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DISTRICT COURT
TWIN FALLS CO. IDAHO
FILED
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BY _____ CLERK
_____ DEPUTY

IN THE DISTRICT COURT OF THE FIFTH JUDICIAL DISTRICT

OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF TWIN FALLS

STATE OF IDAHO, Department of Finance, Plaintiff, vs. AGRICULTURAL SERVICES OF AMERICA, INC., a Wyoming corporation; AGRICULTURAL INVESTMENTS OF AMERICA, INC., a Wyoming corporation; GREGORY S. DABNEY; RUSSELL R. GRAHAM; and PAUL GRANT, Defendants.	Civil No. CV-00-1784 **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 Twin Falls County, and elsewhere in the State of Idaho.

DEFENDANTS

3. Defendant Agricultural Services of America, Inc. ("ASA") is a Wyoming corporation whose last known address is 411 Altair, Twin Falls, ID 83301. ASA was incorporated on January 28, 1997 as a manufacturer and distributor of bio-active agricultural products. At the date of incorporation, the directors of ASA were Paul Grant, Gregory S. Dabney, Tracy Harmer, and Russell R. Graham. The officers of ASA were as follows: Paul Grant, president, chairman, and chief executive officer; Gregory S. Dabney, vice president; and Russell R. Graham, secretary. In December 1997, Russell R. Graham replaced Paul Grant as president of ASA. In April 1998, Paul Grant resigned as chairman and CEO of ASA, and Gregory S. Dabney became CEO. Paul Grant resigned as a director of ASA at the end of April 1998. The stock of ASA has never been registered for sale with the Idaho Department of Finance.

4. Defendant Agricultural Investments of America, Inc. ("AIA") is a Wyoming corporation whose last known address is 411 Altair, Twin Falls, ID 83301. AIA was incorporated to raise money for the ASA business. AIA was to sell stock to small investors (investments of less than $20,000). At a date uncertain, AIA was discontinued

and the AIA shareholders were given shares in ASA in exchange for their AIA shares. The stock of AIA has never been registered for sale with the Idaho Department of Finance.

5. Defendant Gregory S. Dabney ("Dabney") is the CEO and a director of ASA. His last known address is 411 Altair, Twin Falls, ID 83301. Dabney offered and sold stock in ASA and AIA to investors in Idaho and elsewhere. Dabney has never been registered as a salesman or a broker-dealer with the Idaho Department of Finance at any time.

6. Defendant Russell R. Graham ("Graham") was at various times the president, vice president, secretary, and a director of ASA. His last known address is 429 Aspenwood Dr., Twin Falls, ID 83301. Graham offered and sold stock in ASA and AIA to investors in Idaho and elsewhere. Graham has never been registered as a salesman or a broker-dealer with the Idaho Department of Finance.

7. Defendant Paul Grant ("Grant") was at various times the president, chairman, chief executive officer, and a director of ASA. Grant offered and sold stock in ASA and AIA to investors in Idaho and elsewhere. Grant has never been registered as a salesman or a broker-dealer with the Idaho Department of Finance.

FACTS

9. Grant was in the agricultural chemical business for several years in California. He developed a bacteria based soil enhancement product that he claimed would increase the productivity of farm ground. He called the main product LCM for Liquified Composted Manure or Liquid Compost Matrix. He also developed other similar products as byproducts of LCM.

10. Grant became acquainted with Dabney in California, where Dabney was an agricultural equipment salesman. Dabney convinced Grant that they should join together in producing and marketing LCM and its related products, and they formed G & D Agricultural Services. The operation moved to Twin Falls, Idaho, and Russell R. Graham, Dan Grant, and Tracy Harmer became involved in the company.

11. On January 28, 1997, ASA was incorporated as a manufacturer and distributor of bio-active agricultural products based on LCM. Defendants Dabney, Russell, and Graham began to solicit investors to buy stock in ASA. For purposes of solicitation a document entitled "Private Placement Stock Offering Agricultural Services of America Inc." was produced. Neither the stock of ASA nor AIA was ever registered for sale with the Idaho Department of Finance.

12. Defendants solicited investors for the purchase of the unregistered stocks of ASA and AIA.

COUNT ONE

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

13. Beginning on a date uncertain, but at least since January 28, 1997, Defendants offered for sale, either directly or indirectly, or aided and abetted in the offer, to Idaho residents and others through printed offering material and oral solicitations, securities in the form of ASA stock and AIA stock.

14. The securities offered 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. At all times relevant to this complaint, the Defendants were not 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 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.

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 violated 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 the ASA and AIA stock offered for sale was not registered in Idaho, as required by the Idaho Securities Act.

B. Failing to disclose to offerees and/or investors that Defendants were not registered as broker-dealers or salesmen in Idaho, as is required by the Idaho Securities Act.

C. Failing to disclose, to offerees and/or investors, material financial information related to ASA and AIA prior to the investments.

D. Failing to adequately disclose, to offerees and/or investors, risk factors related to the investment.

E. Failing to disclose, to offerees and/or investors, the actual use of proceeds of the offering.

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

COUNT FOUR

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

20. Defendants violated an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2), in that they made untrue statements of material facts in connection with the offer and sale of securities. The misrepresentations of Defendants include, but are not limited to, the following:

A. Representation to the investors that the company would go public and become listed on NASDAQ within six months to a year after they invested. No basis was given to support such claim.

B. Representation to the investors that the stock would appreciate and they would make a lot of money in a short amount of time. One investor was told that his stock would go from $0.15 to $1.00, almost 700%, in one year. No basis was given to support such claim.

C. Representation to the investors that ASA owned a soil enhancement product developed by Grant, when the product was actually owned by G & D Agricultural Services.

D. Representation to at least one investor that the Securities and Exchange Commission prohibited the company from disclosing financial information to prospective investors. No basis was given to support such claim.

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

COUNT FIVE

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

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

A. The pattern of omissions and misrepresentations referred to in Counts Three and Four, above.

B. Defendants sold stock to investors at arbitrarily stated share prices. No basis for such share pricing was provided to investors. No disclosure was made to investors as to what prices other shareholders were receiving.

23. 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, 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.

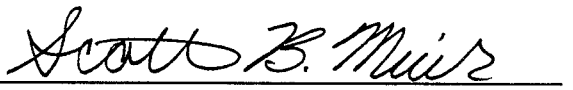
C. That Defendants be prohibited from claiming the availability of, using, or offering or selling securities, under any exemptions under the Idaho Securities Act without receiving the prior written consent of the Director.

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 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.

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

DATED this 27th day of April, 2000.



Scott B. Muir
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 28th day of April, 2000.

Marilyn T. Scanlan

MARILYN T. SCANLAN

SUBSCRIBED AND SWORN to before me this 28TH day of April, 2000.

Marlene L. Cooper

NOTARY PUBLIC FOR IDAHO
Residing at: Boise, ID
My Commission expires: 11-26-02