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IN THE DISTRICT COURT OF THE SEVENTH JUDICIAL DISTRICT

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

STATE OF IDAHO, Department of Finance, Plaintiff, vs. SUNDANCE RESOURCES, INC., SUNDANCE SYSTEMS, INC., MICHAEL E. PATMAN, and GHASSAN "GUS" ASSI, Defendants.	Civil No. **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 or order 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 Bingham County, and elsewhere in the State of Idaho.

DEFENDANTS

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 such act unless specifically indicated otherwise. In this Complaint, the "relevant period" shall refer to April 1991, through 1996.

3. Defendant Sundance Resources, Inc. (Sundance Resources), a Texas corporation, is purportedly engaged in developing programs for oil and gas investors, corporate oil and gas development projects, and other corporate development opportunities. During the relevant period, Sundance Resources also operated as Sundance Systems, Inc., a Texas corporation. Sundance Resources operates from offices located in Dallas, Texas and San Diego, California. Sundance Resources' main office is located at 700 Founders Square, 900 Jackson Street, Dallas, Texas, 75202.

4. Defendant Sundance Systems, Inc. (Sundance Systems), a Texas corporation, is purportedly engaged in making investments in corporations that are developing technologies for the digital technology industry. Sundance Systems' main office is located at 700 Founders

Square, 900 Jackson Street, Dallas, Texas, 75202.

5. During the relevant period, Defendant Michael E. Patman (Patman) was the chief executive officer and chairman of the board of Sundance Resources and the chief executive officer and chairman of the board of Sundance Systems. Patman's last known business address is 700 Founders Square, 900 Jackson Street, Dallas, Texas, 75202.

6. During the relevant period, Ghassan "Gus" Assi (Assi) was an employee of Sundance Resources. Assi offered and sold Sundance Resources securities to Idaho residents without informing them of the substantial securities related disciplinary history of Sundance Resources and various of its officers. At the time of the offers and sales in Idaho, Assi was not licensed as a securities salesman. Assi is now a licensed securities salesperson employed by Tradeway Securities Group, Inc., with his office located in California. Assi's business address is 630 Alta Vista Drive, Suite 201, Vista, California. Assi's last known home address is 15778 Camino Crisalida, San Diego, California.

BACKGROUND

7. Sundance Resources is the successor organization of a merger between Frontier Oil and Gas, Inc., of Texas (Frontier) and Sundance Resources during 1989. Frontier was the subject of a securities related administrative Agreement and Order with the Idaho Department of Finance during July 1988. In the Agreement and Order, Frontier admitted that it had sold securities in Idaho which were not registered as required by the Idaho Securities Act. Successor Sundance Resources shared the same officers and control persons as Frontier including Michael E. Patman, David "Pat" Patman, D. Kirk Johnson, Hamilton S. Johnson, Wade H. Bradley and Steven Brunk.

8. During April 1991, interests in a Sundance Resources' oil and gas limited partnership were offered and sold to at least one Idaho resident. The investment was accepted by

Sundance Resources, the general partner, through Kirk Johnson. The offering materials distributed failed to disclose significant material information, including securities related disciplinary actions taken against Sundance Resources and various of its officers and directors. On May 31, 1991, Sundance Resources submitted a claim of exemption for sales of the subject limited partnership to the Department. The exemption sought by Sundance Resources required a pre-sale filing with the Department. Approval of the exemption was withheld pending Sundance Resources' agreement to rescind any Idaho sales made prior to the filing. During 1992, Sundance Resources agreed to offer rescission to affected Idaho residents. As of April 1995, no rescission offer had been made and the claim of exemption filed by Sundance Resources has never been approved.

9. On or before September 12, 1994, Assi, on behalf of Sundance Resources, offered and sold Sundance Resources' 11.5% Class A Preferred Stock to at least one Idaho resident. The offering materials distributed, and the oral solicitations provided, failed to disclose significant material information about Sundance Resources and its officers, including securities related disciplinary actions taken against Sundance Resources and various of its officers and directors. On September 19, 1994, Sundance Resources filed a claim of exemption with the Department for an offering of Sundance Resources' Class A Preferred Stock. The exemption sought by Sundance Resources required a pre-sale filing with the Department. The forms filed by Sundance Resources with the Department represented that no Idaho sales had been made. On October 3, 1994, the Department of Finance issued a lengthy letter of comment regarding the disclosures and terms contained in the Sundance Resources' offering materials. Sundance Resources was informed that further consideration of the claim of exemption would be deferred until a response to the Department's comments was received. The Department's letter stated that "no offers or sales may

be made in this state, pending your response" to the comments. No response regarding the Department's communication was received until April 18, 1995.

10. During the fall and winter of 1994, Assi, and perhaps others, offered and sold Sundance Resources' common stock to residents of the State of Idaho. The offering materials distributed and the oral solicitations failed to disclose significant material information about Sundance Resources and various of its officers, including securities related disciplinary actions.

11. On March 6, 1995, Sundance Systems filed a claim of exemption with the Department for an offering of Sundance Systems' preferred shares. The forms submitted by Sundance Systems were executed by Michael E. Patman, but an offering circular was not provided with the initial filing. Upon receipt of the Sundance Systems' offering document, the Department issued a letter of comment regarding the offering and questioned the similarities between the Sundance Systems' offering and the unapproved Sundance Resources' offering that was submitted to the Department during September 1994. In an April 18, 1995 response, Kirk Johnson, the Executive Vice President of Sundance Systems, indicated that Sundance Resources was the "former name" of Sundance Systems. Johnson asked to withdraw both the current Sundance Systems' offering and previously pending Sundance Resources' offerings and stated that "the Company has made no sales in Idaho of any of its securities and has no current prospects of making such sales". After withdrawing its filing from consideration by the Department, Sundance Systems distributed a second Sundance Systems preferred share securities offering in Idaho during 1996. The offering materials distributed by Sundance Systems failed to disclose significant material information about Sundance Systems, Sundance Resources and their officers, including securities related disciplinary actions taken against Sundance Systems, Sundance Resources and various of their officers and directors.

12. Sundance Resources became a subsidiary of Sundance Systems during 1995. Sundance Systems and Sundance Resources shared common officers and control persons including Michael E. Patman, David "Pat" Patman, D. Kirk Johnson, Hamilton S. Johnson and Steven Brunk. Sundance Resources was "spun off" from Sundance Systems on September 1, 1995. Sundance Systems continued to distribute communications into Idaho, including offering materials for Sundance Systems preferred shares during 1995 and 1996.

COUNT ONE

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

13. Beginning on a date uncertain but at least since April 1991, Defendants sold or offered for sale, or caused to be sold, either directly or indirectly, or aided and abetted in the offer or sale of securities in Idaho.

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

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

COUNT TWO

The allegations contained in paragraphs 1 through 15 are hereby realleged as if fully set forth.

16. During the relevant period, the Defendants Sundance Resources, Sundance Systems, and Patman were not licensed by the Department of Finance as broker-dealers or salesmen to sell or offer for sale securities as required by Idaho Code §30-1406. Defendant Assi did not become licensed as a securities salesman in Idaho until December 1995. Assi was not licensed by the Department of Finance as a broker-dealer or salesman to sell or offer for sale

securities during the period that he offered and sold Sundance Resources' securities.

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

COUNT THREE

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

18. Defendants offered and sold securities to individuals in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2), in that they 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 untrue statements of material fact include, but are not limited to:

A. Representing (without a reasonable basis for such claim) that investors in Sundance Resources' securities would triple their money over an eighteen month time period.

B. Representing that the Sundance Resources' preferred shares would certainly pay the 11.5% dividend payment, much like a bond.

The omissions of Defendants include, but are not limited to, the following:

C. Failing to disclose that the State of Idaho had entered into a securities related enforcement action with Sundance Resources' merger partner Frontier Oil and Gas of Texas, Inc., during 1988.

D. Failing to disclose that Sundance Resources and Sundance Systems had filed, but never received, the approval of the Idaho Department of Finance to sell their securities in Idaho.

E. Failing to disclose that Sundance Resources was the subject of a securities related Cease and Desist Order entered by the State of Vermont during August 1992.

F. Failing to disclose that Sundance Resources and Sundance Energy Income Fund were defendants in a securities related civil lawsuit filed during 1993 in the State of California.

G. Failing to disclose that Sundance Resources, its officer Bradley Wade, and Sundance Resources and Sundance Systems officer Pat Patman, were defendants in a securities related civil lawsuit filed during 1994 in the State of California.

H. Failing to disclose that Michael E. Patman, then president of Sundance Resources and current chief executive officer of Sundance Systems was the subject of a securities related Cease and Desist Order entered by the State of Vermont during August 1992, and a subsequent administrative settlement.

I. Failing to disclose that Michael E. Patman, then president of Sundance Resources and current chief executive officer of Sundance Systems, was also a control person for the now defunct broker-dealer, USA Securities, Inc. (USA), that Patman and USA were Respondents in a securities related settlement with the National Association of Securities Dealers (NASD) during 1987, and that USA and Patman were censured and fined.

J. Failing to disclose that Wade H. Bradley, the vice president of corporate development at Sundance Resources was the subject of a securities related Cease and Desist Order entered by the State of Vermont during August 1992. Further, that Bradley had filed both a Chapter 7 Bankruptcy (1991) and Chapter 13 Bankruptcy (March 1995). Finally, that Bradley was the subject of a Montana securities related Cease and Desist Order issued in 1985.

K. Failing to disclose that Steven Brunk, then assistant vice president of Sundance Resources' wholesale division and current senior vice president of Sundance Systems, was the subject of at least two securities sales-related complaints that alleged false representations, untrue

statements and omissions of material fact and that these complaints resulted in settlement payments to the complaining parties in amounts exceeding fifty thousand dollars ($50,000) each.

L. Failing to disclose that an Order of Prohibition was entered by the State of Illinois against Sundance Systems on November 27, 1996.

M. Failing to disclose that Assi and Sundance Resources were not registered with the Idaho Department of Finance to sell securities in the State of Idaho at the time of their offers and sales in Idaho.

N. Failing to disclose that the securities were not registered for sale with the Idaho Department of Finance.

O. Failing to disclose any cash dividend shortfalls owing to existing holders of the Sundance Resources' preferred shares issued during 1994 and 1995.

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

COUNT FOUR

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

20. Defendants offered securities to persons in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(3), in that Defendants engaged in acts, practices, and courses of business which operated as a fraud or deceit upon offerees and investors. The Defendants' acts, practices and courses of business that operated as a fraud include, but are not limited to, the following:

A. The manner, timing, and means used in making the misrepresentations and omissions contained in paragraph 18 above.

B. Engaging in a series of deceitful communications with the Department and Idaho offerees and investors.

21. Defendants have violated Idaho Code §30-1403(3).

COUNT FIVE

The allegations contained in paragraphs 1 through 21 are hereby realleged as if fully set forth.

22. Offers and sales of Sundance Resources' stock were made in Idaho on, or before, September 12, 1994. In a September 19, 1994 filing with the Department for exemption from registration, Defendants represented to the Department that no sales had been made in Idaho.

23. Idaho Code §30-1438 provides that it is unlawful for any person to knowingly make or cause to be made in any document filed with the Director any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

24. Defendants have violated Idaho Code §30-1438.

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.

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, or any rule or order thereunder, 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 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 Defendants be prohibited from claiming the availability of, using, or offering or selling securities under, any exemption 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.

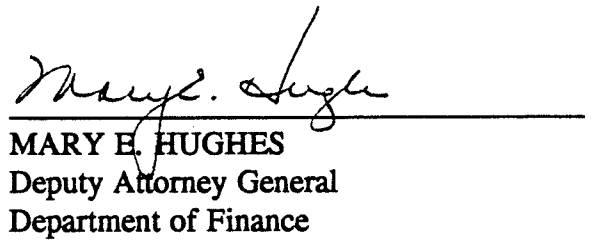
E. That Defendants, and each of them, be ordered to pay a civil penalty to Plaintiff in an amount of $10,000 for each violation of the Idaho Securities Act.

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 25th day of June, 1997.



MARY E. HUGHES
Deputy Attorney General
Department of Finance

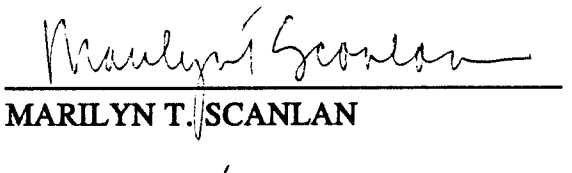
VERIFICATION

STATE OF IDAHO)
) ss:
County of Ada)

Marilyn T. Scanlan, Bureau Chief for the Securities Bureau of the Department of Finance, State of Idaho, being first duly sworn, deposes and says:

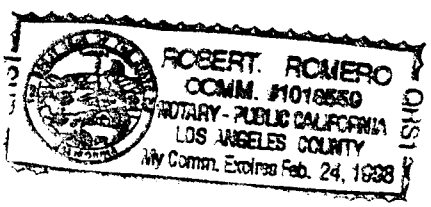
That she has read the foregoing Verified Complaint; that she knows the contents thereof; and that the same are true to the best of her knowledge.

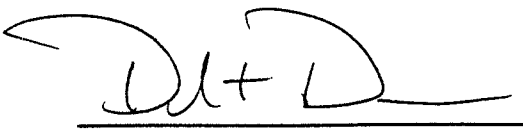
DATED this 24th day of June, 1997.



MARILYN T. SCANLAN

SUBSCRIBED AND SWORN to before me this 24 day of June, 1997.





NOTARY PUBLIC FOR ~~IDAHO~~ CALIFORNIA
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My Comm. Exp.: 02/24/98