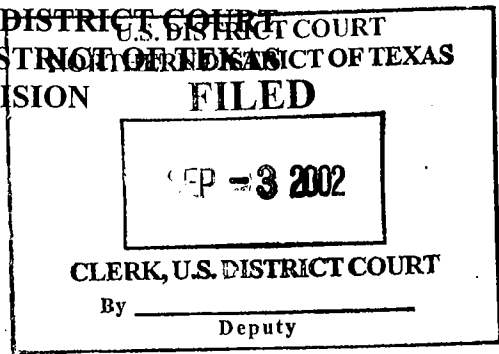


IN THE UNITED STATES DISTRICT COURT  
 FOR THE NORTHERN DISTRICT OF TEXAS  
 DALLAS DIVISION



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)

**UNOPPOSED MOTION TO APPROVE COMPROMISE  
 AND SETTLEMENT AGREEMENT WITH CHRISTOPHER CARLSON**

TO THE HONORABLE BARBARA M.G. LYNN, UNITED STATES DISTRICT JUDGE:

COMES NOW, Michael J. Quilling (“Receiver”) and files this Unopposed Motion to Approve Compromise and Settlement Agreement with Christopher Carlson and in support of such would respectfully show unto the Court as follows:

1. On November 13, 1998, the United States Securities and Exchange Commission (“SEC”) initiated Cause No. 3:98-CV-2689-M (the “SEC Proceedings”) and, in connection therewith, sought the appointment of a Receiver. By Order dated November 13, 1998, Michael J.

Quilling was named as the Receiver as to the Defendants and Equity Relief Defendants named at that time.

2. On July 23, 1999, the Court issued an Order in the SEC Proceedings expanding the receivership to cover individuals and entities named as additional Equity Relief Defendants by virtue of the Third Amended Complaint filed in the SEC Proceedings. In connection with performing his duties as Receiver for Hammersmith Trust, LLC and Microfund, LLC, the Receiver has traced funds from defrauded investors to individuals and entities who acted as agents/brokers with respect to the programs. Thereafter, the Receiver initiated these proceedings in an effort to recover the funds paid to agents/brokers. Defendant Christopher Carlson received \$59,300.00

3. After extensive arm's-length negotiations and sworn financial disclosures, an agreement has been reached between Christopher Carlson and the Receiver regarding the claims of the Receiver. A true and correct copy of the Compromise and Settlement Agreement reached between the parties is attached hereto as Exhibit "1" and incorporated herein by reference for all purposes.

4. The parties have agreed that Christopher Carlson shall pay \$10,000.00 to the Receiver over a six-month period. After reviewing Carlson's financial condition and the uncertainties of litigation, the Receiver believes that a settlement for this amount is in the best interests of the estate.

5. The Compromise and Settlement Agreement has been approved by the SEC through its representative Bob Brunig. None of the other Defendants named in these proceedings has any stake with regard to the claims of the Receiver against Christopher Carlson and, therefore, should have no objection to it.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court approve the Compromise and Settlement Agreement 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.  
2001 Bryan Street, Suite 1800  
Dallas, Texas 75201  
(214) 871-2100 (Telephone)  
(214) 871-2111 (Facsimile)

By:

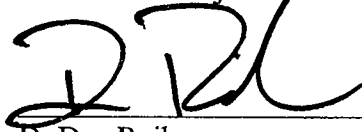


Michael J. Quilling  
State Bar No. 16432300  
D. Dee Raibourn, III  
State Bar No. 24000405

ATTORNEYS FOR RECEIVER

**CERTIFICATE OF CONFERENCE**

I have conferred with Bob Brunig of the SEC and he does not oppose Court approval of the Compromise and Settlement Agreement. No other Defendants have any stake with regard to the matters covered by the Agreement and, therefore, should have no objections to it. For that reason, the Motion is presented as unopposed.



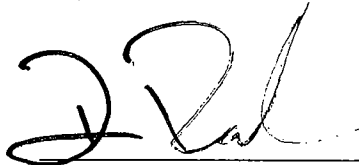
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D. Dee Raibourn

**CERTIFICATE OF SERVICE**

I hereby certify that on the 3<sup>rd</sup> day of September, 2002, a true and correct copy of the foregoing document was served via first-class mail, postage pre-paid, on:

Robert B. Brunig  
Securities & Exchange Commission  
801 Cherry Street, 19th Floor  
Fort Worth, Texas 76102

Amy D. Reilly  
Geary, Porter & Donovan, P.C.  
One Bent Tree Tower  
16475 Dallas Parkway, Suite 500  
Addison, Texas 75001



\_\_\_\_\_  
D. Dee Raibourn

**SETTLEMENT AGREEMENT - CHRISTOPHER J. CARLSON**

This Settlement Agreement is made by and between Michael J. Quilling ("Quilling"), as Receiver for the Receiver Subjects, as hereafter defined ("Receiver") and Christopher J. Carlson ("Carlson").

A. On November 13, 1998, the Securities and Exchange Commission filed a lawsuit against several persons and entities styled *S.E.C. v. Funding Resource Group, et al.*, Civ. Action No. 3:98-CV-2689-M (N.D. Tex.) (the "SEC Action").

B. Pursuant to orders entered in the SEC Action, the Receiver was appointed as the receiver for various persons and entities, including Hammersmith Trust, LLC (both the Tennessee and the Nevis West Indies entities), Hammersmith Trust, Ltd., Microfund, LLC, and B. David Gilliland (collectively, the "Receiver Subjects"), and he continues to serve in that capacity.

C. Pursuant to orders entered in the SEC Action, the Receiver is directed to take custody, possession and control of any and all assets, funds, securities, and properties, real and personal, tangible and intangible, of whatever kind or description and wherever located or situated (the "Receivership Assets") that are owned, possessed or controlled by any of the Receiver Subjects.

D. Pursuant to orders entered in the SEC Action, all persons and entities in active concert or participation with the Receiver Subjects who receive actual notice of the relevant orders are required to promptly deliver and surrender to the Receiver all Receivership Assets.

E. Pursuant to orders entered in the SEC Action, the Receiver is authorized to institute and appear in any lawsuits, actions or other legal proceedings as the legal representative of the Receiver Subjects in order to receive and collect Receivership Assets.

F. On June 28, 2000, the Receiver filed a lawsuit styled *Michael J. Quilling, Receiver for Hammersmith Trust, LLC, Hammersmith Trust, Ltd., Microfund, LLC, and Bridgeport Alliance, LLC v. Adam Shaw, et al.*, Civil Action No. 3-00-CV-1405-M in the United States District Court for the Northern District of Texas, Dallas Division (the "Shaw Suit"). In the Shaw Suit, the Receiver alleges, among other things, that Carlson received funds and property from one or more of the Receiver Subjects. The Receiver alleges that all funds Carlson received from the Receiver Subjects constitute Receivership Assets and that Carlson is liable to the Receiver for all such sums received.

G. Carlson denies any wrongdoing or liability. However, the parties desire to avoid the hazards, uncertainties, costs and other risks of litigation. Consequently, the parties have agreed to and do hereby settle and compromise their respective claims and defenses as evidenced and effectuated by this Settlement Agreement.

NOW, THEREFORE, the parties agree as follows:

1.  
*Settlement Amount.* As a compromise settlement and not as an admission of liability, Carlson shall pay to the Receiver \$10,000.00, pursuant to the following schedule:

- 1<sup>st</sup> Payment: \$500.00 due October 15, 2002
- 2<sup>nd</sup> Payment: \$500.00 due November 15, 2002
- 3<sup>rd</sup> Payment: \$2,000.00 due December 15, 2002
- 4<sup>th</sup> Payment: \$2,000.00 due January 15, 2003
- 5<sup>th</sup> Payment: \$2,000.00 due February 15, 2003
- 6<sup>th</sup> Payment: \$3,000.00 due March 15, 2003

The Settlement Amount shall be paid by any method which gives the Receiver access to currently available funds and may include, but is not limited to, wire transfer, personal, certified or cashier's check, or any combination of the foregoing. In addition, Carlson may pre-pay any payment due under the terms of this Agreement.

*Agreed Judgment.* Immediately upon execution of this Agreement by all parties, Carlson shall deliver to the Receiver an Agreed Judgment granting the Receiver judgment against Carlson for the Judgment Amount in substantially the form attached hereto as Exhibit "A" (the "Agreed Judgment"). The Receiver shall not record, abstract, or take any other steps to enforce the Agreed Judgment against Carlson except following a Major Default (as defined below).

*Minor Default.* A "Minor Default" will occur if any payment required under this Agreement is not delivered as set forth above or a payment is returned for insufficient funds. In the event of a Minor Default, the Receiver shall notify Carlson (in the manner specified in this Agreement) of Minor Default. Carlson may cure a Minor Default by delivering the delinquent payment(s) within ten (10) days from the date of the Receiver's notice.

*Major Default.* A "Major Default" will occur if a Minor Default is not cured within (10) days from the date of the Receiver's notice of Minor Default. In the event of a Major Default, the Receiver may, without further notice to Carlson, enforce all of his rights pursuant to the Agreed Judgment. In such event, the Receiver may seek collection of the full amount of the Agreed Judgment, plus any post-judgment interest that has accrued, subject only to a credit to Carlson for any sums on money actually received by the Receiver pursuant to this Agreement, which sums will be credited to the Agreed Judgment and applied first to accrued post-judgment interest and then to principle.

2.  
*Releases.* Upon receipt of the full Settlement Amount and court approval of this Settlement Agreement, the following releases shall become effective:

a. Receiver's Release. The Receiver, for himself and each of the Receiver Subjects and their respective successors and assigns hereby releases, acquits and forever discharges Carlson from any obligations, accounts, defenses, offsets and liabilities of any kind or character whatsoever, known or unknown, suspected or unsuspected, in contract or in tort, at law or in equity, which the Receiver and any of the Receiver Subjects ever had or now has against Carlson for or by

reason of any matter, cause or thing whatsoever, except for Carlson's obligations under this Settlement Agreement.

b. **Carlson's Release.** Carlson, for himself, his employees, agents, representatives, successors, and assigns, hereby release, acquit and forever discharges the Receiver and the Receiver Subjects of and from any and all claims, demands, debts, actions, causes of action, suits, contracts, agreements, obligations, accounts, defenses, offsets and liabilities of any kind or character whatsoever, known or unknown, suspected or unsuspected, in contract or in tort, at law or in equity, that Carlson ever had or now has against the Receiver, except for the Receiver's obligations under this Settlement Agreement.

3. **Dismissal of Carlson from the Shaw Suit.** Promptly after receipt of the initial payment from Carlson, the Receiver will file an appropriate motion and order in the SEC Action to obtain court approval of this Settlement Agreement. Promptly after entry of an order approving this Settlement Agreement and the receipt of the full Settlement Amount the Receiver will file an appropriate motion and order in the Shaw Suit to dismiss all claims and causes of action against Carlson, with prejudice.

**Release of Agreed Judgment.** Immediately after the satisfaction of the Agreed Judgment as specified in paragraph 1 of this Agreement, the Receiver will release the Agreed Judgment by executing and delivering a release of judgment in a form acceptable to the Receiver to be prepared by Carlson.

4. **Representations and Warranties of Receiver.** The Receiver represents and warrants that he was validly appointed as the receiver for each of the Receiver Subjects by court orders entered in the SEC Action and that those orders remain valid and in full force and effect.

5. **Choice of Law; Venue.** This Settlement Agreement shall be governed by and shall be construed in accordance with the laws of the United States of America and the laws of the State of Texas. In the event of a dispute arising out of or in any way relating to this Settlement Agreement, the parties irrevocably agree and consent in advance to any necessary transfer of venue, so that the venue for such dispute shall lie in any court of competent jurisdiction in the Northern District of Texas or in any state court in any county encompassed by the Northern District of Texas.

6. **Advice of Counsel.** The parties acknowledge for themselves that prior to the execution of this Settlement Agreement, they sought and received advice of qualified legal counsel regarding the ramifications and effect of this Settlement Agreement and have relied on no statements, representations, warranties or the like received from the other party or other party's counsel other than as expressly set forth herein.

7. **Entire Agreement; Modification.** This Settlement Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and any provision herein may be waived or modified only by an agreement in writing signed by the parties.

8.  
*Headings.* Paragraph headings contained herein are the for convenience of reference only and shall in no way affect any interpretation of this Settlement Agreement.

9.  
*Binding Effect.* This Settlement Agreement shall be binding upon and inure to the benefit of the respective parties and their successors, assigns, heirs and personal representatives.

10.

*Attorneys' Fees.* If any litigation is initiated by any of the parties hereto against another party hereto, in relation to the enforcement of the terms of this Agreement or the subject matter hereof, the party prevailing in such litigation shall be entitled to recover, in addition to all damages allowed by law and other relief, all court costs and reasonable attorneys' fees incurred in connection therewith.

11.

*Counterparts.* This Settlement Agreement may be made and executed in multiple counterparts, each of which when fully executed shall be deemed an original.

12.

*Notices.* All notices or other communications required, permitted or otherwise to be given pursuant to the terms hereof shall be in writing and shall be deemed served and given at the time of (i) deposit in a depository receptacle under the care and custody of the United States Postal Service, properly addressed to the designated address of the addressee as set forth below, postage prepaid, registered or certified mail with return receipt requested, or (ii) delivery to the designated addressee set forth below by a third party commercial delivery service. Notice given in any other manner shall be effective only if and when received by the addressee. Notices shall be delivered to:

The Receiver: Michael J. Quilling



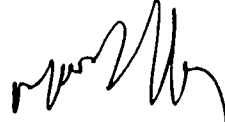
Quilling, Selander, Cumiskey & Lownds, P.C.  
2001 Bryan Street  
Suite 1800  
Dallas, Texas 75201

Carlson:

Amy D. Reilly  
Geary, Porter & Donovan, P.C.  
16475 Dallas Parkway  
Suite 500  
Addison, Texas 75001

Date: SEPT. 3, 2002

Date: August 27, 2002



\_\_\_\_\_  
MICHAEL J. QUILLING Receiver

  
\_\_\_\_\_  
CHRISTOPHER J. CARLSON