitled to under Idaho Code § 30-1442, and other provisions of the Idaho Securities Act, or any other law affording remedies or relief to the Plaintiff as a result of Defendant's unlawful acts constituting violations of Idaho Code § 30-1403, subsections (1), (2), and (3).

COUNT TWO

MAKING UNTRUE STATEMENTS OF MATERIAL FACT IN CONNECTION WITH THE OFFER, SALE, OR PURCHASE OF A SECURITY

XXII

Plaintiff hereby realleges and incorporates by reference paragraphs I through XXI above as though fully set forth.

XXIII

In his dealings with the Darlands in November of 2003, the Defendant represented to the Darlands that he intended to use the funds they gave him ($12,115.00) for start-up and related expenses for Scotland C & R. Contrary to his representations, the Defendant intended to use the Darlands' funds to pay his personal debts and expenses.

XXIV

Defendant's conduct, as set forth above, constituted making untrue statements of material fact, within the meaning of Idaho Code § 30-1403(2). Defendant's conduct also constituted employing a device, scheme, or artifice to defraud, within the meaning of Idaho Code § 30-1403(1), and engaging in an act, practice, or course of business which operates or would operate as a fraud or deceit upon a person, within the meaning of Idaho Code § 30-1403(3).

XXV

Based on the foregoing, Plaintiff is entitled to a Judgment from this Court against the Defendant, awarding it a permanent injunction prohibiting further violations of Idaho's securities laws by Defendant; a penalty of $10,000 against the Defendant for his violations of the Idaho Securities Act as described in this Count; ordering that any consideration paid by the Darlands to Defendant as a result of Defendant's unlawful actions be restored to the Darlands by Defendant, said sum totaling $12,115.00; reasonable attorneys fees incurred by Plaintiff, said sum totaling $1,500.00 in the event this matter proceeds by default; reimbursement for Plaintiff's costs of investigation in this matter, said sum totaling $1,000.00 in the event this matter proceeds by default; and any other relief Plaintiff may be entitled to under Idaho Code § 30-1442, and other provisions of the Idaho Securities Act, or any other law affording remedies or relief to the Plaintiff as a result of Defendant's unlawful acts constituting violations of Idaho Code § 30-1403, subsections (1), (2), and (3).

WHEREFORE, Plaintiff prays for a Judgment against Defendant as follows:

(1) That Defendant be adjudged to have violated the Idaho Securities Act;

(2) That Defendant be permanently enjoined from engaging in any acts, practices, courses of business, omissions, and misrepresentations which would constitute violations of Idaho's securities laws;

(3) That defendant be permanently enjoined from engaging in the following acts and conduct:

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 investors or prospective investors;

(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;

(4) That Defendant be prohibited from claiming the availability of, using, or offering or selling securities under any exemptions under Idaho's securities laws without receiving the prior written consent of the Director.

(5) That Defendant be ordered to pay a civil penalty to the Plaintiff in the amount of $10,000 for each violation of the Idaho Securities Act, as alleged in Counts One and Two above. Said penalties total the sum of $40,000.00.

(6) For an award of the sum of $12,115.00 against the Defendant, representing restitution to the above-named investors for their losses incurred as a result of Defendant's unlawful conduct.

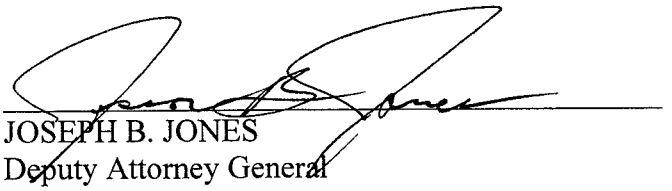
(7) For the appointment of a receiver for the Defendants' assets.

(8) For an award of Plaintiff's costs incurred herein, including Plaintiff's attorneys fees and the reasonable costs of the investigative efforts expended by Plaintiff. Should this matter proceed by default, $1,500.00 represents Plaintiff's reasonable attorney's fees incurred and $1,000.00 represents the Plaintiff's costs incurred in investigation.

(9) For such other and further relief as this Court may deem just and equitable.

Dated this 7 day of December, 2004.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



JOSEPH B. JONES
Deputy Attorney General

VERIFICATION

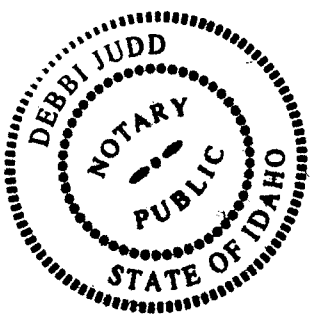
STATE OF IDAHO)
) ss.
County of Ada)

Jim Burns, Investigations Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes and states:

That he has read the foregoing verified complaint, that she knows the contents thereof, and that the same are true and correct to the best of her knowledge and belief.

DATED this 7th day of December, 2004.

Jim Burns

SUBSCRIBED AND SWORN to before me this 7th day of December, 2004.

Debbi Judd
Notary Public for Idaho
Residing at: Boise ID
My Commission Expires: 7/31/2010