

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

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

Civil Action No. 3-00-CV-1405-M

(Jury Trial Demanded)

FIRST AMENDED 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 Amended Complaint against Leon Hurst, Summit Marketing, Inc., Caton & Associates, Inc., Chatham International, Inc., Thomas McCrimmon, United Holding, Corp., Greg Skibbee, Jeffrey A. Matz, Christopher J. Carlson, and Murray Stucker and in support of such would respectfully show the Court as follows:

FIRST AMENDED COMPLAINT - Page 1

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 Antiguan 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. Each of the remaining defendants in this lawsuit has been served and has either appeared in this lawsuit or is subject to a pending default action.

3. Intentionally omitted.

4. Intentionally omitted.

5. Intentionally omitted.

6. Intentionally omitted.

7. Intentionally omitted.
8. Intentionally omitted.
9. Intentionally omitted.
10. Intentionally omitted.
11. Intentionally omitted.
12. Intentionally omitted.
13. Intentionally omitted.
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15. Intentionally omitted.
16. Intentionally omitted.
17. Intentionally omitted.
18. Intentionally omitted.
19. Intentionally omitted.

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 Vearyl 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; a/k/a 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 Antiguan 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 the 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 know 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 investors proceeds:

Leon Hurst	\$1,170,000.00
Summit Marketing, Inc.	
Caton & Associates, Inc.	\$ 24,000.00
Chatham International, Inc.	\$1,693,500.00
Thomas McCrimmon	

United Holdings Corp. Greg Skibbee	\$1,258,375.00
Jeffrey R. Matz	\$ 683,953.00
Chris Carlson	\$ 59,300.00

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 paragraph 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

Fraudulent Transfer

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

39. The Hammersmith and Microfund programs were Ponzi schemes. Consequently, all funds the agents/brokers received from those entities constitute fraudulent transfers. The Receiver is entitled to recover all such funds from the agents/brokers as fraudulent transfers, for which amounts the Receiver hereby sues.

COUNT FIVE

Fees, Expenses, Cost and Interest

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

41. 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

42. 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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By: 

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ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of June, 2001, a true and correct copy of the foregoing document was served via first class mail on the following:

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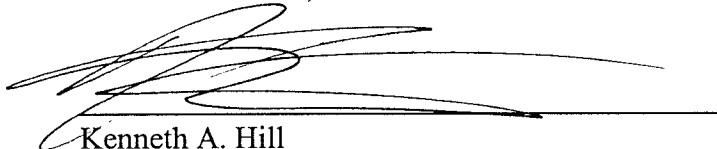
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