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DEPUTY

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IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT

OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

STATE OF IDAHO, Department of Finance, Plaintiff, vs. OZ TECHNOLOGY, INC., an Idaho corporation, Defendant.	Civil No CV OC 9603416D COMPLAINT Fee Category: Exempt

Comes now the State of Idaho, Department of Finance, Gavin M. Gee, Director, by and through counsel, to complain and allege as follows:

JURISDICTION

1. This action is brought under the provisions of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, and in particular Idaho Code §30-1442 wherein the Director of the Idaho Department of Finance (Department) is empowered to bring actions seeking

injunctive and other relief against defendants who have either violated or are about to violate provisions of the Idaho Securities Act or any Rule thereunder.

VENUE

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 Idaho County, and elsewhere in the State of Idaho.

DEFENDANT

3. Defendant OZ Technology, Inc. (OZ) is an Idaho corporation; its date of incorporation was October 19, 1992; its business address is E. 6554 Seltice Way, Post Falls, ID 83854. OZ is in the business of developing and promoting refrigerants which do not contain chlorofluorocarbons (CFCs), to serve as a replacement product for Freon. One such product, promoted primarily as an auto air-conditioning product, is named "OZ-12".

4. Gary M. Lindgren (Lindgren) is the president, and has served as a securities salesman, of OZ. Lindgren invented, and has been promoting, OZ-12. Lindgren is not currently, nor has he ever been, licensed as a securities salesman in Idaho. His business address is the same as that for OZ.

5. Michael B. McFarland (McFarland) is the secretary and general counsel, and has served as a securities salesman, of OZ. McFarland is not currently, nor has he ever been, licensed as a securities salesman in Idaho. His business address is 421 Coeur d'Alene Ave., Suite 1, Coeur d'Alene, ID 83814.

BACKGROUND

6. Beginning in November 1992 Lindgren distributed two series of documents to various persons addressed as "Potential Investor". Two different letters, signed by Lindgren, invite the recipients to invest in OZ through McFarland. Investors are informed that stock is available in minimum amounts of one thousand shares at one dollar per share.

7. The November 1992 offering materials describe OZ-12 as a "revolutionary new product . . . a direct replacement for Freon 12. No re-designing or retrofitting is needed." Further, the materials state: "This is your opportunity to be in from the beginning on this virtually guaranteed national market for sales of OZ-12." A document entitled "Prospectus", contained in the November 1992 materials, projected 1993 gross sales of OZ-12 in excess of $36,000,000.

8. Between November 17, 1992 and March 3, 1993, forty-six thousand shares of OZ stock were sold to 38 investors at $1.00 per share.

9. At some point during the period November 1992 until March 1993, McFarland advised Lindgren to cease using the offering materials described above. During March 1993, McFarland became the main contact person for those individuals wishing to purchase OZ stock.

10. On March 4, 1993 stories appeared in the Coeur d'Alene Press and Post Falls Tribune newspapers regarding Lindgren and OZ. The articles provided very positive information regarding OZ and OZ-12. For example, the articles stated: "Lindgren's patented OZ-12

is not only ozone safe, it can be added to an existing refrigeration system, it requires no re-designing or retrofiting (sic) of the old system which can be costly."

11. The news articles provided specific information regarding financial projections for the company. For example, the articles stated: "Projected earnings for OZ Technologies, Inc. ... point to a gross profit of $28 million for 1993 with a net earning somewhere around $10 million. Stocks are selling for $1 each with a 1,000 share minimum and are being handled my (sic) attorney Michael McFarland .... But, Lindgren said smiling, there aren't many left."

12. Between April and July, 1993, 109,000 shares of OZ stock were issued.

13. In approximately May 1993 the Washington State Department of Ecology began investigating OZ for possible violations of that state's ban on flammable refrigerants in portable devices. Lindgren was aware of the investigation in May 1993.

14. In March 1994 the United States Environmental Protection Agency placed OZ-12 on a list of proposed "nonapproved" CFC substitutes due to concerns about the product's flammability.

COUNT ONE

The allegations contained in paragraphs 1 through 14 are hereby realleged as if fully set forth.

15. Beginning on a date uncertain but at least since November 1992 Defendant sold or offered for sale, or caused to be sold, either directly or indirectly, or aided and abetted in the offer or sale, to Idaho residents through printed offering material and oral solicitations, securities in the form of OZ stock.

16. The OZ stock offered and sold by Defendant was not registered with the Department as required by Idaho Code §30-1416.

17. Defendant has violated Idaho Code §30-1416.

COUNT TWO

The allegations contained in paragraphs 1 through 17 are hereby realleged as if fully set forth.

18. At no time have Lindgren or McFarland been licensed by the Department of Finance as salesmen to sell or offer for sale securities as required by Idaho Code §30-1406. Defendant therefore employed salesmen who were not registered under the Act.

19. Defendant has violated Idaho Code §30-1406.

COUNT THREE

The allegations contained in paragraphs 1 through 19 are hereby realleged as if fully set forth.

20. Defendant offered and sold securities to individuals in this state in violation of the antifraud provisions of the Idaho Securities Act, Idaho Code §30-1403(2), in that it made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The false statements of Defendant include, but are not limited to, the following:

A. Product information materials distributed in connection with the offering state: "Although OZ-12 has not yet been approved by the EPA, none of its components are controlled as environmentally hazardous and there are no restrictions on its sale or use." This statement is false in that thirteen

states, including Idaho and Washington, had banned the use of flammable products such as OZ-12 in automobile air conditioning units. Idaho Code §49-959 provides that "[a]ir-conditioning equipment ... shall not contain any refrigerant which is toxic to persons or which is flammable."

B. Correspondence directed to shareholders of OZ misrepresented the necessity of registering OZ stock. Shareholders were informed that registration was not necessary since no "public offering" or "solicitation" had taken place.

C. Offerees and/or investors were informed that only 100,000 shares of OZ stock would be sold, when in fact over 200,000 shares were sold.

Omissions of Defendant include, but are not limited to, the following:

E. Failing to disclose to offerees and/or investors that no patent had been issued for OZ-12, or when or if a patent application was filed.

F. Failing to disclose to offerees and/or investors that products such as OZ-12 were banned from use in automobile air conditioners in thirteen states.

G. Failing to disclose to offerees and/or investors that the company would rent office space in a building owned by Lindgren, and that the sales proceeds would be used, in part, to pay that rent.

H. Failing to disclose to offerees and/or investors that members of Lindgren's family would be employed by the company,

including his wife, mother, and occasionally his nephew, or of the amount of compensation contemplated for Lindgren and those family members.

I. Failing to disclose to offerees and/or investors that registration of OZ stock was required under the Idaho Securities Act.

J. Failing to disclose to offerees and/or investors that neither Lindgren nor McFarland were registered with the Idaho Department of Finance as salesmen.

K. Failing to disclose to offerees and/or investors the following information which would allow an investor to make an informed investment decision:

(1) Financial statements of OZ;

(2) Adequate disclosure of the risks of the investment;

(3) How the proceeds would be used;

(4) Backgrounds of the officers, directors, and agents, including education, expertise and past employment history.

21. Defendant has violated Idaho Code §30-1403(2).

PRAYER FOR RELIEF

Wherefore, Plaintiff prays for a Judgment in favor of Plaintiff and against Defendant as follows:

A. That Defendant be adjudged to have violated the Idaho Securities Act.

B. That Defendant 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, and in

particular, that it be permanently enjoined from:

1. 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;
2. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as salesmen for Defendant 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;
3. While engaged in or in connection with the offer, sale or purchase of any security:
   (a) Employing any device, scheme or artifice to defraud any investors in the securities;
   (b) 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;
   (c) 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 1, 2, or 3, above.

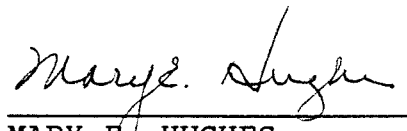
C. That Defendant be prohibited from claiming the availability of, using, or offering or selling securities, under any exemptions under the Idaho Securities Act without receiving the prior written

consent of the Director.

D. That Defendant be ordered to restore to each person in interest any consideration which may have been acquired or transferred in violation of the Idaho Securities Act.

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

DATED this 28th day of June, 1996.



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