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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.  
  
PRIMEBUY NETWORK.COM, INC.,  
an Oklahoma corporation doing business  
in Idaho, CHARLES H. MICHEL, president  
and director, CHARLES CULVER, vice  
president and director, in their official and  
individual capacities,  
  
Defendants.

Civil No. CV 0C 0107067D  
  
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 Ada County, and elsewhere in the state of Idaho.

### **DEFENDANTS**

3.

The defendant PrimeBuy Network.com, Inc. (PrimeBuy) is an Oklahoma corporation whose last known address is 4000 Barranca Parkway, Suite 220, Irvine, California 92604.

4.

The defendant Charles H. Michel (Michel) is an individual whose last known business address is 4000 Barranca Parkway, Suite 220, Irvine, California 92604. At all times relevant to this complaint Michel was an officer and director of PrimeBuy.

5.

The defendant Charles Culver (Culver) is an individual whose last known business address is 4000 Barranca Parkway, Suite 220, Irvine, California 92604. At all times relevant to this complaint Culver was an officer and director of PrimeBuy.

**FACTS**

6.

Beginning on a date uncertain, but at least as early as September 1999, the defendants offered and sold unregistered securities to investors in Idaho.

7.

The securities promoted, offered, and sold by the defendants to investors in Idaho are shares of stock in PrimeBuy.

8.

In connection with the offer or sale of securities in Idaho, the defendants made false statements of material fact and omitted to state material facts necessary in order to make the statements made not misleading.

9.

The defendants raised at least \$50,000 from Idaho residents for investment in PrimeBuy stock.

**COUNT ONE: FAILURE TO REGISTER SECURITIES**

10.

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

11.

Beginning on a date uncertain, but at least since September 1999, 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 PrimeBuy stock.

12.

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

13.

The defendants have violated Idaho Code § 30-1416.

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

14.

The allegations contained in paragraphs 1 through 13 are hereby realleged as if fully set forth.

15.

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.

16.

The defendants have violated Idaho Code § 30-1406.

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

17.

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

18.

The 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 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.

19.

The false statements of the defendants include, but are not limited to, the following:

- A. Representing to potential Idaho investors that PrimeBuy is a publicly traded company and that its stock is registered in every state;
- B. Without a reasonable basis for such claim, representing to potential Idaho investors that PrimeBuy would be “going public” in September 2000 through an initial public offering;

- C. After failing to “go public” in September 2000, representing to potential Idaho investors, without a reasonable basis for such claim, that PrimeBuy would be going public through an initial public offering of its stock in the Spring of 2001;
- D. Without a reasonable basis for such claim, representing, expressly or by implication, to potential investors in Idaho that they could reasonably expect to achieve a 500% to 600% return on their investment in PrimeBuy stock.

20.

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

- A. Failing to provide to offerees and investors complete and accurate prospectus-type disclosures such as:
  - 1. financial information on PrimeBuy, including audited financial statements;
  - 2. a description of compensation to be paid to management;
  - 3. an explanation of the true intended uses of proceeds of the offering;
  - 4. the identity of major stockholders;
  - 5. a description of the amount of money to be raised in the offering, together with an explanation of the other terms of the offering;
  - 6. a description of the risks associated with an investment in PrimeBuy stock;
  - 7. the financial history of PrimeBuy.
- B. Failure by the defendants to disclose to Idaho offerees and/or investors that the defendants were not licensed as broker-dealers or salesmen in Idaho, as required by the Act;

- C. Failure by the defendants to disclose to Idaho offerees and/or investors that PrimeBuy stock was not registered in Idaho, as required by the Act;
- D. Failure by the defendants to disclose to Idaho offerees and/or investors that their PrimeBuy shares might be subject to trading restrictions and that the date on their PrimeBuy stock certificates may not reflect the actual date of issuance.

21.

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

**COUNT FOUR: OFFICER/DIRECTOR LIABILITY**

22.

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

23.

At all times relevant to this complaint, Defendant Michel, while acting as an officer and director of PrimeBuy, participated in, or had actual or constructive knowledge of violations of the Idaho Securities Act as alleged in Counts One, Two, and Three, above.

24.

Defendant Michel is liable for sanctions pursuant to Idaho Code § 30-1442(4).

**COUNT FIVE: OFFICER/DIRECTOR LIABILITY**

25.

The allegations contained in paragraphs 1 through 24 are hereby realleged as if fully set forth.

26.

At all times relevant to this complaint, Defendant Culver, while acting as an officer and director of PrimeBuy, participated in, or had actual or constructive knowledge of, violations of the Idaho Securities Act as alleged in Counts One, Two, and Three, above.

27.

Defendant Culver is liable for sanctions 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;

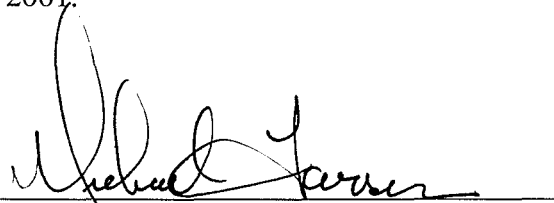


2. Selling or offering for sale nonexempt securities in any form in the state of Idaho until such time as the defendants have registered as broker-dealers or salesmen for a broker-dealer or issuer with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;
  3. While engaged 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 29th day of October, 2001.

A handwritten signature in black ink, appearing to read "Michael Larsen", written over a horizontal line.

MICHAEL LARSEN  
Deputy Attorney General  
Department of Finance

VERIFICATION

STATE OF IDAHO    )  
                          ) ss:  
County of Ada        )

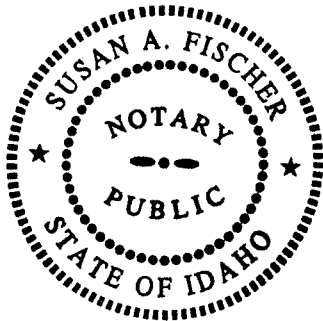
MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes and says:

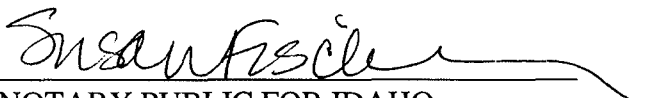
That she has read the foregoing verified complaint; that she knows the contents thereof, and that the same are true to the best of her knowledge.

DATED this 29<sup>th</sup> day of October, 2001.

  
\_\_\_\_\_  
MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 29<sup>th</sup> day of October, 2001.



  
\_\_\_\_\_  
NOTARY PUBLIC FOR IDAHO  
Residing at:  
My Commission expires: