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Attorneys for the State of Idaho

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. JEFFREY DIRK ROBERTS, Defendant.	Case No. CV OC 0401016D **VERIFIED COMPLAINT**

COMES NOW the State of Idaho, Department of Finance, Securities Bureau, Gavin M. Gee, Director, by and through its counsel, A. René Martin, Deputy Attorney General, and upon information and belief, complains and alleges as follows:

1.

This action is brought pursuant to the Idaho Securities Act, Title 30, Chapter 14, Idaho Code (the Act), and in particular, Idaho Code § 30-1442, wherein the Director is authorized to bring actions seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the Idaho Securities Act (the Act), or any rule promulgated thereunder.

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, Idaho, and elsewhere in the state of Idaho.

DEFENDANT

3.

Jeffrey Dirk Roberts (Roberts), Defendant herein, is an individual who is approximately 46 years old and resides at 406 Bitterroot Drive, Boise, Idaho 83709. Roberts has been registered with the Idaho Department of Finance (Department) and with the National Association of Securities Dealers (NASD) as a securities salesman since September of 1987. Roberts was employed by MONY Securities Corporation from September of 1987 through May of 1993, and by Principal Financial Group (Princorp) from June of 1993 until May of 2003. Roberts has been a licensed insurance agent in the state of Idaho since 1982, authorized to sell life, disability and variable insurance products.

4.

In 1988 and again in 1995, Roberts violated the Idaho Securities Act and rules promulgated thereunder by obtaining loans from his investment clients. Also, during the time period from approximately May of 1998 and continuing through at least November of 2000, Roberts violated the Idaho Securities Act by soliciting and obtaining investment monies from an investment or insurance client in connection with the offer, sale or purchase of securities, and failing to invest such monies, but rather misappropriating and converting the same to his own use. Further, during the time period from approximately November of 2000 through December of 2001, Roberts violated the Idaho Securities Act by engaging in unauthorized securities transactions on behalf at least one securities client.

FACTUAL ALLEGATIONS

(LOANS FROM INVESTMENT CLIENTS)

5.

On or about January 1, 1989, Roberts borrowed approximately $66,667.67 in the form of an unsecured loan from his investment client P.F. Roberts made some monthly payments to P.F. on such loan. In or about April of 1999, Roberts paid P.F. the balance of such loan, using investment monies misappropriated from another investment client.

6.

On or about August 17, 1995, Roberts again borrowed money from investment client P.F., this time in the amount of $5,000.00. Roberts repaid such loan to P.F. in April of 1996.

(MISAPPROPRIATION AND CONVERSION OF CLIENT INVESTMENT MONIES)

7.

In approximately 1986, Roberts became acquainted with M.M. and her husband. After M.M.'s husband passed away in 1997, Roberts began assisting M.M. with her financial affairs, placing the insurance proceeds from her late husband's life insurance policy and other monies in annuities. Roberts later transferred monies from M.M.'s annuities to investment accounts, to include a money market account. During the time period from approximately 1998 through 2000, Roberts engaged in a pattern of misappropriating M.M.'s investment monies and converting the same to his own use, in the total amount of approximately $152,743.00. After an investigation into Roberts' handling of M.M.'s investment accounts, Princorp terminated Roberts and repaid to M.M. her investment monies misappropriated and converted by Roberts. Roberts has not repaid such monies to Princorp.

(ENGAGING IN UNAUTHORIZED TRANSACTIONS)

8.

In the early 1990s, Roberts became acquainted with M.W., who was then a high school student living in Roberts' neighborhood and attending the same church as Roberts. In approximately November of 2000, M.W. opened a brokerage account with Roberts, who initially placed M.W.'s savings of approximately $11,573.58 in Princorp mutual funds. Roberts then engaged in a course of making unauthorized transfers of M.W.'s investment monies into various individual stocks and other investments. Princorp later paid M.W. the losses he sustained due to

the unauthorized transfers engaged in by Roberts. Roberts has not repaid such monies to Princorp.

COUNT ONE: VIOLATIONS OF THE ANTIFRAUD PROVISIONS OF THE ACT / BORROWING MONEY OR SECURITIES FROM CUSTOMERS

9.

Paragraphs 1 through 8 above are fully incorporated herein by this reference.

10.

Idaho Code § 30-1403(1) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to employ any device, scheme or artifice to defraud. Further, Idaho Code § 30-1403(3) provides that it is unlawful for any person, in connection with the offer, sale or purchase of a security, directly or indirectly, to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person. Rules 110 through 118 of the Rules pursuant to the Idaho Securities Act, located at IDAPA 12.01.08.110 - 12.01.08.118, set forth the acts, omissions, or practices that constitute dishonest or unethical practices under Idaho Code § 30-1403(1) and 30-1403(3). Rule 117.20 provides that borrowing money or securities from a customer unless the customer is a broker-dealer, an affiliate, or a financial institution engaged in the business of loaning funds or securities, or immediate family, is a "deceptive or manipulative act or practice," constituting a violation of Idaho Code § 30-1403(1) and 30-1403(3).

11.

Each of Roberts' acts of taking out loans from an investment client, as referenced in paragraph 7 above, constitutes a "deceptive and manipulative act or practice," in violation of Idaho Code § 30-1403(1) and 30-1403(3), and Rule 117.20 of the Rules Pursuant to the Idaho Securities Act.

COUNT TWO: VIOLATIONS OF THE ANTIFRAUD PROVISIONS OF THE ACT / MISAPPROPRIATION AND CONVERSION OF INVESTMENT MONIES

12.

The allegations set forth in paragraphs 1 through 11 above are fully incorporated herein by this reference.

13.

Idaho Code § 30-1403(1) provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to employ any device, scheme or artifice to defraud. Idaho Code § 30-1403(3) provides that it is unlawful for any person to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person. On numerous occasions from approximately 1997 through 2000, Roberts misappropriated and converted to his own use investment monies belonging to M.M., as referenced in paragraph 7 above. Each such act of misappropriation and conversion of M.M's investment monies by Roberts constitutes a separate violation of Idaho Code § 30-1403(1) and 30-1403(3).

COUNT THREE: VIOLATIONS OF THE ANTIFRAUD PROVISIONS OF THE ACT / ENGAGING IN UNAUTHORIZED TRANSACTIONS

14.

The allegations set forth in paragraphs 1 through 13 above are fully incorporated herein by this reference.

15.

Idaho Code § 30-1403(1) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to employ any device, scheme or artifice to defraud. Further, Idaho Code § 30-1403 provides that it is unlawful for any person, in connection with the offer, sale or purchase of a security, directly or indirectly, to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person. Rules 110 through 118 of the Rules pursuant to the Idaho Securities Act, located at IDAPA 12.01.08.110 - 12.01.08.118, set forth the acts, omissions, or practices that constitute dishonest or unethical practices under § 30-1403(1) and 30-1403(3). Rule 117.08 provides that causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon constitutes a "deceptive or manipulative act or practice" in violation of Idaho Code § 30-1403(1) and 30-1403(3).

16.

Each of Roberts' acts of engaging in unauthorized transactions concerning the investment monies of M.W., as referenced in paragraph 8 above, constitutes a separate "deceptive and

manipulative act or practice" in violation of Idaho Code § 30-1403(1) and 30-1403(3), and Rule 117.08 of the Rules Pursuant to the Idaho Securities Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for a judgment in its favor and against Defendant Roberts as follows:

(1) That Roberts be adjudged to have violated the Idaho Securities Act as to any and all counts alleged above, as well as any additional counts proved at trial;

(2) That Roberts be permanently enjoined, pursuant to Idaho Code § 30-1442(3), from engaging in any acts, practices or courses of business which would constitute violations of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, and in particular, that he be permanently enjoined from, 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; and

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

(3) That Roberts be ordered to pay a civil penalty to the Department in the amount of $10,000.00 for each of Counts One through Three set forth above, pursuant to Idaho Code § 30-1442(3)(b);

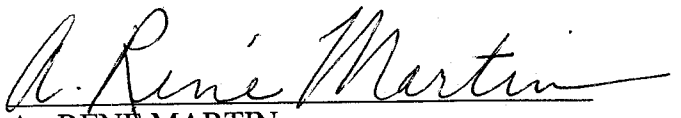
(4) That Roberts be ordered to pay attorney fees and costs incurred in the preparation and prosecution of this action and reimbursement for investigative efforts, pursuant to Idaho

Code § 30-1442(3)(c). If judgment is taken by default herein, that $5,000.00 is a reasonable sum for the same;

(5) For such further relief as this Court may deem equitable and just under the circumstances.

DATED this 11th day of February, 2004.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL



A. RENE MARTIN
Deputy Attorney General

VERIFICATION

STATE OF IDAHO)
)ss.
County of Ada)

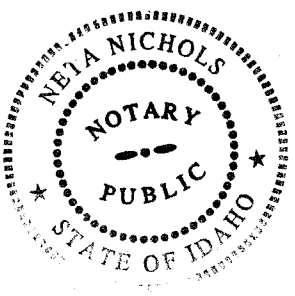
MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

I have read the foregoing Verified Complaint. I know the contests thereof, and the same are true to the best of my knowledge and belief.

DATED this 11th day of February, 2004.

Marilyn T. Chastain
MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 11th day of February, 2004.



Neta Nichols
Notary Public for Idaho
Residing at: Boise
My Commission Expires: 10-26-2006