

STATE OF MAINE  
YORK, ss.

SUPERIOR COURT  
CIVIL ACTION  
DOCKET NO. CV-05-

STATE OF MAINE and )  
SECURITIES ADMINISTRATOR, )  
 )  
Plaintiffs, )  
 )  
v. )  
 )  
LORI M. HEMINGS, )  
 )  
Defendant. )

COMPLAINT

### **INTRODUCTION**

1. The State of Maine and Securities Administrator (hereinafter collectively referred to as “the State”) bring this action against Lori M. Hemings (“Hemings”) for violations of the Revised Maine Securities Act, 32 M.R.S.A. §§ 10101-10713 (1999 and Supp. 2004), in that she sold unregistered securities, in violation of 32 M.R.S.A. § 10401 (1999); sold securities without a license, in violation of 32 M.R.S.A. § 10301 (1999); and made material omissions of fact in connection with the sale of securities, in violation of 32 M.R.S.A. § 10201 (1999).

### **JURISDICTION**

2. This Court has jurisdiction pursuant to 32 M.R.S.A. §§ 10602-10603 (1999 and Supp. 2004).

## **PARTIES**

3. Plaintiff State of Maine is a sovereign state. Plaintiff Securities Administrator is responsible for enforcing the Revised Maine Securities Act. 32 M.R.S.A. § 10102, 10103 (Supp. 2004). Plaintiffs bring this action by and through the Attorney General pursuant to 32 M.R.S.A. §§ 10602(1)(D) and 10603 and the powers vested in him by 5 M.R.S.A. § 191 (2002) and the common law as the State's chief law enforcement officer.

4. Defendant Hemings is an adult individual residing in [REDACTED]. At all times relevant hereto, Hemings was not licensed as a securities broker-dealer or sales representative in the State of Maine.

## **FACTUAL BACKGROUND**

5. In June of 1998, Hemings solicited two [REDACTED] residents ("the Investors") to invest in promissory notes issued by U.S. Capital Funding, Inc. ("U.S. Capital"). As part of this solicitation, Hemings represented to the Investors that the U.S. Capital notes were much safer than the stock market and in fact were risk-free because the principal was secured or bonded. As a result of this solicitation, the Investors purchased a U.S. Capital note from Hemings for \$38,000.

6. In January of 1999, the Investors moved to [REDACTED], Maine.

7. In May of 1999, Hemings sold a second U.S. Capital note to the Investors for \$45,000.

8. In June of 1999, the Investors sent Hemings an additional \$2,000, and Hemings arranged to have their original note "renewed" with a new principal amount of \$40,000 and a higher interest rate.

9. Hemings made commissions on each of the transactions described above.
10. At no time were the U.S. Capital notes registered as securities with the Maine Office of Securities.
11. At no time did Hemings correct the representations that she had made in 1998, as set forth in paragraph 5, above, or otherwise disclose that the U.S. Capital notes were unsecured and involved substantial risk.
12. Similarly, at no time did Hemings disclose to the Investors that the notes were not registered as securities in Maine or that she was selling the notes without a license.
13. Although the Investors received the promised interest payments for a period of time, the payments ceased in December of 1999.
14. Despite demand since December of 1999, the Investors have been unable to obtain the return of their principal from Hemings or U.S. Capital.
15. In May of 2002, the Securities and Exchange Commission obtained a final judgment against U.S. Capital for federal securities fraud in connection with the sale of the U.S. Capital notes in 27 states.

### **STATUTORY BACKGROUND**

16. The Revised Maine Securities Act (“the Act”) regulates persons who offer, sell, or purchase securities in the State of Maine.
17. The Act prohibits the offer or sale of securities that are not registered in Maine unless the security or the transaction is exempt from registration. 32 M.R.S.A. § 10401.

18. The Act further prohibits any person from transacting business in Maine as a broker-dealer or sales representative unless licensed or exempt from licensing. 32 M.R.S.A. § 10301(1).

19. Also under the Act, a person shall not, in connection with the offer, sale, or purchase of any security, directly or indirectly: (a) employ any device, scheme, or artifice to defraud; (b) make any untrue statement of a material fact or omit 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; or (c) engage in any act, practice, or course of business that operates as a fraud or deceit upon any person. 32 M.R.S.A. § 10201.

20. The Securities Administrator may refer violations of the Act to the Attorney General for enforcement, and the Attorney General may initiate a civil action in the Superior Court. 32 M.R.S.A. § 10602(1)(D).

21. In an enforcement action under the Act, the Court may grant a variety of legal and equitable remedies, including injunctions, civil penalties, restitution to investors and disgorgement. 32 M.R.S.A. § 10603.

**COUNT I**  
(Sale of Unregistered Securities)

22. The State repeats and realleges paragraphs 1 through 21 as if set forth fully herein.

23. By selling the U.S. Capital notes, Hemings violated the prohibition in 32 M.R.S.A. § 10401 against the sale of unregistered securities.

**COUNT II**  
(Unlicensed Sale of Securities)

24. The State repeats and realleges paragraphs 1 through 23 as if set forth fully herein.

25. By selling the U.S. Capital notes, Hemings violated the prohibition in 32 M.R.S.A. § 10301 (1999) against transacting business in Maine as a broker-dealer or sales representative without a license.

**COUNT III**  
(Securities Fraud)

26. The State repeats and realleges paragraphs 1 through 25 as if set forth fully herein.

27. By omitting to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in connection with the offer and sale of securities, Hemings violated 32 M.R.S.A. § 10201.

**REQUEST FOR RELIEF**

WHEREFORE, the State requests that this Honorable Court grant the following relief:

1. An order requiring Hemings to make full restitution to the Investors by returning all monies to them plus interest;
2. An order requiring Hemings to disgorge all commissions or other compensation she received in connection with the securities transactions set forth above;
3. An injunction prohibiting Hemings from offering or selling securities in the State of Maine;

4. A civil penalty of \$10,000 against Hemings for each violation of the Act;  
and

5. Such other and further relief as this Court deems appropriate.

DATED: March 7, 2005

Respectfully submitted,

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