ALAN G. LANCE
ATTORNEY GENERAL
STATE OF IDAHO

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

COPY
NO. _____ FILED
A.M. _____ P.M. _____
MAY 31 1996
J. DAVID NAVARRO, Clerk
By JENNIFER DOWNING
DEPUTY

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. CULLEY WAYNE DAVIS, Defendant.	Civil No. CV OC 9602781D 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 Defendant occurred in the conduct of trade and commerce in Ada County, and elsewhere in the State of Idaho.

DEFENDANT

3. Defendant Culley Wayne Davis (Davis), at all times relevant to the complaint, served as the CEO and president of Pinnacle Enterprises, Inc. (Pinnacle), and chairman and CEO of Dancor, Inc. (Dancor). Davis offered and sold unregistered securities in the form of investment contracts in Pinnacle, and stock in Dancor. Davis is not currently, nor has he ever been, licensed as a securities salesman or broker-dealer in Idaho or any other state. His address is 2021 Montane Cove, Draper, Utah 84020.

BACKGROUND

4. Beginning in approximately January 1996, Davis held a series of meetings in Rexburg, Idaho in which he solicited Idaho residents to purchase investment contracts in Pinnacle, and stock in Dancor.

5. An investigator for the Department attended two meetings, posing as a potential investor. The first meeting occurred on January 24, 1996. Davis explained at the beginning of the meeting that he is an entrepreneur, and owns several companies. He stated that he develops companies and sells them. Four companies and their products or technologies were discussed at the meeting.

a. VitroSeal, described as a metal coating technology, was first discussed. It is owned by Dancor.

b. Advanced Dental Technology was explained as having developed a special toothbrush. Davis represented that a profitable buy out of the company was imminent.

c. Environmental Systems and Solutions, Inc. was represented as having developed a non-electric kitchen sink garbage disposal.

d. The final company described was Lubrication Research, Inc., which allegedly has developed a pre-lube device to lubricate an automobile engine prior to starting.

6. Davis explained at the meeting that investors could purchase 10,000 shares of Dancor for $3.00 per share. He stated that many wealthy people were trying to buy his companies, and obtain controlling interest, but that he wanted to keep control, and thus was attempting to find smaller investors.

7. Davis further offered an investment unit in Pinnacle for $40,000, which would include Dancor stock and interests in the other three companies described above. However, investors could not purchase the Pinnacle unit alone. Pinnacle could only be purchased along with 10,000 shares of Dancor. Therefore, investors could invest either $30,000 or $70,000.

8. Davis stressed that investors would be able to have their investment returned in six months, and the value of the stock would appreciate to $10.00 to $15.00 per share within a year or two.

9. A business plan describing Dancor, and the VitroSeal coating technology, was presented to the offerees during the meeting.

10. At the conclusion of the meeting, Davis stated that there

was risk involved in the offering. He did not want borrowed money to be invested. However, he went on to state that even though the investment involved risk, he had "never lost a penny of anyone's money." Davis stated that all of the investors would make money.

11. The Department's investigator attended a second meeting on February 17, 1996. At that meeting, Davis introduced new elements of the investment. He stated that he had met with owners of a company named EarthShell, located in California. Davis explained that EarthShell owned a process to make a styrofoam-like substance out of concrete, which could be used to produce cups and hamburger trays. Davis stated that EarthShell was about to "go public".

12. Davis stated at the meeting that the opportunity was present to sell Dancor to EarthShell for a combination of cash and stock. EarthShell would pay enough cash to return principal to all Dancor investors, plus a return on principal of up to 25%. The investors would also receive EarthShell stock at one-half of the public offering price.

13. At this meeting, Davis again offered 10,000 shares of Dancor stock for $3.00 per share. A Pinnacle unit could also be purchased, but now for $50,000, which would include the EarthShell investment. Davis claimed that investors would have their money back in six months, plus a high return on any remaining investment.

COUNT ONE

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

14. Beginning on a date uncertain but at least since January 1996 Defendant sold or offered for sale, or caused to be sold, either directly or indirectly, or aided and abetted in the offer or sale, to Idaho residents through printed offering material and oral solicitations, investment contract securities in the form of investment units in Pinnacle Enterprises, Inc., and securities in the form of stock in Dancor, Inc.

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

16. Defendant has violated Idaho Code §30-1416.

COUNT TWO

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

17. At no time has the Defendant been licensed by the Department of Finance as a broker-dealer or salesman to sell or offer for sale securities as required by Idaho Code §30-1406.

18. Defendant has violated Idaho Code §30-1406.

COUNT THREE

The allegations contained in paragraphs 1 through 18 are hereby realleged as if fully set forth.

19. Defendant 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 he 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 false statements of Defendant include, but are not limited to, the following:

A. Davis represented to offerees that Mentadent, a company that owns Rembrandt toothpaste, was interested in purchasing the Advanced Dental Technology's Action toothbrush technology. In fact, Mentadent is not a company but a trademark for dental products owned by Chesebrough-Ponds, Inc., a Delaware corporation. Rembrandt is a trademark for dental products owned by Den-Mat Corp., a Delaware corporation. Mentadent and Rembrandt are not connected in any way. Neither Chesebrough-Ponds nor Den-Mat have had any contact with Davis or any of his companies. Neither Chesebrough-Ponds nor Den-Mat have expressed any interest in acquiring any interest or rights to the Action toothbrush.

B. Davis represented to offerees that EarthShell had finalized a deal with McDonalds fast food restaurants wherein McDonalds would buy food packaging coated with the VitroSeal coating. Davis stated that EarthShell had $1.8 billion in contracts for the VitroSeal product. Davis represented that EarthShell wanted to buy Dancor stock for a price between $10 and $20 per share. Davis stated that Dancor investors would receive 10% of the purchase price in cash and 90% in EarthShell stock at 50% of the initial public offering price when EarthShell goes public. Davis stated that EarthShell had already filed with the Securities and Exchange Commission to go public. In fact, EarthShell has determined that Dancor's product does not meet

EarthShell's needs or requirements. EarthShell has not entered into any written contract to buy an interest in Dancor, and has never engaged in negotiations, oral or written, for such a contract. EarthShell has not discussed with Dancor or any other person any price or terms at which to purchase an interest in Dancor. No contracts have been entered into between EarthShell and McDonald's to develop products. EarthShell has never made a filing with the Securities and Exchange Commission for registration of its stock for sale to the public. EarthShell has entered into license agreements with several manufacturers to produce products utilizing EarthShell's technology. However, no revenue has been generated from these license agreements.

C. Davis orally represented to offerees that he was licensed as a securities salesman. Davis represented in the Dancor business plan that he had received a Series 7 securities license. In fact, Davis is not currently licensed as a securities salesman. The Series 7 examination is administered by the National Association of Securities Dealers (NASD). Passage of the Series 7 exam qualifies an individual to receive a general securities license, and allows a person to sell most types of investment products if he is properly licensed. Records of the NASD indicate that Davis took the Series 7 examination, but failed to pass, and thus has never had a Series 7 license.

D. Davis represented to offerees that securities registration of the offerings had been "taken care of" with the Idaho

Department of Finance. In fact, the offerings have not been registered with the Department, and do not qualify for any exemption from registration.

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

E. Failing to disclose to offerees and/or investors financial information on Dancor, Pinnacle, Lubrication Technologies, Inc., Environmental Systems and Solutions, Inc., and Advanced Dental Technology.

F. Failing to disclose to offerees and/or investors, in a meaningful manner, the risk involved in an investment in Dancor or Pinnacle.

G. Failing to disclose to offerees and/or investors that registration of the investment contracts and stock was required under the Idaho Securities Act, and that the investment contracts and stock were not so registered.

H. Failing to disclose to offerees and/or investors that he was not registered with the Idaho Department of Finance as a broker-dealer or salesman as required under the Idaho Securities Act.

20. Defendant has violated Idaho Code §30-1403(2).

COUNT FOUR

The allegations contained in paragraphs 1 through 20 are hereby realleged as if fully set forth.

21. Defendant offered securities to persons in this state in

violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(3). The Defendant's 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 19, above.

22. Defendant has violated Idaho Code §30-1403(3).

PRAYER FOR RELIEF

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

A. That Defendant be adjudged to have violated the Idaho Securities Act and Rules thereunder.

B. That Defendant 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 he 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 Defendant has registered as a salesman or broker-dealer 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 Defendant 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 Defendant 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.

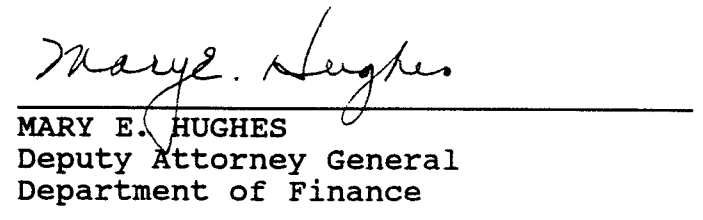
E. That Defendants be ordered to pay a civil penalty to Plaintiff in an amount of $10,000 for each violation of the Idaho Securities Act.

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 23rd day of May, 1996.



MARY E. HUGHES
Deputy Attorney General
Department of Finance