FILED
CLERK OF DISTRICT COURT
BANNOCK COUNTY, IDAHO

96 DEC -9 AM 9:01

BY_____
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IN THE DISTRICT COURT OF THE SIXTH JUDICIAL DISTRICT

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

STATE OF IDAHO, Department of Finance, Plaintiff, vs. DUAINE QUIGLEY, Defendant.	Civil No. CVOC-96-01711C **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 Bannock County, and elsewhere in the State of Idaho.

DEFENDANT

3. Defendant Duaine Quigley (Quigley) has offered and sold unregistered securities in the form of investment contracts and promissory notes to various Idaho residents and other persons residing outside of Idaho. Proceeds from the sale of the securities were used for Quigley's personal purposes and for several business ventures. Quigley is not currently, nor has he ever been, licensed as a securities salesman in Idaho. His address is 784 Willard Ave., Pocatello, Idaho 83201.

BACKGROUND

4. Beginning in January 1994, Quigley offered and sold investment contract securities to Idaho residents in various schemes involving vending machines. For example, Quigley induced an Idaho resident to invest $25,000 in Quigley's vending machine business by promising a $25,000 return within three weeks. Quigley pledged 14 vending machines as collateral. Quigley did not own the machines pledged as collateral, and had used the same machines to secure a note held by another investor.

5. Quigley induced another Idaho resident to invest $5,000 for the purchase of vending machines which Quigley claimed would be resold at a profit to a contractually bound buyer. Quigley promised a 100% return on the investment. In fact, Quigley had forged the name

of the buyer on the contract, and used the invested money for another purpose.

6. In order to raise capital for a video game business, Quigley advertised for investors through various sources, including America On-Line, local and out-of-state newspapers.

7. In October 1995, two Florida residents discovered Quigley's advertisement through America On-Line, in which he promised a 100% return on any money invested. Quigley informed the Florida residents that their money would be used to purchase video inventory for the video game business. Each of the Florida residents invested $1,000. Within forty days, Quigley repaid each investor $2,000.

8. Shortly after being repaid, the Florida investors again contacted Quigley concerning further investments in the video game business. Each of the two Florida residents invested an additional $25,000. Quigley promised to pay each of the investors $125,000 within a period of two months. Quigley has not, to date, made any further payment to either of the two Florida residents.

9. In September 1995, a California resident responded to Quigley's newspaper advertisement. The California resident expressed interest in lending Quigley capital if Quigley would help him obtain certain fees supposedly required to obtain release of $25.5 million of Nigerian funds. The California resident claimed to have purchased an oil contract in the mid-1980's involving Nigeria and China, that obligated the Nigerian government to pay him $25.5 million. The California resident claimed that the Nigerian government would release the money if certain fees were paid. Quigley was promised $5 million of the Nigerian funds if he would assist the California resident in obtaining the necessary fees.

10. In order to obtain the promised $5 million, Quigley engaged in various activities to raise the allegedly required fees. For example, $30,000 of the additional investment money

received from the Florida investors was forwarded by Quigley to the California resident.

11. Quigley also began advertising himself, through various media, as a source of investment capital. When contacted by several out-of-state residents, Quigley offered to write business plans to assist the interested persons in obtaining investment capital. In addition to writing the plans, Quigley offered himself as a source of capital. He promised various individuals that, if they would provide certain up-front loan fees, he would either locate an investor to fund the loan request, or would fund the loan himself.

COUNT ONE

The allegations contained in paragraphs 1 through 11 are hereby realleged as if fully set forth.

12. Beginning on a date uncertain but at least since January 1994 Defendant sold or offered for sale, or caused to be sold, either directly or indirectly, or aided and abetted in the offer or sale, investment contract and promissory note securities.

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

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

COUNT TWO

The allegations contained in paragraphs 1 through 14 are hereby realleged as if fully set forth.

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

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

COUNT THREE

The allegations contained in paragraphs 1 through 16 are hereby realleged as if fully set forth.

17. Defendant offered and sold securities to individuals 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 and he 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 false statements of Defendant include, but are not limited to, the following:

A. Offerees were informed that they could receive certain returns on their investments, when in fact there was no reasonable basis for these claims.

B. Offerees were informed that their investment money would be used to purchase video club inventory, when in fact the money was forwarded to the California resident in an attempt to have the funds allegedly owed by the Nigerian government released.

C. Offerees were informed that certain vending machines would collateralize investments made, when in fact the vending machines were not owned by Quigley, and had been pledged in other investments.

D. Offerees were informed that vending machines would be resold at a profit to a contractually bound buyer, when in fact the buyer's name had been forged by Quigley on the contract.

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

E. Failing to disclose to offerees and/or investors that registration of the investment interests was required under the Idaho Securities Act, and that the interests were not so registered.

F. Failing to disclose to offerees and/or investors that the Defendant was not registered with the Idaho Department of Finance as a broker-dealer or salesman as required under the Idaho Securities Act.

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

COUNT FOUR

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

19. Defendants offered securities to persons in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(3), in that Defendants engaged in acts, practices, and courses of business which operated as a fraud or deceit upon offerees and investors. The Defendant's acts, practices and courses of business that operated as a fraud include, but are not limited to, the following:

A. The manner, timing, and means used in making the misrepresentations and omissions contained in paragraph 17, above.

B. Engaging in a series of unlawful securities transactions in order to obtain money for personal use.

20. Defendant has violated Idaho Code §30-1403(3).

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 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 salesman 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 exemption 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.

DATED this 9th day of December, 1996.

for MARY E. HUGHES
Deputy Attorney General
Department of Finance