A.M. FILED P.M.
OCT 27 2006
J. DAVID NAVARRO, Clerk
By KATHY J. BIEHL
Deputy

LAWRENCE G. WASDEN
Attorney General

A. RENÉ MARTIN, I.S.B. #3188
Deputy Attorney General
State of Idaho
Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031
Telephone: (208) 332-8092
Facsimile: (208) 332-8099

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. SHANE MICHAEL TURNER, an individual, d/b/a Network Communications and Network Investments, Defendant.	Case No. CV OC 0620232 **VERIFIED COMPLAINT**

COMES NOW the State of Idaho, Department of Finance, Securities Bureau (Department), 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 Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), and in particular Idaho Code § 30-14-603, wherein the Director is authorized to bring actions seeking injunctive and other relief against defendants who have either violated or are about to violate provisions of 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.

Shane Michael Turner (Turner), Defendant herein, is an individual who is approximately 30 years old, and resides at 8408 West Harmonica Way, Boise, Idaho 83709. Turner is married to Lisa Turner. On March 12, 2003, Turner was registered with the Department as a securities salesperson employed by broker-dealer Foresters Equity Services, Inc. Turner's employment with Foresters Equity Services, Inc. was terminated on or about October 28, 2004. In approximately October of 2004, Turner began employment as a securities salesperson with Primevest Financial Services, Inc. (Primevest). Around the time Turner became employed by Primevest, he entered into a contract with both Primevest and Home Federal Savings Bank (Home Federal) establishing him as a "dual employee" of the two companies. As a "dual employee," Turner was a broker-dealer agent with Primevest providing investment services to

Home Federal customers, working out of Home Federal's branch offices. Turner's contract with Primevest required that he disclose to Primevest any business activities he was pursuing outside his prescribed business duties as a broker-dealer agent for Primevest. At no time during his contractual relationship with Primevest and Home Federal did Turner disclose to either company that he was engaged in any outside business activities relating to the offer and sale of securities. On or about January 5, 2006, Turner's "dual employment" relationship with Primevest and Home Federal was terminated.

4.

On January 25, 2006 Turner became employed as a broker-dealer agent by United Heritage Financial Services, Inc. (United Heritage.) That employment relationship was terminated by United Heritage on or about May 19, 2006. At no time during Turner's employment with United Heritage did he disclose to that company that he was engaged in any outside business activities relating to the offer and sale of securities.

5.

During the period from August 13, 2002 to March 22, 2006, Turner made several filings with the State of Idaho, Secretary of State's Office, that included the following. On August 13, 2002, Turner filed a certificate of assumed business name to transact business as "Network Communications." On May 6, 2005, Turner filed a certificate of assumed business name to transact business as "Network Investments." On March 22, 2006, Turner filed a cancellation of the certificate of assumed business name "Network Investments."

6.

During the period while Turner was a "dual employee" of Primevest and Home Federal, from approximately October of 2004 to approximately January of 2006, he offered and sold securities to Home Federal customers while doing business as a sole proprietor using the business name "Network Investments," outside his contractual relationship with Primevest and Home Federal, referred to as "selling away."

7.

During the period from at least July of 2004 to at least February of 2006, Turner engaged in securities fraud and other violations of the Uniform Securities Act (2004) and rules promulgated thereunder in offering and selling securities in the form of investment contracts, certificates of deposit, and other securities instruments to Idaho investors. Turner's violations included obtaining monies from various Idaho investors in connection with the offer, sale or purchase of unregistered securities in the form of certificates of deposits and investment contracts, and offering or selling fraudulent securities. In offering and selling securities to Idaho residents, Turner engaged in securities fraud by misrepresenting and omitting material facts, which included falsely representing to investors that certificates of deposit he offered or sold were guaranteed by Securities Investor Protection Corporation (SIPC), and that investment monies would be used to fund real estate construction loans. Also, Turner defrauded investors by obtaining monies purportedly for investing the same in various securities, and then misappropriated and converted such monies to his own use, which included paying off other investors, trading securities in Turner's personal accounts, and paying Turner's personal

expenses. Additionally, Turner engaged in "selling away," in that he engaged in business activities for which he received compensation, either directly or indirectly, outside the scope of his regular employment as a securities salesperson or broker-dealer agent without providing notice to his employer firm, in violation of the Act. To the best of the Department's information and belief, such acts resulted in losses to victims of at least $114,220.

FACTS

8.

(VICTIM D.S.)

D.S. is a 61-year-old individual who is semi-retired and resides in Boise, Idaho. D.S. became acquainted with Turner through his friendship with Turner's father. In early May of 2005, while he was a "dual employee" of Primevest and Home Federal, Turner offered and sold to D.S. through Turner's separate business, Network Investments, a security in the form of an investment contract. Turner represented to D.S. that his investment monies would be used to fund real estate construction loans and would bring a return of 6.5%. On May 5, 2005, D.S. gave Turner a check in the amount of $20,000 made out to "Network Investments" for such investment. Turner misappropriated and converted D.S.'s investment monies to his own use, ultimately depositing at least $19,800 of such funds into Turner's Ameritrade account, and making personal trades of securities using such funds. On or about August 18, 2006, Turner repaid D.S. $19,179.28. To date, Turner has not repaid to D.S. the remaining $820.72 of D.S.'s investment monies, nor has D.S. received any profit from such investment.

9.

On or about February 2, 2006, while employed as a broker-dealer representative for United Heritage, Turner offered and sold to D.S. through Turner's separate business, Network Investments, another investment in the form of an investment contract. Turner represented to D.S. that his investment monies would be used to fund real estate construction loans, and that such investment would bring a similar return to the investment D.S. made with Turner in May of 2005, as referenced in paragraph 8 above. On February 2, 2006, D.S. gave Turner a cashier's check made out to "Network Investments" in the amount of $15,000 for such investment. Turner misappropriated and converted D.S.'s investment monies to his own use, using a portion of such monies to repay another investor and the balance for Turner's personal expenses. On or about June 5, 2006, Turner paid D.S. $16,456.05, constituting repayment of D.S.' investment principal plus $1,456.05 in interest.

10.

(VICTIM E.R.)

E.R. is a 68-year-old widow who resides in Boise, Idaho. E.R. was a banking customer of Home Federal's, and was referred to Turner for investment services by Home Federal. In or about early June of 2005, while he was a "dual employee" of Primevest and Home Federal, Turner offered and sold to E.R. through Turner's separate business, Network Investments, an investment in the form of an investment contract, representing that E.R.'s investment monies would be applied to fund real estate construction loans. Turner represented to E.R. that such investment involved no risk, was guaranteed, and would bring a return of 6.75%. To fund such

investment, on June 6, 2005, E.R. wrote a check to "Network Investments" in the amount of $25,000. Turner misappropriated and converted E.R.'s investment monies to his own use, by placing such monies in Turner's Ameritrade account and making personal trades of securities with approximately $20,000 of such monies. To date, E.R. has received no return of principal, nor any profit from such investment.

11.

(VICTIM R.B.)

R.B. is an 82-year-old gentleman who resides in Boise, Idaho. R.B. was a banking customer of Home Federal's for over 30 years, and was referred to Turner by Home Federal for investment services. In or about July of 2005, while he was a "dual employee" of Primevest and Home Federal, Turner offered and sold to R.B. through Turner's separate business, Network Investments, a security in the form an investment contract. Turner represented to R.B. that his investment monies would be applied to fund real estate construction loans. Turner also represented to R.B. that such investment would bring R.B. a higher return than he was receiving on any of his then-existing investments. To fund such investment, on or about July 26, 2005, Turner arranged for the debiting of R.B.'s checking account with a $32,400 cashier's check made payable to Network Investments. Turner failed to invest R.B.'s investment monies in real estate construction loans, but rather misappropriated and converted at least $27,000 of R.B.'s investment monies to his own use by transferring such monies to Turner's Ameritrade account. To date, R.B. has received no return of principal, nor any profit from such investment.

12.

(VICTIM K.N.)

K.N. is a 92-year-old gentleman who resides in Boise, Idaho. K.N. was a banking customer of Home Federal's and was referred to Turner by Home Federal for investment services. In or about August of 2005, while Turner was a "dual employee" of Primevest and Home Federal, Turner offered and sold to K.N. through Turner's separate business, Network Investments, a security in the form of an investment contract. Turner represented to K.N. that his investment monies would be applied to fund real estate construction loans and that the investment would be risk free. Turner also represented that K.N. would have no access to such investment monies for a period of six (6) months. On or about August 17, 2005, K.N. gave Turner a check for $56,000 made out to Network Investments to fund the investment. Turner misappropriated and converted K.N.'s investment monies to his own use, placing at least $50,000 of such monies in Turner's Ameritrade account for his personal securities trades. Further, Turner used at least $5,000 of such monies for Turner's personal expenses. To date, K.N. has received no return of principal, nor any profit from such investment.

13.

(VICTIM J.S.)

J.S. is a businessman who resides in Boise, Idaho. J.S. was a banking customer of Home Federal's and was referred to Turner by Home Federal for investment services. On or about September 29, 2005, while Turner was a "dual employee" of Primevest and Home Federal, Turner offered and sold to J.S. through Turner's separate business Network Investments, a

security in the form of an investment contract. Turner represented to J.S. that his investment monies would be applied to fund real estate construction loans, and would bring a return of 6%. On or about September 29, 2005, J.S. gave Turner a Home Federal cashier's check in the amount of $350,000 made out to Network Investments to fund the investment. Turner applied $193,000 of J.S.'s monies to fund an actual real estate construction loan. Turner misappropriated and converted at least $100,000 of J.S.'s remaining investment monies to Turner's own use, by placing such monies in Turner's Ameritrade account and making personal trades of securities. In approximately January of 2006, Turner informed J.S. that Turner was no longer employed by Home Federal. After learning that information, J.S. became concerned about his investment through Turner, and demanded his investment monies back. On or about February 10, 2006, Turner paid J.S. $357,076.71, constituting full repayment of J.S.'s investment monies plus interest. Turner repaid J.S. in part using funds of other investors.

14.

(OFFERING FRAUDULENT SECURITIES)

In or about late March of 2006, Turner offered to sell securities by placing an advertisement in The Idaho Statesman newspaper representing that Network Investments was offering a safe and secure 12-month corporate certificate of deposit with yields ranging from 7% to 8.4%. Such securities were not registered with the Department. The advertisement was run in the Idaho Statesman during the time period from March 30 through April 18, 2006. On or around the time of such advertisement, Turner maintained a website accessible to the public for Network Investments at www.networkinvestments.net, which website represented that such

corporate certificates of deposit were insured through Securities Investor Protection Corporation (SIPC). Such website was referenced in the advertisement for the corporate certificates of deposit Turner ran in The Idaho Statesman. The Department initiated an investigation of such securities offer. On or about April 18, Turner falsely represented to an undercover Department investigator that the funds derived from the sale of such corporate certificates of deposit would be used to fund residential construction loans, that such certificates of deposits were offered through a Seattle, Washington company named Network Investments, and that such certificates of deposit were insured by SIPC. Turner offered and sold such corporate certificates of deposit without the knowledge and approval of his then-employer, broker-dealer United Heritage.

15.

On April 18, 2006, the Director issued and served upon Turner an Order to Cease and Desist and Notice of the Opportunity for a Hearing, wherein the Director found that the securities in the form of purported certificates of deposit that Turner had offered or sold were unregistered, and that he had engaged in securities fraud in the offer and sale of such securities. Turner did not request a hearing or appeal such order.

COUNTS ONE THROUGH SEVEN: OFFER OR SALE OF UNREGISTERED SECURITIES

16.

The allegations set forth in paragraphs 1 through 15 above are fully incorporated herein by this reference.

17.

Idaho Code § 30-14-301 provides that it is unlawful for any person to offer or sell in Idaho a non-exempt security that is not registered with the Department.

18.

The securities Turner offered or sold to Investors D.S. (two instances), E.R., R.B., K.N., and J.S., and the purported certificates of deposit Turner offered through a newspaper and Internet website, as referenced in paragraph 14 above, were not registered with the Department or exempt from registration.

19.

Turner's offer or sale of such non-exempt unregistered securities constitutes a violation of Idaho Code § 30-14-301. Each offer or sale constitutes a separate violation.

COUNT EIGHT: VIOLATION OF ANTIFRAUD PROVISIONS OF THE ACT – EMPLOYING A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD

20.

The allegations set forth in paragraphs 1 through 19 above are fully incorporated herein by this reference.

21.

Idaho Code § 30-14-501(1) provides that it is unlawful for any person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to employ a device, scheme or artifice to defraud.

22.

Turner's acts of offering or selling false or fraudulent, unregistered securities to Idaho investors through misrepresentations and omissions of material fact constitute employing a device, scheme or artifice to defraud, in violation of Idaho Code § 30-14-501(1).

23.

Further, Turner's acts of misappropriating and converting to his own use the investment monies of Investors D.S., E.R., R.B., K.N., and J.S. constitute employing a device, scheme or artifice to defraud, in violation of Idaho Code § 30-14-501(1).

COUNTS NINE THROUGH ELEVEN: VIOLATION OF ANTIFRAUD PROVISIONS OF THE ACT –MISREPRESENTATIONS OF MATERIAL FACT

24.

The allegations set forth in paragraphs 1 through 23 above are fully incorporated herein by this reference.

25.

Idaho Code § 30-14-501(2) provides that it is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly, to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

26.

In offering or selling securities to Investors D.S., E.R., R.B., K.N., and J.S., in the advertisements in The Idaho Statesman newspaper and on the Network Investments Internet

website, and in the meeting with the Department's undercover investigator, as referenced in paragraph 14 above, Turner misrepresented material facts, including but not limited to the following:

(a) That the corporate certificates of deposit Turner offered in newspaper advertisements and on Network Investments' Internet website were SIPC insured;

(b) That Network Investments was a Seattle, Washington company;

(c) That investment proceeds would be used to fund real estate construction loans.

Each material misrepresentation constitutes a separate violation of Idaho Code § 30-14-501(2).

COUNTS TWELVE THROUGH SIXTEEN: VIOLATIONS OF ANTIFRAUD PROVISIONS OF THE ACT – OMISSIONS OF MATERIAL FACT

27.

The allegations set forth in paragraphs 1 through 26 above are fully incorporated herein by this reference.

28.

Idaho Code § 30-14-501(2) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

29.

In offering or selling securities in Idaho as referenced above, Turner omitted to state material facts necessary in order to make the statements made, in light of the circumstances

under which they were made, not misleading. Turner's material omissions included, but are not limited to, the following:

(a) Such securities were not registered with the Department;

(b) Investment proceeds would be used to pay Turner's personal expenses, fund securities trades in Turner's personal brokerage account, or to pay off other investors;

(c) Turner's offer or sale of securities was conducted without the approval of his employers—Home Federal, Primevest, or United Heritage;

(d) The risk associated with the securities Turner offered or sold;

(e) The securities Turner offered or sold were fraudulent.

COUNT SEVENTEEN: VIOLATIONS OF ANTIFRAUD PROVISIONS OF THE ACT – ACT, PRACTICE, OR COURSE OF BUSINESS OPERATING AS A FRAUD OR DECEIT

30.

The allegations set forth in paragraphs 1 through 29 above are fully incorporated herein by this reference.

31.

Idaho Code § 30-14-501(3) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of securities, to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

32.

Turner violated Idaho Code § 30-14-501(3) in that in the course of offering or selling securities in Idaho, as referenced above, he engaged in acts, practices, and courses of business which operated as a fraud or deceit upon other persons. Turner's acts, practices, and courses of business which operated as a fraud or deceit include, but are not limited to, his pattern of misrepresentations and omissions, misappropriating and converting investment monies to his own use, using investment funds to further his Ponzi scheme, and selling unregistered securities.

COUNT EIGHTEEN: SELLING AWAY

33.

The allegations set forth in paragraphs 1 through 32 above are fully incorporated herein by this reference.

34.

Rule 104.01.46. of the Rules Pursuant to the Uniform Securities Act (2004), IDAPA 12.01.08.104.46., provides that it is a fraudulent, dishonest and unethical practice for a broker-dealer agent to engage in business activities for which he receives compensation either directly or indirectly, outside the scope of his regular employment unless he has provided prior written notice to his employer firm.

35.

Turner's acts of selling securities through his business Network Investments, for which he received compensation either directly or indirectly, outside the scope of his regular employment with Primevest, Home Federal, and United Heritage, as referenced above, without

having provided prior written notice to his employer firms, constitutes a fraudulent, dishonest and unethical practice in violation of Rule 104.01.46.

COUNT NINETEEN: DECEPTIVE AND MISLEADING ADVERTISING

36.

The allegations set forth in paragraphs 1 through 35 above are fully incorporated herein by this reference.

37.

Rule 104.01.17. of the Rules Pursuant to the Uniform Securities Act (2004), IDAPA 12.01.08.104.17., provides that it is a fraudulent, dishonest and unethical practice for a broker-dealer agent to use any advertising or sales presentation in such a fashion as to be deceptive or misleading.

38.

Turner's advertisements placed in The Idaho Statesman and the information placed on Network Investments' website, as referenced in paragraph 14 above, were deceptive and misleading, in falsely representing that corporate certificates of deposit offered for sale were legitimate securities, and that they were insured by SIPC, constituting violations of Rule 104.01.17.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for a judgment in favor of Plaintiff and against Turner as follows:

1. That Turner be adjudged to have violated the Uniform Securities Act (2004) and rules promulgated under the Act as to any and all counts alleged above, as well as any additional counts proved at trial;

2. That Turner be permanently enjoined from engaging in any acts, practices, or courses of business which would constitute violations of the Uniform Securities Act (2004) and rules promulgated thereunder, and in particular, that he be permanently enjoined from:

(A) 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 the Act;

(B) Selling or offering for sale nonexempt securities in any form in the state of Idaho until such time as Turner has properly registered with the Idaho Department of Finance in accordance with the Act;

(C) While engaged in or in connection with the offer, sale, or purchase of any security:

(1) Employing any device, scheme, or artifice to defraud any investors or prospective investors;

(2) 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;

(3) 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 2.(C)(1), 2.(C)(2), or 2.(C)(3) above;

(5) Claiming the availability of, using, or offering or selling securities under any exemption under the Uniform Securities Act (2004) or rules promulgated thereunder without receiving the prior written consent of the Director.

3. That Turner be ordered to restore to each person in interest any monies or other things of value which may have been acquired or transferred in violation of the Uniform Securities Act (2004), and that the Court award a money judgment in the amount of at least $114,200, or such other amount as is proved at trial, as restitution for the victims of Turner's violations of the Uniform Securities Act (2004), pursuant to Idaho Code § 30-14-603(2)(C);

4. That Turner be ordered to pay a civil penalty not to exceed ten thousand dollars ($10,000) for each violation, pursuant to Idaho Code § 30-14-603(2)(C);

5. For the appointment of a receiver or conservator for Turner's assets, pursuant to Idaho Code § 30-14-603(2)(A);

6. That Defendants be ordered to pay attorney fees and costs incurred in the preparation and prosecution of this action. If judgment is taken by default herein, $5,000 is a reasonable sum for the same; and

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

DATED this 27th day of October, 2006.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL

A. René Martin

A. RENÉ MARTIN
Deputy Attorney General

VERIFICATION

STATE OF IDAHO)
)ss.
County of Ada)

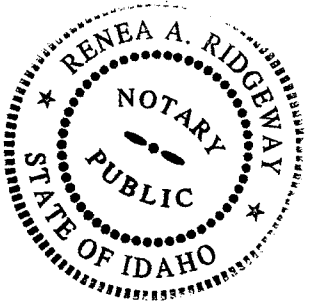
MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

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

DATED this 27th day of October, 2006.

Marilyn T. Chastain

SUBSCRIBED AND SWORN to before me this 27 day of October, 2006.



Renea A. Ridgeway
Notary Public for Idaho
Residing at: Boise
My Commission Expires: 11-20-09