ALAN G. LANCE
ATTORNEY GENERAL
STATE OF IDAHO

MICHAEL LARSEN
Deputy Attorney General
State of Idaho
Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031
Telephone: (208) 334-3313
Facsimile: (208) 334-3564

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CLERK OF THE DISTRICT COURT
DEPUTY

IN THE DISTRICT COURT OF THE FIRST JUDICIAL DISTRICT
OF THE STATE OF IDAHO, IN AND FOR BONNER COUNTY

STATE OF IDAHO, Department of Finance, Plaintiff, vs. AMERICAN INVESTMENT WATCH, INC., a California corporation, JAMES BENJAMIN, MIKE ROBERTSON, and RANDY CARSON WARNER a/k/a BRIAN WETZEL Defendants.	Civil No. CV-95-00202 VERIFIED COMPLAINT

Comes now the State of Idaho, Department of Finance (herein "the Department"), by and through counsel, to complain and allege as follows:

INTRODUCTORY SUMMARY

1. In 1994, the defendants violated the Idaho Securities Act, Title 30, Chapter 14, Idaho Code (herein "the Act") by engaging in practices and a course of business that operated as

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a fraud or deceit, or would operate as a fraud or deceit upon investors.

2. In 1994, the defendants also violated the Act by making misrepresentations and by omitting material facts in connection with the offer and sale of securities in Idaho. Such omissions caused the defendants' solicitations to be misleading in light of the circumstances under which they were made.

3. In addition to the foregoing, the defendants violated the Act by transacting securities business in the State of Idaho without the proper licensing and registration, as required by the Act.

JURISDICTION

4. This Complaint is brought under the provisions of the Act, and in particular Idaho Code § 30-1442 wherein the Director of the Department is empowered to seek remedies to enjoin acts and practices which violate the Act, and to enforce compliance with the Act.

VENUE

5. The acts and practices alleged herein comprising violations of law by the above-named Defendants occurred in the conduct of trade and commerce in Bonner County, Idaho.

DEFENDANTS

6. In this Complaint, when reference is made to any act of "defendant" or "defendants," such reference shall be deemed to mean that each defendant acted individually, jointly and

severally, and participated, engaged in, directed, and/or aided and abetted in a material way in such act unless specifically indicated otherwise.

7. Defendant American Investment Watch, Inc. (sometimes referred to herein as "AIW") was at all relevant times a California corporation. Its last known business address is 914 Westwood Blvd. No. 566, Westwood, California 90024. At all times relevant herein, AIW was engaged in the business of offering and selling securities in the State of Idaho.

8. Defendant James Benjamin (sometimes referred to herein as "Benjamin") was at all relevant times the President of AIW. As such, he participated, engaged in, directed, and/or aided and abetted in the actions alleged herein to be in violation of the Act. His last known address is 2542 S. Bundy Dr., Los Angeles, California 90064.

9. Defendant Mike Robertson (sometimes referred to herein as "Robertson") was at all relevant times the CEO and Chief Financial Officer of AIW. As such, he participated, engaged in, directed, and/or aided and abetted in the actions alleged herein to be in violation of the Act. His last known address is 10964 Wellworth Ave. No. 304, Los Angeles, California 90024.

10. Defendant Randy Carson Warner (sometimes referred to herein as "Warner") was at all relevant times a salesman for AIW. While selling AIW securities, Warner used the fictitious name, "Brian Wetzel." He offered and sold AIW securities in Idaho. As such, he participated, engaged in, directed, and/or

aided and abetted in the actions alleged herein to be in violation of the Act. His last known address is 20700 Anza Ave. Torrence, California 90503.

FACTUAL BACKGROUND

11. On or about March 1, 1994, Warner made a telephone solicitation to the residence of Mr. Albert Bomba (a 76 year old Bonner County, Idaho resident -- sometimes referred to herein as "Mr. Bomba") on behalf of AIW soliciting Mr. Bomba to invest all of his money in AIW stock.

12. After promising low risk and high returns on AIW stock, Warner also tried to persuade Mr. Bomba that he should send AIW all of his future retirement funds, together with his property deeds, stock certificates, and mutual funds, for placement into an individual retirement account ("IRA") with AIW.

13. In support of the defendants' solicitation scheme referenced in paragraphs 11 and 12, above, Warner represented to Mr. Bomba that he (Warner) was a "professional" in handling IRA's for senior citizens and that it would be safe for Mr. Bomba to place his trust in Warner.

14. In soliciting Mr. Bomba to invest in securities, as alleged in paragraphs 11 thru 13, above, Warner failed to disclose material facts and information normally disclosed to potential investors by way of a prospectus including, (i) risk factors associated with the investment; (ii) AIW's plan for use of investment proceeds; (iii) AIW's dividend policies; (iv) per share dilution to new investors; (v) AIW's capitalization;

(vi) AIW's current and historical financial data; (vii) background information on AIW, its officers and directors; and (viii) the criminal background information on Warner and Benjamin.

15. By use of the practices alleged in paragraphs 11 thru 14, above, Warner convinced Mr. Bomba to participate in defendants' investment scheme whereby Mr. Bomba purchased $15,000.00 of AIW stock in two separate transactions.

16. Warner then sent an "Investor Agreement" to Mr. Bomba, which Mr. Bomba signed on or about March 11, 1994. The Investor Agreement was for Mr. Bomba's purchase of 30 shares of AIW stock for $9,000.00. A copy of this Investor Agreement is attached hereto, marked as Exhibit A, and incorporated herein by reference.

17. In follow up to the defendants' solicitations in Idaho, the defendants provided Mr. Bomba with a second "Investor Agreement" for the sale of 20 shares of AIW stock for $6,000.00. Mr. Bomba signed this second agreement on or about March 29, 1994. A copy of the second Investor Agreement is attached hereto, marked as Exhibit B, and incorporated herein by reference.

18. In addition to Mr. Bomba's purchase of AIW stock for a combined purchase price of $15,000.00, the defendants collected an additional $480.00 from Mr. Bomba as an up-front transactional fee.

19. The Investor Agreements, provided by AIW and executed by Mr. Bomba, state that the investor had been provided with financial and other written information about the company when, in fact, no such financial information was provided to Mr. Bomba by the defendants.

20. Mr. Bomba's son, Wayne Bomba ("Bomba's son"), learned of his father's AIW investment transactions and took steps to cancel payment of yet another $6,000.00 check solicited by the defendants from Mr. Bomba as payment for another 20 shares of AIW stock.

21. Shortly thereafter, Warner contacted Bomba's son and announced that he (Warner) had sold Mr. Bomba's stock and had a $26,000.00 check on his desk made out to Mr. Bomba. Warner stated that before AIW could deliver the $26,000.00 check, Mr. Bomba would have to forward $3,900.00 to AIW, in Warner's name, as an up-front commission. This caused Bomba's son to become more skeptical, whereupon he called AIW directly and asked to speak with the owner. An individual identifying himself as "Mike Robertson" then spoke to Bomba's son. In the course of that conversation, Robertson told Bomba's son that Warner had been unauthorized to make the $26,000.00 offer.

22. After the Department initiated an investigation into the practices of AIW, Robertson made promises to Bomba's son, as well as to the Department, that AIW would make a prompt and full refund to Mr. Bomba of his entire investment in AIW. As of the

date of this Complaint, AIW has refunded only $7,500.00 of Mr. Bomba's investment.

23. Warner engaged in the unlawful acts and practices set forth in paragraphs 10 thru 20, above, while acting as an employee of AIW, and under the management, control, and supervision of defendants Benjamin, Robertson, and AIW.

COUNT ONE

ACTS, PRACTICES, OR COURSE OF BUSINESS WHICH OPERATES OR WOULD OPERATE AS A FRAUD OR DECEIT UPON ANY PERSON

24. Plaintiff hereby alleges and incorporates by reference the allegations contained in paragraphs 1 through 23, above, and further alleges as follows:

25. The nature of Warner's representations to Mr. Bomba that his purchase of AIW stock would be a low risk investment while yielding high returns is an act, practice or course of business by the defendants which operated as a fraud or deceit upon Mr. Bomba by inducing him to make an investment that he otherwise would not have made.

26. Warner's act of soliciting Mr. Bomba to send AIW all of his future retirement funds, together with his property deeds, stock certificates, and mutual funds, for placement into an IRA is an act, practice or course of business by the defendants which operated or would operate as a fraud or deceit upon Mr. Bomba.

27. Warner's holding himself out to Mr. Bomba that he (Warner) was a "professional" with expertise in handling IRA's

for senior citizens and his efforts to convince Mr. Bomba that it would be safe for him to place his trust in Warner is an act, practice or course of business by the defendants which operated as a fraud or deceit upon Mr. Bomba.

28. The act of selling and attempting to sell securities while failing to disclose material facts, as alleged in paragraph 14, above, is an act, practice or course of business by the defendants which operated as a fraud or deceit upon Mr. Bomba.

29. Warner's obtaining of Mr. Bomba's signature on AIW Investor Agreements that stated that the investor had been provided with financial and other written information about the company when, in fact, no such financial information was provided is an act, practice or course of business by the defendants which operated as a fraud or deceit upon Mr. Bomba in violation of Idaho Code § 30-1403(3).

30. Warner's scheme of representing to Bomba's son that he had sold Mr. Bomba's stock and that Warner had a $26,000.00 check on his desk made out to Mr. Bomba when no such sale had taken place and no such check existed is an act, practice or course of business by the defendants which operated or would operate as a fraud or deceit upon Mr. Bomba.

31. Warner's attempt to collect additional money from Mr. Bomba based on Warner's representation to Bomba's son that before AIW could deliver the $26,000.00 check, Mr. Bomba would have to forward $3,900.00 to AIW, in Warner's name, as an up-

front commission is an act, practice or course of business by the defendants which operated or would operate as a fraud or deceit upon Mr. Bomba.

32. Robertson's course of conduct in promising Bomba's son, as well as the Department, that AIW would make a prompt and full refund to Mr. Bomba of his entire investment in AIW, coupled with AIW's failure to do so, is an act, practice or course of business by the defendants which operated or would operate as a fraud or deceit upon Mr. Bomba.

33. As a consequence of the defendants' conduct as referenced in paragraphs 25 thru 32, above, the defendants are each liable for multiple violations of Idaho Code § 30-1403(3)

COUNT TWO

MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS

IN CONNECTION WITH THE OFFER OF SECURITIES

34. Plaintiff hereby alleges and incorporates by reference the allegations contained in paragraphs 1 through 33, above, and further alleges as follows:

35. The Investor Agreements that the defendants provided to Mr. Bomba falsely state that, "... this contract is not the result of a public offering ..."

36. The defendants' Investor Agreements also stated that the offering was exempt from California securities registration when, in fact, the defendants had obtained no qualification for exemption from California securities registration requirements.

37. The defendants, through Warner, represented that Mr. Bomba's investment in AIW stock would be a low risk investment when, in fact, that representation was false and the defendants had no reasonable basis for such claim.

38. The defendants, through Warner, represented that Mr. Bomba's investment in AIW stock would yield high returns when, in fact, the defendants had no reasonable basis for such claim.

39. The defendants, through Warner, represented that Mr. Bomba's AIW stock had been sold for $26,000.00 when, in fact, no such sale had taken place.

40. The defendants, through Warner, represented that Mr. Bomba was required to remit a $3,900.00 commission fee in order to receive the purported $26,000.00 check when, in fact, no such commission fee was owing.

41. The defendants, through Warner, represented to Mr. Bomba that he could and should invest by means of an IRA with AIW when, in fact, Mr. Bomba was 76 years old and not legally qualified to contribute to an IRA.

42. Warner's failure to disclose the risk factors associated with the investment he was proposing to sell to Mr. Bomba was an omission to state a material fact necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

43. Warner's failure to disclose to Mr. Bomba AIW's plan for use of Mr. Bomba's investment proceeds was an omission to state a material fact necessary to make the solicitation made,

in light of the circumstances under which the solicitation was made, not misleading.

44. Warner's failure to disclose AIW's dividend policies to Mr. Bomba was an omission to state a material fact necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

45. Warner's failure to disclose AIW's per share dilution to Mr. Bomba was an omission to state a material fact necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

46. Warner's failure to disclose AIW's capitalization to Mr. Bomba was an omission to state a material fact necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

47. Warner's failure to disclose AIW's current and historical financial data to Mr. Bomba was an omission to state material facts necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

48. Warner's failure to disclose background information to Mr. Bomba regarding AIW, its officers and directors was an omission to state material facts necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

49. Warner's failure to disclose Warner's criminal background history to Mr. Bomba was an omission to state

material facts necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

50. Warner's failure to disclose Benjamin's criminal background history to Mr. Bomba was an omission to state material facts necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

51. Warner's failure to disclose to Mr. Bomba that the name "Brian Wetzel" was a false name that Warner was using in his solicitations to Mr. Bomba, was an omission to state a material fact necessary to make the solicitation made, in light of the circumstances under which the solicitation was made, not misleading.

52. As a consequence of the defendants' conduct as referenced in paragraphs 35 thru 51, above, the defendants are each liable for multiple violations of Idaho Code § 30-1403(2).

COUNT THREE

SALE OF SECURITIES BY UNREGISTERED BROKER-DEALERS OR SALESMEN

53. Plaintiff hereby alleges and incorporates by reference the allegations contained in paragraphs 1 through 52 above and further alleges as follows:

54. The defendants have each offered or sold securities in Idaho, or have employed salesmen to offer and sell securities in Idaho, without first being registered with the Department as required by Idaho Code § 30-1406.

55. As a consequence of the defendants' conduct as referenced in paragraph 54, above, the defendants have each violated Idaho Code § 30-1406.

COUNT FOUR

OFFER OR SALE OF UNREGISTERED SECURITIES

56. Plaintiff hereby alleges and incorporates by reference the allegations contained in paragraphs 1 through 55, above, and further alleges as follows:

57. The investments offered and sold by the defendants in Idaho were securities as that term is defined in Idaho Code § 30-1402(12).

58. The securities offered and sold by the defendants in Idaho were not registered with the Department as required by Idaho Code § 30-1416.

59. As a consequence of the defendants' conduct as referenced in paragraph 58, above, the defendants have each violated Idaho Code § 30-1416.

PRAYER FOR RELIEF

Wherefore, plaintiff prays for a Judgment in favor of plaintiff and against defendants, and each of them as follows:

1. That defendants, and each of them, be adjudged to have violated the Idaho Securities Act.

2. That defendants, and each of them, their officers, agents, servants, employees, and any other persons in active concert or participation with them, who receive actual notice of

the Order, by personal service or otherwise, be permanently enjoined from engaging in any acts, practices or omissions which would constitute violations of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, commonly known as the Idaho Securities Act, and in particular, that they 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 Title 30, Chapter 14, Idaho Code;

B. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as defendants have registered as broker-dealers or salesmen for a broker-dealer or issuer with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;

C. While engaged in or in connection with the offer, sale or purchase of any security issued by defendants, or any other issuer:

(i) Employ any device, scheme or artifice to defraud any investors in the securities;

(ii) Make any untrue statement of a material fact or omit to state a material fact necessary in order to made the statements made, in light of the circumstances under which they are made, not misleading;

(iii) Engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person;

D. Aiding, abetting, counseling, inducing or causing any other person to engage in any of the types of conduct described in paragraphs 2(A), 2(B), or 2(C), above.

3. That defendants, and each of them, be prohibited from claiming the availability of, using, or offering or selling securities, under any exemptions under the Idaho Securities Act without receiving the prior written consent of the Director of the Idaho Department of Finance.

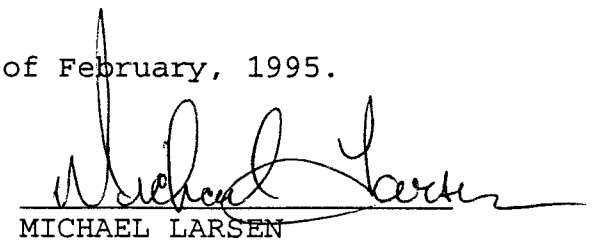
4. That defendants, and each of them, be ordered to deposit with the Court or with plaintiff an amount of money sufficient to restore to any person in interest the consideration paid for the securities, with interest, and that the Court direct that this money be used to restore to any person in interest any monies or property obtained and acquired from such persons by defendants through the use of acts and practices in violation of the Idaho Securities Act, in such amounts that the Court finds such persons in interest are entitled to and with such restitution to be made in such manner as the Court shall direct.

5. That defendants, and each of them, be ordered to pay a civil penalty to Plaintiff in an amount of up to $10,000.00 for each violation of the Idaho Securities Act.

6. That the plaintiff be awarded attorney's fees and costs incurred in the preparation and the prosecution of this action, and if judgment is taken by default herein, that $5,000 is a reasonable attorney's fee.

7. Such other and further relief as this Court may deem equitable and just.

DATED this 7th day of February, 1995.



MICHAEL LARSEN
Deputy Attorney General
Department of Finance

VERIFICATION

STATE OF IDAHO)
) ss:
County of Ada)

R. WAYNE KLEIN, Bureau Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes and says:

That he has read the foregoing verified complaint; that he knows the contents thereof, and that the same are true to the best of his knowledge.

DATED this 7th day of February, 1995

Wayne Klein
R. WAYNE KLEIN

SUBSCRIBED AND SWORN to before me this 7th day of February, 1995.

Dolores R. Creed
NOTARY PUBLIC FOR IDAHO
Residing at: Eagle
My Comm. Exp.: 10-22-99