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IN THE DISTRICT COURT OF THE SIXTH JUDICIAL DISTRICT

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

STATE OF IDAHO, Department of Finance, Plaintiff, vs. Z3 CAPITAL CORPORATION, STELLA BELLA CORPORATION, and VENABLE DANCE, an individual, Defendants.	Civil No. CVOC 96-00788B VERIFIED 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 Defendants occurred in the conduct of trade and commerce in Bannock County, and elsewhere in the State of Idaho.

DEFENDANTS

3. Defendant Z3 Capital Corporation (Z3) is a California corporation, with its main business office in Los Angeles, California. Z3 is in the business of venture financing. That is, Z3 buys small to medium sized companies and restructures them to provide additional capital, with the intention of preparing them to "go public" through a merger with an inactive publicly traded company. Z3 has never been licensed by the Idaho Department of Finance as a broker-dealer. Z3's last known address is 3530 Wilshire Blvd., Suite 1670, Los Angeles, California 90010.

4. Defendant Stella Bella Corporation (Stella Bella) is a Nevada corporation, with its main business office in San Diego, California. Stella Bella is a speciality coffee company which manufactures and markets coffee, and owns and operates coffee houses. Z3 is the holding corporation of Stella Bella. The stock of Stella Bella has never been registered with the Idaho Department of Finance. Stella Bella's last known address is 7670 Clairemont Mesa Blvd., San Diego, California 92111.

5. Defendant Venable Dance (Dance) is an executive analyst for Z3. Dance has contacted Idaho residents and offered to sell shares of Stella Bella. Dance has never been licensed by the Idaho Department of Finance as a securities salesman. Dance's last known

business address is 3530 Wilshire Blvd., Suite 1670, Los Angeles, California 90010.

BACKGROUND

6. Beginning on a date uncertain, but at least since April 1996, Dance, on behalf of Z3 and/or Stella Bella, contacted Idaho residents and offered to sell shares of Stella Bella. The contact occurred by way of a "cold call". That is, the Idaho residents did not solicit the telephone call, or in any way initiate contact with Dance, Stella Bella, or Z3.

7. During the phone conversations, Dance discussed the allegedly incredible growth potential of Stella Bella stock. Dance also discussed Z3.

8. Following the phone calls, sales material packets were sent to the Idaho residents. The packets contained confirmations of purchases of Stella Bella stock, new customer account forms, referral forms (investors were informed that they would be entitled to shares of restricted Stella Bella stock in return for making referrals), and marketing materials relating to Stella Bella. Investors were directed to make their checks payable to, and to send the forms and remittance to, Z3.

9. In connection with the offer of Stella Bella stock, Dance omitted to state material facts concerning the securities.

COUNT ONE

The allegations contained in paragraphs 1 through 9 are hereby realleged as if fully set forth.

10. Beginning on a date uncertain but at least since April 1996 Defendants offered for sale, either directly or indirectly, or

aided and abetted in the offer, to Idaho residents through printed offering material and oral solicitations, securities in the form of Stella Bella stock.

11. The securities offered by Defendants were not registered with the Department as required by Idaho Code §30-1416.

12. Defendants have violated Idaho Code §30-1416.

COUNT TWO

The allegations contained in paragraphs 1 through 12 are hereby realleged as if fully set forth.

13. At no time have any of the Defendants been licensed by the Department of Finance as broker-dealers or salesmen to offer for sale securities as required by Idaho Code §30-1406. Therefore, Defendants have either transacted business in this state as a broker-dealer or salesman without having been registered, or have acted as broker-dealers or issuers, and employed a salesman who was not registered under the Act.

14. Defendants have violated Idaho Code §30-1406.

COUNT THREE

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

15. Defendants offered and sold securities to individuals in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2), in that they 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 omissions of Defendants include, but are not limited to, the following:

A. Failing to disclose to offerees and/or investors that in January 1996 the Wisconsin commissioner of securities issued a summary order of prohibition against Z3, alleging that Z3, on behalf of Stella Bella, offered and sold unregistered stock of Stella Bella, while Z3 was not licensed to do so.

B. Failing to disclose to offerees and/or investors that Dance is not registered as a securities salesman in Idaho, as is required by the Idaho Securities Act.

C. Failing to disclose to offerees and/or investors that Z3 is not registered as a broker-dealer in Idaho, as is required by the Idaho Securities Act.

D. Failing to disclose to offerees and/or investors that Z3 was an issuer who employed an unregistered salesman, in violation of the Idaho Securities Act.

E. Failing to disclose to offerees and/or investors that Stella Bella was an issuer who employed an unregistered salesman, in violation of the Idaho Securities Act.

F. Failing to disclose to offerees and/or investors that Stella Bella stock is not registered in Idaho, as is required by the Idaho Securities Act.

16. Defendants have violated Idaho Code §30-1403(2).

PRAYER FOR RELIEF

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

A. That Defendants be adjudged to have violated the Idaho Securities Act and Rules thereunder.

B. That Defendants 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 they 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 Defendants have registered as a broker-dealer 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 Defendants 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.

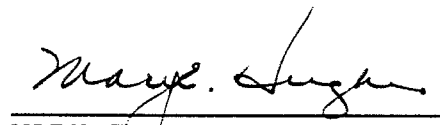
D. That Defendants be ordered to restore to each person in interest any consideration which may have been acquired or transferred in violation of the Idaho Securities Act.

E. That Defendants be ordered to pay a civil penalty to Plaintiff in an amount of $10,000 for each violation of the Idaho Securities Act.

F. That 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.

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

DATED this 23rd day of May, 1996.



MARY E. HUGHES
Deputy Attorney General
Department of Finance

VERIFICATION

STATE OF IDAHO)
) ss:
County of Ada)

MARILYN T. SCANLAN, Bureau Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes

and says:

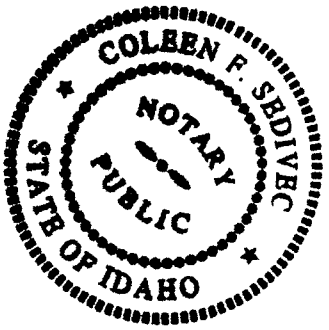
That she has read the foregoing verified complaint; that she knows the contents thereof, and that the same are true to the best of her knowledge.

DATED this 23RD day of May, 1996.

Marilyn T. Scanlan

MARILYN T. SCANLAN

SUBSCRIBED AND SWORN to before me this 23 day of May 1996.

Colleen F. Sedivec

NOTARY PUBLIC FOR IDAHO
Residing at:
My Comm. Exp.: 3-28-01