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J. DAVID NAVARRO, Clerk
By KIM LEDDA
DEPUTY

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, Plaintiff, vs. JAY L. MURPHY, an individual, Defendant.	CV OC 0002092D Civil No. **VERIFIED COMPLAINT** Fee Category: Exempt

Comes now the State of Idaho, Department of Finance, Gavin M. Gee, Director, by and through counsel, to complain and allege as follows:

JURISDICTION

1. This action is brought under the provisions of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, 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 or any Rule thereunder.

VENUE

2. 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

3. Defendant Jay L. Murphy (Murphy) was a securities representative employed by TriQuest Financial, Inc. Murphy conducted a financial planning, trust and securities business from 315 Arden Avenue, Suite 12, Glendale, California. Murphy's last known business address is 740 N. 530 E., Orem, UT 84097. Murphy was registered with the National Association of Securities Dealers to sell securities and was qualified to sell securities in the State of California. However, Murphy never requested or obtained registration with the Idaho Department of Finance to conduct securities business in the State of Idaho.

BACKGROUND

4. Murphy became associated with the securities industry as early as 1971 and, but for brief periods, has been regularly engaged in the securities industry as a securities salesperson since 1989. In connection with his securities business, Murphy also offered financial planning services, personal trust consulting, and various insurance products.

5. TriQuest Financial, Inc. (TriQuest) is a securities broker-dealer that has been regularly engaged in the securities business since at least 1973. TriQuest has been continuously registered with the Idaho Department of Finance as a securities broker-dealer since February 1992. TriQuest and its representatives service securities accounts for multiple Idaho residents and entities. Murphy was the supervisor of a branch location of TriQuest.

Murphy's branch office location was located approximately 1 mile from the head office of TriQuest.

6. During May 1992, the National Association of Securities Dealers (NASD), a self-regulatory organization for the securities industry, initiated a disciplinary proceeding against Murphy and others. In this proceeding, Murphy was alleged to have engaged in the securities business with a member firm without being qualified or registered as a general securities representative. On September 25, 1992 a decision was rendered against Murphy that included a) a censure, b) a $10,000 fine, and c) a suspension from association with any NASD member in any capacity for 90 days. Murphy's suspension was later reduced to 45 days.

7. During 1991, Mrs. Wilson (Wilson), a widow and California resident, responded to an advertisement about living trusts and attended a seminar conducted by Murphy. During late 1991 or early 1992, Wilson combined various retirement accounts with the assistance and direction of Murphy. Murphy opened an Individual Retirement Account (IRA) for Wilson through the First Trust Corporation in Denver, Colorado. Because of her limited investment experience, Wilson relied on Murphy to purchase and sell investment securities at his discretion after their initial consultations.

8. During 1994, Wilson relocated to Boise, Idaho. She advised Murphy of her intention to move and inquired if he would be able to continue to be her securities salesman and investment adviser. Murphy assured Wilson that he could continue to handle her investment needs after she moved to Idaho. Wilson moved to Idaho in early September 1994.

9. After Wilson moved to Idaho, Murphy continued to purchase and sell securities

on a discretionary basis on behalf of Wilson. Murphy did not have Wilson execute any documentation granting him authority to exercise discretion regarding her investments.

10. During the summer of 1995, Murphy purchased $15,000 in the Bison Investment Group One Ltd., a limited partnership, for Wilson. In connection with the offer and sale of this security, Murphy made various misrepresentations and omitted to state material information regarding this security.

11. Murphy continued to conduct securities business with Wilson between 1994 and the present. Between March 1995 and May 1997, Murphy conducted more than two dozen securities transactions in the account of Wilson.

12. Murphy was terminated by TriQuest during April 1999. Murphy was terminated after he disclosed to TriQuest that "he had misappropriated funds from investors in Bison Investments, an entity formed by him." TriQuest had previously been informed by Mr. Murphy that "the Bison accounts were established for his own personal investments and did not involve the use of customer funds."

COUNT ONE

The allegations contained in paragraphs 1 through 12 are hereby realleged as if fully set forth.

13. Beginning on a date uncertain but at least since September 1994, Defendant has offered and sold securities to an Idaho resident when the Defendant was not registered with the Idaho Department of Finance.

14. At no time has the Defendant been licensed by the Department of Finance as a securities salesmen to offer or sell securities as required by Idaho Code §30-1406.

15. Defendant has violated Idaho Code §30-1406.

COUNT TWO

The allegations contained in paragraphs 1 through 15 are hereby realleged as if fully set forth.

16. Beginning on a date uncertain but at least since September 1994, Defendant offered for sale, either directly or indirectly, or aided and abetted in the offer, to Idaho residents and others through printed offering material and oral solicitations, securities in the form of limited partnership interests in Bison Investment Group One, Ltd.

17. The securities offered by Defendant were not registered with the Department as required by Idaho Code §30-1416.

18. Defendant has violated Idaho Code §30-1416.

COUNT THREE

The allegations contained in paragraphs 1 through 18 are hereby realleged as if fully set forth.

19. In connection with the offer and sale of the Bison Investment Group One, Ltd. security, Defendant offered and sold securities to an individual in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2), in that Murphy omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The omissions of the Defendant include, but are not limited to, the following:

A. Failing to disclose to Wilson that the limited partnership was originally formed during 1991 and what the investment objectives of the partnership were.

B. Failing to disclose to Wilson that the Defendant was the genesis of Bison Investment Group One, Ltd. and that an entity associated with the Defendant would be the

general partner of the limited partnership.

C. Failing to disclose to Wilson that the Defendant had not informed his employing broker-dealer of his efforts creating and funding the Bison partnership as required under state and federal securities regulations.

D. Failing to disclose to Wilson that the Bison Investment Group One, Ltd. security was not a security approved for sale by TriQuest Financial, Inc.

E. Failing to disclose to Wilson the then existing financial condition of the Bison partnership and the prior investment results of the partnership.

F. Failing to disclose to Wilson that assets purchased by the partnership during 1995 included an investment interest acquired from Murphy's sister, Carol Walker, and that Walker had been permanently enjoined from violating the Idaho Securities Act by the State of Idaho during 1994.

G. Failing to disclose to Wilson all compensation that might accrue to Murphy or entities he controlled or in which he had a financial interest.

H. Failing to disclose to Wilson that Murphy's employing broker-dealer had previously denied Murphy's request to create and fund private investment syndications and that he did so in spite of this prohibition.

I. Failing to disclose to Wilson that Bison Investment Group One, Ltd. may advance monies to Murphy, other entities affiliated with Murphy, members of Murphy's family, or engage in pooled interest investments with other syndications formed at the direction of Murphy.

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

COUNT FOUR

The allegations contained in paragraphs 1 through 20 are hereby realleged as if fully set forth.

21. In connection with the offer and sale of securities, Defendant offered and sold securities to an individual in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2), in that he made untrue statements of material fact. The misstatements of the Defendants include, but are not limited to, the following:

A. Murphy sent a written solicitation regarding the Bison Investment Group One, Ltd. to Wilson at her prior California address. This solicitation letter stated that Wilson would be investing in a Long John Silver Restaurant through the Bison Investment Group One, Ltd. In fact, Wilson would be acquiring an investment interest in the pool of assets then owned by Bison Investment Group One, Ltd. and perhaps only a fractional interest in the Long John Silver investment acquisition.

B. Murphy stated that he could continue to act as Wilson's investment representative after she moved to Idaho, even though he could not do so legally unless and until he was registered with the Idaho Department of Finance.

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

COUNT FIVE

The allegations contained paragraphs 1 through 22 are hereby realleged as if fully set forth.

23. Defendant engaged in business activities, for which he received compensation, outside the scope of his regular employment, without providing prior written notice to his employing broker-dealer firm.

24. Defendant has violated Rule 80 of the rules pursuant to the Idaho Securities Act (IDAPA 12.01.08.080).

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 and Rules thereunder.

B. That Defendant 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, and in particular, that he be permanently enjoined from:

1. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as the securities have been registered with the Idaho Department of Finance in accordance with Title 30, Chapter 14, Idaho Code;
2. 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 salesmen for a broker-dealer or issuer with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;
3. 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 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.

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

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

D. That Defendant be ordered to restore to each person in interest any consideration which may have been acquired or transferred in 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 4th day of May, 2000.

SCOTT B. MUIR
Deputy Attorney General
Department of Finance

VERIFICATION

STATE OF IDAHO)
) ss:
County of Ada)

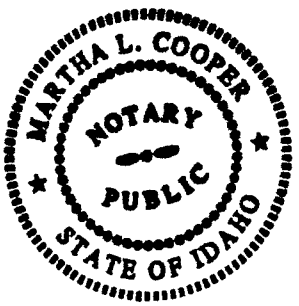
MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes and says:

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

DATED this 4th day of May, 2000.

Marilyn T. Chastain
MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 4th day of May, 2000.



Martha L. Cooper
NOTARY PUBLIC FOR IDAHO
Residing at: Boise, Id
My Comm. Exp.: 11-26-02