

**FILED**

JUN 28 2000

NANCY DOHERTY, CLERK

By \_\_\_\_\_

Deputy

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

Civil Action No. \_\_\_\_\_

**Michael J. Quilling, Receiver for  
Hammersmith Trust, LLC,  
Hammersmith Trust, Ltd.,  
Microfund, LLC, and Bridgeport  
Alliance, LLC**

**Plaintiff**

vs.

**Adam Shaw, Thomas R. Smith,  
Linda J. Smith, Michael Klein,  
Leon Hurst, Summit Marketing, Inc.,  
Bancorp Mortgage, Inc., Caton &  
Associates, Inc., Simplified  
Communications, Inc., Chatham  
International, Inc., Thomas McCrimmon  
United Holdings Corp., Greg Skibbee,  
Rick Shirrell, Jeffrey A. Matz,  
Christopher J. Carlson, Murray  
Stucker and Larry K. Lewis.**

**Defendants**

**3 - 0 0 C V 1 4 0 5 - R**

**(Jury Trial Demanded)**

**COMPLAINT**

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW, Michael J. Quilling, in his capacity as Receiver for Hammersmith Trust, LLC, Hammersmith Trust, Ltd., Microfund, LLC and Bridgeport Alliance, LLC ("Receiver") and files this his Complaint against Adam Shaw, Thomas R. Smith, Linda J. Smith, Michael Klein, Leon Hurst, Summit Marketing, Inc., Bancorp Mortgage, Inc., Caton & Associates, Inc., R&R International, Simplified Communications, Inc., Chatham International, Inc., Thomas McCrimmon,

United Holding Corp., Greg Skibbee, Rick Shirrell, Jeffrey A. Matz, Christopher J. Carlson, Murray Stucker, Larry K. Lewis and in support of such would respectfully show the Court as follows:

**Parties**

1. Michael J. Quilling is the Receiver appointed for Hammersmith Trust, LLC, Microfund, LLC and Bridgeport Alliance, LLC in Civil Action No. 3:98-CV-2689-M, styled *Securities and Exchange Commission v. Funding Resource Group, a/k/a FRG Trust; Quentin Hix; Gene Coulter; Steven C. Roberts; MVP Network, Inc., a Texas corporation a/k/a MVP Network (Trust); FMCI Trust; Funders Marketing Company, Inc., a Texas corporation; Raymond G. Parr; Willard Vearl Smith; Earl D. McKinney; Fortune Investments, Ltd., a Nevada corporation, Robert Cord, a/k/a Robert F. Schoonover, Jr.; Winterhawk West Indies, Inc.; IGW Trust; Carolyn Don Hicks; and Carl LaDane Weaver, Defendants, and Howe Financial Trust, an Indiana corporation; Treds Financial Trust; Mary Ann Bauce, Hammersmith Trust, L.L.C., a Tennessee limited liability company; Hammersmith Trust, Ltd., an Irish Corporation; Bridgeport Alliance, L.L.C., a Nevada limited liability company; Landfair Custodial Services, Inc., a Tennessee corporation; Microfund, L.L.C., a Nevada limited liability company; American Pacific Bank & Trust, Inc., an Antigua corporation; Eurofund Investment Inc., a Tennessee corporation; B. David Gilliland; and Melody Rose, Defendants Solely for Purposes of Equitable Relief*, pending before the United States District Court for the Northern District of Texas, Dallas Division, the Honorable Barbara M.G. Lynn presiding.

2. Adam Shaw is an individual resident and citizen of the State of California and may be served with process at 14545 Rutledge Square, San Diego, CA 92128 or 591 Camino de la Reina, Suite 900, San Diego, CA 92108.

3. Thomas R. Smith is an individual resident and citizen of the State of Indiana and may be served with process at 1610 Irongate Circle, Zionsville, IN 46077.
4. Linda J. Smith is an individual resident and citizen of the State of Indiana and may be served with process at 1610 Irongate Circle, Zionsville, IN 46077.
5. Michael Klein is an individual resident and citizen of the State of Hawaii and may be served with process at 253 Kaiolohia Place, Honolulu, Hawaii 96825 or 1188 Bishop Street, Suite 2303, Honolulu, Hawaii 96813.
6. Summit Marketing, Inc. is an corporation organized under the laws of the Isle of Man and may be served with process at 36 Pine Circle North, Belleair, Florida 34616, through its President, Leon Hurst.
7. Leon Hurst is an individual resident and citizen of the State of Florida and may be served with process at 36 Pine Circle North, Belleair, Florida 34616.
8. Bancorp Mortgage, Inc. is an corporation organized under the laws of the State of Missouri and may be served with process at 5545 N. Oak, Suite 25A, Kansas City, MO 64118 through its Chief Executive Officer, Robert Rung.
9. Caton & Associates, Inc. is an corporation organized under the laws of the State of Missouri and may be served with process at 5545 N. Oak, Suite 25A, Kansas City, MO 64118 through its President, Linda Caton.
10. Simplified Communications, Inc. is an corporation organized under the laws of the State of Florida and may be served with process at 708 Minorca Ave., Coral Gables, Florida 33134, through its President, Jeff Reed.

11. Chatham International, Inc. is an corporation organized under the laws of the State of Florida and may be served with process at 3816 West Linebaugh Avenue, Suite 408, Tampa, Florida 33624 through its President, Thomas McCrimmon.

12. Thomas McCrimmon is an individual resident and citizen of the State of Florida and may be served with process at 3816 West Linebaugh Avenue, Suite 408, Tampa, Florida 33624.

13. United Holdings Corp. is an corporation organized under the laws of the State of Delaware and may be served with process at The Villa-Crows Nest Road, Tuxedo Park, NY 10987, through its President, Greg Skibbee.

14. Greg Skibbee is an individual resident and citizen of the State of New York and may be served with process at The Villa-Crows Nest Road, Tuxedo Park, NY 10987.

15. Rick Shirrell is an individual resident and citizen of the State of Missouri and may be served with process at 6472 Murdoch Avenue, St. Louis, MO 63109.

16. Jeffrey A. Matz is an individual resident and citizen of the State of Arizona and may be served with process at 6711 E. Camelback Road, Scottsdale, AZ 85251.

17. Christopher J. Carlson is an individual resident and citizen of the State of California and may be served with process at 11693 San Vicente Blvd., Suite 148, Los Angeles, CA 90049.

18. Murray Stucker is a resident and citizen of the State of Tennessee and may be served with process at 2031 Shadowood Cove, Memphis, TN 38119.

19. Larry K. Lewis is an individual resident and citizen of the State of Arkansas and may be served with process at 2317 Shoshoni Drive, Jonesboro, AR 72401.

#### **Jurisdiction and Venue**

20. This Court has jurisdiction over the subject matter of this action because the actions stated herein constitute Receivership Assets within the meaning of the Order Appointing the

Receiver. The Order Appointing the Receiver expressly states that all actions to determine disputes relating to Receivership Assets shall be filed in this Court. In addition, this Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 754, 1692, and Fed. R. Civ. P. 4(k)(1)(D).

21. Venue for this action is proper in the Northern District of Texas because: (1) the SEC Proceedings referenced below is pending in this District and this action is ancillary to it; (2) the Receiver was appointed in this District; and (3) this action involves Receivership Assets within the meaning of the Order Appointing the Receiver. The Order Appointing the Receiver expressly states that all actions to determine disputes relating to Receivership Assets shall be filed in this Court.

#### **Background Facts**

22. On November 13, 1998 the Securities and Exchange Commission ("SEC") initiated Case No. 3:98-CV-2689-M styled *Securities and Exchange Commission v. Funding Resource Group, a/k/a FRG Trust; Quentin Hix; Gene Coulter; Steven C. Roberts; MVP Network, Inc., a Texas corporation a/k/a MVP Network (Trust); FMCI Trust; Funders Marketing Company, Inc., a Texas corporation; Raymond G. Parr; Willard Vearl Smith; Earl D. McKinney; Fortune Investments, Ltd., a Nevada corporation, Robert Cord, a/k/a Robert F. Schoonover, Jr.; Winterhawk West Indies, Inc.; IGW Trust; Carolyn Don Hicks; and Carl LaDane Weaver, Defendants, and Howe Financial Trust, an Indiana corporation; Treds Financial Trust; Mary Ann Bauce, Hammersmith Trust, L.L.C., a Tennessee limited liability company; Hammersmith Trust, Ltd., and Irish Corporation; Bridgeport Alliance, L.L.C., a Nevada limited liability company; Landfair Custodial Services, Inc., a Tennessee corporation; Microfund, L.L.C., a Nevada limited liability company; American Pacific Bank & Trust, Inc., an Antigua corporation; Eurofund Investment Inc., a Tennessee corporation; B. David Gilliland; and Melody Rose, Defendants Solely for Purposes of Equitable Relief*, Defendants and in connection therewith sought the appointment of a Receiver as

to the Defendants and Equity Relief Defendants. By Order dated November 13, 1998, entered in the SEC Proceedings, Michael J. Quilling was appointed as the Receiver and has continued to function in that capacity since that time.

23. By subsequent Order dated July 22, 1999, entered in the SEC Proceedings, the receivership was expanded to include a number of additional individuals and entities, including Hammersmith Trust, LLC (both the Tennessee and the Nevis West Indies), Hammersmith Trust, Ltd. (all of the Hammersmith entities are collectively referred to as "Hammersmith"), Microfund, LLC ("Microfund") and Bridgeport Alliance, LLC ("Bridgeport"). By virtue of the same Order, Michael J. Quilling was appointed as the Receiver for each of the additional individuals and entities and he continues to function in that capacity since that time.

24. Hammersmith and Microfund are entities which operated huge international Ponzi schemes under the direction and control of B. David Gilliland ("Gilliland"). In particular, the scam required investors (called "lenders") to "loan" funds to Hammersmith which loans would be repaid by virtue of monthly interest payments at a rate of 480% percent per annum (and higher) for twelve months and a repayment of all principal in month thirteen. The "loans" were supposedly secured by an assignment of a deposit account containing the investor's money and by a United States Treasury Bill for the same amount. The Microfund "program" differed in some respects but the intentions were the same - promise huge returns based upon non-existent trading programs and then steal the money.

25. As part of his overall scheme, Gilliland engaged Bridgeport to screen potential "lenders," which in essence required that Bridgeport make sure they had money, would not ask questions and were not really government agencies posing as investors. Bridgeport, in turn, engaged various entities and individuals to act as agents and/or brokers. These agents/brokers would locate

and solicit potential investors, sell them on the "program" being offered by Hammersmith and Microfund and then submit the potential lender/investor to Bridgeport for screening and approval. Once the potential lender/investor was approved, a Loan Agreement would be signed with Hammersmith and/or Microfund and then funds would be wired to an account designated by Gilliland. Each lender/investor would also sign a Client Agreement with Bridgeport. As part of each transaction, the lender/investor would become obligated to pay the agent/broker which got them into the program a percentage of the alleged profits to be earned by the lender/investor from Hammersmith and/or Microfund. In some instances, Hammersmith or Microfund or Bridgeport would cause the agent to be paid and in some instances the lender/investor would pay the agent/broker. In all instances the funds used to pay the agents/brokers ultimately came from defrauded investors, duped into the "program" by the agents/brokers.

26. The programs offered by Hammersmith and Microfund were completely fraudulent. The lender/investor funds did not remain in segregated deposit accounts. There were no treasury bills which secured each loan/investment. There was no trading program. There was no generation of any income by either Hammersmith or Microfund which could be used to pay the fantastic returns promised to lenders/investors. Instead, as funds were received, Gilliland caused Hammersmith and Microfund to systematically divert the funds to make Ponzi payments to prior investors and support the lavish lifestyle and spending of Gilliland. The agents/brokers knew or should have known that the programs were fraudulent.

27. Each of the various Defendants in this action are agents/brokers who were paid substantial sums for their "services" out of investor proceeds. The total amount paid is, in some instances, unknown to the Receiver but exceeds the minimum jurisdictional levels of the Court.

Based upon information currently available to the Receiver, the agents/brokers named as Defendants herein received at least the following amounts of investor proceeds:

Adam Shaw	\$ 11,250.00
Thomas R. Smith Linda J. Smith	\$ 81,989.00
Michael Klein	\$ 106,000.00
Leon Hurst Summit Marketing, Inc.	\$1,170,000.00
Bancorp Mortgage, Inc. Caton & Associates, Inc.	\$ 24,000.00
Simplified Communications, Inc.	\$ Shared with Chatham International
Chatham International, Inc. Thomas McKrimmon	\$1,693,500.00
United Holdings Corp. Greg Skibbee	\$1,258,375.00
Rick Shirrell	\$ 98,250.00
Jeffrey R. Matz	\$ 683,953.00
Chris Carlson	\$ 59,300.00
Murray Stucker	\$ 156,700.00
Larry Lewis	\$ 43,500.00

### COUNT ONE

#### Constructive Trust & Disgorgement

28. The Receiver incorporates paragraphs 1 through 27 set forth above as if set forth verbatim hereat.



29. The funds paid to the agents/brokers constitute and are directly traceable to the funds of the defrauded lenders/investors. As such, they are impressed with a constructive trust and constitute Receivership Assets. The agents/brokers should be required to disgorge their ill-gotten gains.

30. Pursuant to principals of equity, the Receiver seeks the imposition of a constructive trust upon all funds paid to the agents/brokers and a judgment against each of them requiring disgorgement of all amounts received. To the extent any of the agents/brokers are unable to disgorge the funds received, the Receiver seeks a money judgment against each of them in an amount equal to the funds received.

## COUNT TWO

### Aiding and Abetting Breach of Fiduciary Duty

31. The Receiver incorporates paragraphs 1 through 27 set forth above as it set forth verbatim hereat.

32. Hammersmith, Microfund, Bridgeport and Gilliland owed fiduciary duties to each of the lenders/investors to properly represent the programs, make full and complete disclosure of all material facts and to handle and invest the money properly.

33. Hammersmith, Microfund, Bridgeport and Gilliland breached their fiduciary duties to the lenders/ investors. By locating, soliciting and selling the lenders/investors on the programs, the agents/brokers aided and abetted the breaches of fiduciary duty.

34. As a result of the aiding and abetting conduct of the agents/brokers, the lenders/investors, Hammersmith and Microfund were damaged for which damages the Receiver hereby sues.

### **COUNT THREE**

#### **Aiding and Abetting Corporate Waste**

35. The Receiver incorporates paragraphs 1 through 27 set forth above as if set forth verbatim hereat.

36. The funds invested by the lenders/investors constitute corporate assets of Hammersmith and Microfund. Gilliland and the management of Hammersmith and Microfund prior to the receivership wasted the corporate assets by diverting them for improper purposes, including payments to agents/brokers. The conduct of the agents/brokers in locating, soliciting and selling the program to lenders/investors substantially assisted Gilliland and management in their efforts and constitutes aiding and abetting of corporate waste.

37. As a result of the aiding and abetting conduct of the agents/brokers, the lenders/investors, Hammersmith and Microfund have been damaged for which damages the Receiver hereby sues.

### **COUNT FOUR**

#### **Fees, Expenses, Cost and Interest**

38. The Receiver incorporates paragraphs 1 through 27 set forth above as if set forth verbatim hereat.

39. As a direct result of the agents/brokers' conduct, as alleged above, it has been necessary for the Receiver to file this action. Such action necessarily requires the agents/brokers be required to pay the costs of this action, as well as pre-judgment and post-judgment interest on all sums recovered, at the highest lawful rate. The Receiver sues for all costs, expenses, attorneys' fees and pre-judgment and post-judgment interest to which he is entitled under the law or at equity.

**JURY DEMAND**

40. The Receiver respectfully requests that this case be tried before a jury.

WHEREFORE, PREMISES CONSIDERED, the Receiver prays that upon final trial hereof that the Court enter judgment in favor of the Receiver against each of the Defendants in an amount equal to the amount of investor funds received by each of them, plus pre-and post-judgment interest, attorney fees and costs of court and for such other and further relief, general or special, at law or in equity, to which the Receiver may show himself justly entitled.

Respectfully submitted,

QUILLING, SELANDER, CUMMISKEY  
& LOWNDS, P.C.

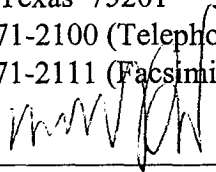
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