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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. )  
 )  
AVENUE CAPITAL INVESTMENT, INC., )  
a Florida corporation, JEFF GRANGER, )  
PAUL GRANGER, and ROLF GLEICH, )  
 )  
 ) Defendants. )  
 )  
\_\_\_\_\_ )

CV OC 02059380

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 on information and belief:

1.

This action is brought pursuant to the Idaho Securities Act, Title 30, Chapter 14, Idaho Code (the Act), and in particular Idaho Code § 30-1442, wherein the Director is authorized 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 promulgated thereunder.

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 the state of Idaho.

### **DEFENDANTS**

3.

The defendant Avenue Capital Investment, Inc. ("ACI"), is a Florida corporation whose last known address is 215 North Federal Highway, Suite C-6, Boca Raton, Florida 33432.

4.

The defendant Jeff Granger (J. Granger) is an individual whose last known address is 205-1271 Howe Street, Vancouver, BC, Canada. At all times relevant to this complaint Jeff Granger was the president of ACI.

5.

The defendant Paul Granger (P. Granger) is an individual whose last known address is 215 North Federal Highway, Suite C-6, Boca Raton, Florida 33432. At all times relevant to this complaint Paul Granger was the chief executive officer of ACI.

6.

The defendant Rolf Gleich (Gleich) is an individual whose last known address is 205-1271 Howe Street, Vancouver, BC, Canada. At all times relevant to this complaint Rolf Gleich was the vice president of ACI.

### **FACTS**

7.

Beginning on a date uncertain, but at least since early March 2002, the defendants offered and sold unregistered securities to investors in Idaho.

8.

On or about March 22, 2002 Idaho consumer, Gary Nagashima (Nagashima), received an unsolicited telephone call from defendant Gleich. Gleich told Nagashima that he was with Avenue Capital Investment, Inc., and recommended that Nagashima invest in “Sting Doctor” stock.

9.

During the contact referenced in paragraph 8, above, Gleich told Nagashima that the “Sting Doctor” stock was at \$3.00 and that it was poised to soon double or triple in price. At this time, Nagashima opted not to invest.

10.

On or about April 10, 2002 Nagashima received an unsolicited telephone call from defendant P. Granger, at which time P. Granger told Nagashima that he was with Avenue Capital Investment, Inc. and then solicited Nagashima to make an investment in “Sting Doctor” stock. In

support of his solicitation, defendant P. Granger mailed Nagashima “Sting Doctor” marketing materials and documents describing ACI.

11.

On or about April 18, 2002, as a consequence of the solicitations from defendants Gleich and P. Granger, Nagashima wired \$5,000.00 from his Idaho-based bank account to ACI’s checking account at a Florida branch of the Bank of America. Nagashima understood that his \$5,000.00 was to be invested in “Sting Doctor” stock at \$3.00 a share, through ACI.

12.

On or about May 7, 2002, as a consequence of the solicitations from defendants Gleich and P. Granger, Nagashima wired another \$5,000.00 from his Idaho-based bank account to ACI’s checking account at a Florida branch of the Bank of America. Nagashima understood that his \$5,000.00 was to be invested in “Sting Doctor” stock at \$3.00 a share, through ACI.

**COUNT ONE: FAILURE TO REGISTER SECURITIES**

13.

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

14.

Beginning on a date uncertain, but at least since March 2002, the defendants offered or sold, either directly or indirectly, or aided and abetted in the offer or sale, to Idaho residents, through advertisements and oral solicitations, securities in the form of “Sting Doctor” stock.

15.

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

16.

The defendants have violated Idaho Code § 30-1416.

**COUNT TWO: FAILURE TO REGISTER AS  
BROKER-DEALERS OR SALESMEN**

17.

The allegations contained in paragraphs 1 through 16 are hereby realleged as if fully set forth.

18.

At no time pertinent to the period of time alleged herein 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, the defendants have either transacted business in this state as broker-dealers or salesmen without having been registered, or have acted as broker-dealers or issuers, and employed salesmen who were not registered under the Act.

19.

The defendants have violated Idaho Code § 30-1406.

**COUNT THREE: VIOLATIONS OF THE ANTI-FRAUD  
PROVISIONS OF THE ACT**

20.

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

21.

The defendants offered and sold securities to individuals in Idaho in violation of an antifraud provision of the Act, Idaho Code § 30-1403(2), in that they made false 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.

22.

The defendants' false statements of material fact or omissions include, but are not limited to, the following:

- A. The defendants made false statements of material fact in ACI's offering document to Nagashima by stating that ACI's last three (3) projects went from 3/5 dollars to 52/92 dollars. In support of this claim, the defendants utilized a graph showing growth of "Net2Phone, Inc." moving from an initial public offering price of \$3.00 to \$90.00. However, Net2Phone, Inc. was not taken public by ACI. In fact, ACI was not incorporated until at least one (1) year after Net2Phone, Inc. was taken public.

- B. The defendants failed to inform Nagashima that ACI was not registered to sell securities in Idaho;
- C. The defendants failed to inform Nagashima that defendants P. Granger and Gleich were not registered to sell securities in Idaho; and
- D. The defendants failed to inform Nagashima that the investment being promoted by them, “Sting Doctor” stock, was neither registered nor exempt from the registration requirements under the Act.
- E. The defendants failed to provide Nagashima with a complete and accurate prospectus-type disclosures such as:
  - i. financial information on “Sting Doctor,” including audited financial statements;
  - ii. a description of compensation to be paid to management;
  - iii. the identity of major stockholders;
  - iv. a description of the risks associated with an investment in “Sting Doctor” stock;

23.

The defendants have violated Idaho Code § 30-1403(2).

**COUNT FOUR: VIOLATIONS OF THE ANTI-FRAUD  
PROVISIONS OF THE ACT**

24.

The allegations contained in paragraphs 1 through 23 are hereby realleged as if fully set forth.

25.

In connection with the offer and sale of securities, defendants engaged in acts, practices and course of business that operated as a fraud or deceit upon persons, in violation of Idaho Code § 30-1403(3). Defendants' acts, practices, and course of business which operated as a fraud or deceit include, but are not limited to, the following:

A. The pattern of false statements and omissions referred to in Count Three, above.

26.

The defendants have violated Idaho Code § 30-1403(3).

**COUNT FIVE: OFFICER LIABILITY**

27.

The allegations contained in paragraphs 1 through 26 are hereby realleged as if fully set forth.

28.

At all times relevant to this complaint, defendant Jeff Granger, while acting as an officer of ACI, participated in, or had actual or constructive knowledge of, the activities constituting violations of the Idaho Securities Act as alleged herein.



29.

At all times relevant to this complaint, defendant Paul Granger, while acting as an officer of ACI, participated in, or had actual or constructive knowledge of, the activities constituting violations of the Idaho Securities Act as alleged herein.

30.

At all times relevant to this complaint, defendant Rolf Gleich, while acting as an officer of ACI, participated in, or had actual or constructive knowledge of, the activities constituting violations of the Idaho Securities Act as alleged herein.

31.

Defendants Jeff Granger, Paul Granger, and Rolf Gleich are liable for sanctions for conduct alleged herein pursuant to Idaho Code § 30-1442(4).

**PRAYER FOR RELIEF**

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

- A. That the defendants be adjudged to have violated the Idaho Securities Act.
- B. That the 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 the 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 the 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.

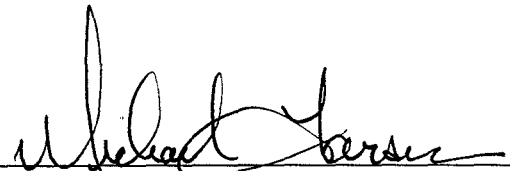
D. That the defendants be ordered to restore to each person in interest any consideration which may have been acquired or transferred in violation of the Idaho Securities Act.

E. That the 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 1<sup>st</sup> day of August, 2002.

  
MICHAEL LARSEN  
Deputy Attorney General  
Idaho Department of Finance

