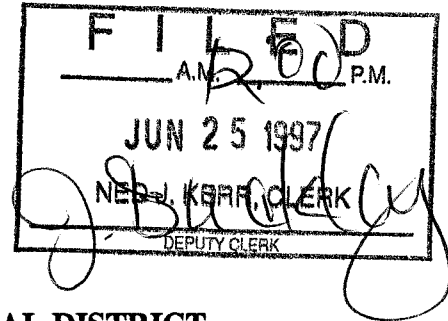


ALAN G. LANCE
ATTORNEY GENERAL
STATE OF IDAHO

MARY E. HUGHES
Deputy Attorney General
State of Idaho
Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031
Telephone: (208) 332-8092
Facsimile: (208) 332-8098



IN THE DISTRICT COURT OF THE THIRD JUDICIAL DISTRICT

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

STATE OF IDAHO, Department of Finance,)
)
Plaintiff,)
)
vs.)
)
LARRY E. HUNTER, BARGAIN HUNTER)
NETWORK, INC., FLAMESEAL)
INTERNATIONAL, INC., and AMERICAN)
VENTURE-EAGLE INTERNATIONAL, INC.,)
)
Defendants.)
_____)

Civil No. *CN97-32172*

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 Canyon 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.

3. Defendant Larry E. Hunter (Hunter) has raised capital through a series of securities offerings in Idaho and elsewhere since at least 1987. Each of the defendant corporations is owned and operated by Hunter; he is the sole officer and director of each company; he is believed to be the sole shareholder of each company. Hunter has never been licensed in Idaho to transact securities business. Hunter's last known address is Route 1, Box 1304, Homedale, Idaho 83628.

4. Defendant Bargain Hunter Network, Inc. (Bargain Hunter), an Idaho corporation, was the issuer of securities offered and sold by Hunter from Idaho beginning in approximately September 1993. The securities issued by Bargain Hunter have never been registered for sale in Idaho. Bargain Hunter's last known address is Route 1, Box 1304, Homedale, Idaho 83628.

5. Defendant FlameSeal International, Inc. (FlameSeal), incorporated in Idaho and Nevada, was the issuer of securities offered and sold by Hunter from Idaho beginning in approximately March, 1994. The securities issued by FlameSeal have never been registered for sale in Idaho. FlameSeal's last known address is Route 1, Box 1304, Homedale, Idaho 83628.

6. Defendant American Venture-Eagle International, Inc. (American Venture), incorporated in Idaho and Nevada, was the issuer of securities offered and sold by Hunter from Idaho beginning in approximately August, 1994. The securities issued by American Venture have never been registered for sale in Idaho. American Venture's last known address is Route 1, Box 1304, Homedale, Idaho 83628.

BACKGROUND

7. At least since 1987, Hunter, while located in Idaho, offered and sold various securities to residents of Idaho, other states, and Canada. Many of Hunter's activities involved multi-level marketing organizations, some of which were created and managed by Hunter.

8. At least since 1993, Hunter offered securities in conjunction with his multi-level marketing businesses. These securities were used as inducements for investors to become involved in the multi-level marketing businesses. Further, as one investment program and multi-level business would become unprofitable, Hunter would roll the investment and multi-level program into a new promotion. This resulted in Hunter raising new investment capital while appeasing prior investors.

9. At least six securities offerings took place between early 1993 and late 1994. These offerings will be discussed in chronological order below. The securities offered and sold were not registered for sale in Idaho. Hunter was not licensed to transact securities business in Idaho. Further, the manner in which the offerings were conducted violated the antifraud provisions of

the Idaho Securities Act.

Bargain Hunter Network, Inc.

10. The Bargain Hunter Network was purportedly formed for the purpose of creating and managing the Bargain Hunter Show, and to create a broadcast sales and information network. The Bargain Hunter Show was described in offering materials as some type of home shopping network. The Bargain Hunter Network was to access satellite television.

11. Investors in the Bargain Hunter Network were to benefit from a pool of profits to be derived from the sales volume created through the Network (Offering No. 1). Investments in the Bargain Hunter Network were offered in a variety of manners, as described in paragraphs 12 through 15 below.

12. Beginning in September 1993, persons interested in investing in a separate Hunter venture, the Diamond Director Opportunity, were also offered an interest in the Bargain Hunter Network. The Diamond Director Opportunity, offered by Hunter through American Venture, was purportedly to provide expert assistance and support to investors in building a multi-level sales organization in Life Trends International, a weight reduction program.

13. Beginning in January 1994, investors in the Diamond Director Opportunity were offered the opportunity to convert their investment fully to the Bargain Hunter Network (Offering No. 2). Diamond Director investors were informed that the Bargain Hunter Network offered a better opportunity for them to realize the profit promised to them under the Diamond Director program.

14. Also in January 1994, existing investors in the Bargain Hunter Network were informed that the terms of their investment were being converted to a different investment in the

Network (Offering No. 3). The conversion was not optional; investors were informed that their returns under the revised contract would be greater than previously described.

15. Investors in the Bargain Hunter Network were solicited to offer the program to new investors. For example, in December 1993, Bargain Hunter investors were informed that they could earn diamonds for selling Bargain Hunter Network packages.

16. Investors in the Bargain Hunter Network were not required to undertake any activity in order to realize a profit. The profit was to be derived through the managerial efforts of Hunter and others.

17. The Bargain Hunter investments offered and sold by Hunter are securities in the form of investment contracts and/or profit sharing agreements.

FlameSeal International, Inc.

18. FlameSeal manufactured flame retardant products, and portrayed the company and the products as being well positioned to take advantage of a purportedly rapidly expanding flame retardant market.

19. Beginning in approximately March 1994, investors in FlameSeal were offered a one percent interest in a pool of money to be derived from sales of the FlameSeal products (Offering No. 4). The minimum investment required was five thousand dollars (\$5,000), with distributions purportedly to be made monthly.

20. Investors in FlameSeal were led to expect an immediate return on their investment, with increasingly larger returns over the life of the investment.

21. Although each investor was supposedly to receive at least a one percent interest in FlameSeal, approximately one hundred ninety nine (199) people invested nearly one million

dollars (\$1,000,000) in this offering.

22. Investors in FlameSeal were not required to undertake any activity in order to realize a profit. The profit was to be derived through the managerial efforts of Hunter and others.

23. The FlameSeal investments offered and sold by Hunter are securities in the form of investment contracts and/or profit sharing agreements.

American Venture-Eagle International, Inc. - Founders Club Pool

24. Beginning in approximately August 1994, Hunter began to offer and sell investments in the American Venture-Eagle International, Inc. Founders Club Pool (Offering No. 5). American Venture was purportedly in the business of creating and managing a wholesale network support system, distributing products to different industries. American Venture was a multi-level marketing company.

25. Investors in the Founders Club Pool were offered the opportunity to earn profit from the revenue stream to be purportedly created from downline sales in the multi-level company.

26. A minimum investment of three thousand seven hundred fifty dollars (\$3750) was required for a one percent interest in the Founders Club Pool. Returns were to be distributed monthly, and investors were led to believe that the returns would increase over the life of the investment. Further, investors were guaranteed that if returns during the first twenty-four months of the investment did not at least equal the original invested amount, the investor would receive a refund of principal, plus twelve percent (12%) interest.

27. Investors in the Founders Club Pool were not required to undertake any activity in order to realize a profit. The profit was to be derived through the managerial efforts of Hunter

and others.

28. The Founders Club Pool investments offered and sold by Hunter are securities in the form of investment contracts and/or profit sharing agreements.

American Venture-Eagle International, Inc. - Tree Seal Financing Program

29. Beginning in approximately late August or early September 1994, Hunter began to issue promissory notes to finance the Tree Seal program offered by American Venture (Offering No. 6). The Tree Seal program involved marketing a FlameSeal product designed specifically for Christmas trees.

30. The promissory notes issued to investors in the Tree Seal program had terms of one hundred twenty (120) days, at fifty percent (50%) interest, and required a minimum one thousand dollar (\$1,000) investment.

31. Investors who invested at least five thousand dollars (\$5,000) were informed that they would also receive an interest in a profit pool to be derived from product sales.

32. Larger promissory notes with special terms were eventually negotiated with some investors. For example, these investors were provided written guarantees that their payments would be given priority over those of other investors.

33. The Tree Seal program investments offered and sold by Hunter are securities in the form of notes and/or evidences of indebtedness.

COUNT ONE

The allegations contained in paragraphs 1 through 33 are hereby realleged as if fully set forth.

34. Beginning on a date uncertain but at least since September 1993, 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 investment contracts, profit sharing agreements, notes, and/or evidences of indebtedness securities.

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

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

COUNT TWO

The allegations contained in paragraphs 1 through 36 are hereby realleged as if fully set forth.

37. At no time have the Defendants been 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.

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

COUNT THREE

The allegations contained in paragraphs 1 through 38 are hereby realleged as if fully set forth.

39. 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 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. The false statements of Defendants include, but are not limited to, the following:

- A. Beginning in January 1994, Defendants produced and distributed a newsletter titled The Eagle Eye View, directed toward investors in the various Hunter enterprises. The newsletter contained information on the companies, multi-level programs, and investment opportunities. Through the Eagle Eye View newsletter, Defendants disseminated information regarding Bargain Hunter Network distribution rates which was false. Distributions from the profit pool had not yet occurred on the date of publication of the newsletter.

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

- B. Failing to disclose to offerees and/or investors Hunter's personal bankruptcy filed in 1990 and discharged in 1991, or Hunter's businesses included as debtors in the bankruptcy, including Mobil Health Screening Network, Health Checker International, Inc., Nutri-Tek International, and the Right Touch in Touch.
- C. Failing to disclose to offerees and/or investors that a federal tax lien in excess of fifty thousand dollars (\$50,000) was filed against Hunter on February 28, 1994.
- D. Failing to disclose to offerees and/or investors Hunter's history of raising and investing funds provided by investors, including details of substantially similar transactions conducted within Free Enterprise Development International and Nutri-Tek International.
- E. Failing to disclose to offerees and/or investors Hunter's ownership and operation of various corporations, including his position as sole owner and operator of these corporations.
- F. Failing to disclose to offerees and/or investors financial information regarding Bargain Hunter Network, Inc., and its relationship with other companies owned and controlled by

Hunter; investors were not informed whether Bargain Hunter was a control corporation or subsidiary of any of the affiliated companies.

- G. Failing to disclose to offerees and/or investors financial information regarding FlameSeal International, Inc., and its relationship with other companies owned and controlled by Hunter; investors were not informed whether FlameSeal was a control corporation or subsidiary of any of the affiliated companies.
- H. Failing to disclose to offerees and/or investors financial information regarding American Venture-Eagle International, Inc., and its relationship with other companies owned and controlled by Hunter; investors were not informed whether American Venture was a control corporation or subsidiary of any of the affiliated companies.
- I. Failing to disclose to offerees and/or investors a judgment entered in the State of Washington during January 1992, against Hunter and at least one of his companies, Nutri-Tek International, in excess of seventy-seven thousand dollars (\$77,000).
- J. Failing to disclose to offerees and/or investors a judgment entered in Ada County, Idaho during April 1993, against Hunter, in the amount of three thousand nine hundred dollars (\$3,900).
- K. Failing to disclose to offerees and/or investors that some investment proceeds would be deposited to Hunter's personal bank account, or the bank accounts of other corporations owned and controlled by Hunter.
- L. Failing to disclose to offerees and/or investors that a portion of the Bargain Hunter Network securities were issued for no consideration to selected purchasers of the Diamond Director Opportunity investment.

- M. Failing to disclose to offerees and/or investors that more than one class of participation was available in the Bargain Hunter Network investment.
- N. Failing to disclose to offerees and/or investors after January 1994, that the terms of the Bargain Hunter Network offering had been revised from the pre-December 1993, offering and the December 1993, offering.
- O. Failing to disclose to offerees and/or investors that FlameSeal was failing to make monthly distributions as detailed in the offering documents.
- P. Failing to disclose to offerees and/or investors that the Bargain Hunter Network was failing to make regular monthly distributions as represented to investors.
- Q. Failing to disclose to offerees and/or investors that members of Hunter's family were working for, and receiving compensation from, the various Hunter companies.
- R. Failing to disclose to offerees and/or investors that former Hunter securities offerings had been rolled into new or existing Hunter investment programs.
- S. Failing to disclose to offerees and/or investors that Hunter and American Venture had been unable to complete the building of the downline income sources offered in the Diamond Director Opportunity program.
- T. Failing to disclose to offerees and/or investors that the FlameSeal investment program could be oversold, or that additional pool interests would be available once the initial offering was sold out.
- U. Failing to disclose to offerees and/or investors, beginning in May 1994, a pending inquiry of the Department of Finance regarding potential violations of the Idaho Securities Act.
- V. Failing to disclose to offerees and/or investors of Tree Seal promissory notes that Hunter had issued other Tree Seal promissory notes with terms substantially different from those

outlined in the offering documents, and that other investors had been offered special terms providing their repayment with priority over other Tree Seal note holders.

- W. Failing to disclose to offerees and/or investors that registration of the investments was required under the Idaho Securities Act, and that the investments were not so registered.
- X. Failing to disclose to offerees and/or investors that the Defendants were not registered with the Idaho Department of Finance as broker-dealers or salesmen as required under the Idaho Securities Act.

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

COUNT FOUR

The allegations contained in paragraphs 1 through 40 are hereby realleged as if fully set forth.

41. 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 misrepresentation and omissions contained in paragraph 39 above.
- B. Commingling investment monies in the various corporations.
- C. Selling more investment units than were available under the FlameSeal program as described in the offering materials, with the effect of diluting investments made, and making distributions as described in the offering materials impossible to attain.

- D. Continuing to offer and sell investments in FlameSeal after assuring the Department of Finance in May 1994, that those offers and sales would cease.
 - E. Depositing investor funds into Hunter's personal bank account.
 - F. Offering some Tree Seal note holders terms more favorable than those made available in the general offering, without disclosing the more favorable terms to the other investors.
 - G. Engaging in a series of deceitful offerings.
42. Defendants have violated Idaho Code §30-1403(3).

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
Residing at: Los Angeles
My Comm. Exp.: 2/24/98

