

STATE OF MAINE  
LINCOLN, ss.

SUPERIOR COURT  
CIVIL ACTION  
DOCKET NO.  
WISSC-CV-2003-00025

STATE OF MAINE and )  
SECURITIES ADMINISTRATOR, )  
 )  
Plaintiffs, )  
 )  
v. )  
 )  
ROBERT H. EDMUNDS, III, )  
 )  
Defendant. )

COMPLAINT

**INTRODUCTION**

1. The State of Maine and Securities Administrator (hereinafter collectively referred to as “the State”) bring this action against Robert H. Edmunds, III (“Edmunds”) for violations of the Revised Maine Securities Act, 32 M.R.S.A. §§ 10101-10713 (1999 and Supp. 2002) in that he 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. 2002).

**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. 2002). 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 and the common law as the State's chief law enforcement officer.

4. Defendant Edmunds is an adult individual residing in [REDACTED]. At all times relevant hereto, Edmunds was licensed as a securities sales representative in the State of Maine through his broker-dealer employer, Investor's Capital Corporation ("ICC").

**FACTUAL BACKGROUND**

5. From September of 1999 through February of 2000, Edmunds sold investments in Web Booth Internet kiosks to Maine investors [REDACTED] [REDACTED] [REDACTED] [REDACTED] and [REDACTED] for a total of approximately \$344,000. Each of the sales occurred in the State of Maine.

6. The investments involved a lease-back arrangement. As represented by Edmunds in selling the investments, the investors' funds would be used to purchase Internet kiosks -- machines capable of providing public Internet access in exchange for fees or in conjunction with the generation of advertising revenue -- which the investors immediately would lease back to the investment issuers in exchange for a promised 17% rate of return on the investment. The arrangement was structured so that the investors

never took delivery of kiosks, specific kiosks were not identified with particular investors, and the investors had no role in the success or failure of the kiosk business beyond providing capital. Accordingly, the Web Booth investments constituted investment contracts and thus fit within the statutory definition of securities. 32 M.R.S.A. § 10501(18) (1999).

7. At no time were the Web Booth investments registered as securities with the Maine Office of Securities.

8. Edmunds did not inform ICC that he was selling the Web Booth investments and did not obtain ICC's approval.

9. In selling the investments, Edmunds made various representations to the Maine investors. However, at no time did he disclose to the investors that the securities were not registered in Maine and thus could not be sold lawfully; at no time did he disclose that he was selling the securities without the knowledge or approval of his broker-dealer employer and thus beyond the scope of his license; and at no time did he disclose the considerable risks associated with the investments.

10. The companies that issued the Web Booth securities, Web Booth, Inc., Waterstones, Ltd., and Future Communications Marketing, Inc., subsequently went out of business, and the Maine investors in the aggregate lost more than \$130,000.

11. Edmunds made more than \$50,000 in commissions on the Web Booth sales to the Maine investors.

### **STATUTORY BACKGROUND**

12. The Revised Maine Securities Act ("the Act") regulates persons who offer, sell, or purchase securities in the State of Maine.

13. 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 (1999).

14. 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) (1999). Under the Act, a sales representative's license extends only to transactions effected on behalf of the sales representative's broker-dealer or issuer employer. 32 M.R.S.A. § 10308(3).

15. 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 (1999).

16. 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) (1999).

17. 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 (1999).

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

18. The State repeats and realleges paragraphs 1 through 17 as if set forth fully herein.

19. By selling the Web Booth investments, Edmunds violated the prohibition in 32 M.R.S.A. § 10401 against the sale of unregistered securities.

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

20. The State repeats and realleges paragraphs 1 through 19 as if set forth fully herein.

21. By selling the Web Booth investments without the knowledge or approval of his broker-dealer employer, ICC, Edmunds 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)

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

23. 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, Edmunds 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 Edmunds to make full restitution to each of the victims identified above by returning all monies to them plus interest;
  2. An order requiring Edmunds to disgorge all commissions or other compensation he received in connection with the securities transactions set forth above;
  3. An injunction prohibiting Edmunds from offering or selling unregistered securities in the State of Maine;
  4. A civil penalty of \$10,000 against Edmunds for each violation of the Act;
- and
5. Such other and further relief as this Court deems appropriate.

DATED: July 14, 2003

Respectfully submitted,

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