

NEWS RELEASE

For Immediate Release

August 5, 2002

STATE SUES COLORADO FIRM FOR SECURITIES VIOLATIONS

Boise, Idaho... The Idaho Department of Finance today announced the filing of a civil securities lawsuit against Paramount Financial Group, Inc., a Colorado corporation and its president, Douglas G. Gregg of Parker, Colorado. The suit also names J.L. 'Rocky' Pfeffer of The Woodlands, Texas who is a vice president/investor relations representative for Paramount Financial Group, Inc. The case was filed in Fourth District Court in Boise.

The lawsuit alleges that the defendants offered and sold securities in the form of a promissory note in a "high yield secured convertible debenture program" issued by Paramount Financial Group, Inc. The securities were not registered in Idaho and the defendants were not licensed to sell securities in Idaho.

The State also alleged that misrepresentations and omissions were made in connection with the securities offer. Among the misrepresentations and omissions are:

- 1) the debenture program would pay 18% interest and was a safe investment because it was collateralized by the preferred shares of a publicly traded company. The defendants failed to disclose the financial condition of the publicly traded company and the risks associated with such an investment;
- 2) all filings and registrations had been made with the Securities and Exchange Commission for Paramount Financial Group, Inc. to merge with a publicly traded company and that the stock of Paramount Financial Group, Inc. was to become publicly tradable by July 15, 2002. No such filings had been made with the SEC and PFG stock did not become publicly traded; and
- 3) that Gregg was the subject of a securities related judgment issued by the U.S. District Court, District of Utah, on June 6, 2000.

The State seeks a permanent injunction against the defendants prohibiting future violations of the Idaho Securities Act, limitations on future business activities, restitution to investors estimated to be at least \$50,000, civil penalties and attorney fees.

The Idaho Department of Finance cautions Idaho residents to make sure that the investments and investment professionals with whom they deal are registered. Investors can contact the Department at (208) 332-8004 or toll free within Idaho at 888-346-3378.