

COPY

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

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS

FILED

NOV 13 1994
NANCY DOHERTY, CLERK

By _____

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

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, LTD.,
IGW TRUST;
CAROLYN DON HICKS and
CARL LaDANE WEAVER,

Defendants,

and

HOWE FINANCIAL TRUST, an Indiana corporation;
and TREDs FINANCIAL TRUST,

Defendants Solely for Purposes
of Equitable Relief.

8-98CV2689-X
Civil Action No.

COMPLAINT

Plaintiff Securities And Exchange Commission, for its Complaint against Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver (collectively "Defendants") and Relief Defendants Howe Financial Trust and Treds Financial Trust ("Relief Defendants"), alleges and states:

SUMMARY

1. From September 1996 through the present, Defendants have engaged in a fraudulent scheme to offer and sell unregistered "prime bank" securities. In connection with the scheme, Defendants raised more than \$14 million from hundreds of investors in at least 18 states, New Zealand and Antigua. In the course of offering and selling the unregistered "prime bank" securities, Defendants made numerous misrepresentations of and omitted to state material facts concerning, among other things, the use and safety of investor proceeds and the timing and rate of return from the investment. Indeed, Defendants "stole" approximately one-half (1/2) of the monies they raised. In reality, the "prime bank" securities offered and sold to investors did not exist, and Defendants, instead of investing the funds and producing an enormous return as promised, used most of investors' funds for personal expenses and payments to earlier investors ("Ponzi payments"). Nonetheless, Defendants have continued to represent that the funds invested are safe and that investors would be paid as they were originally promised.

2. By engaging in the conduct as detailed in this Complaint, Defendants, directly or indirectly, singly or in concert, have engaged, and, unless enjoined and restrained, will again engage in transactions, acts, practices and courses of business that constitute violations of section 5(a) and (c) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §77e(a) & (c), of section 17(a) of the Securities Act, 15 U.S.C. §77q(a), of section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and of Securities and Exchange Commission Rule 10b-5, 17 C.F.R. §240.10b-5, promulgated under section 10(b) of the Exchange Act.

PARTIES

3. Plaintiff Securities and Exchange Commission ("Commission") is an agency of the United States of America established by section 4(a) of the Exchange Act, 15 U.S.C. §77d(a).

4. Defendant Funding Resource Group ("FRG") is a purported common-law trust established in April 1997 with offices in The Woodlands, Texas. FRG is also known as FRG Trust. As early as September 1996 Defendant Steven C. Roberts ("Roberts"), who is FRG's "managing partner," did business as FRG with registering to do business under that name.

5. Defendant Quentin D. Hix ("Hix"), age unknown, of Dallas, is a contractor and broker for Defendant MVP Network, Inc. ("MVP").

6. Defendant Gene Coulter ("Coulter"), age unknown, of Grapevine, Texas, is a broker for MVP.

7. Roberts, age 44, of The Woodlands, Texas, is the "managing partner" of FRG.

8. MVP is a Texas corporation and has had offices in Granbury, Texas. MVP is also known as MVP Network (Trust). MVP purports to be and has been a common-law trust since August 1996. MVP is now located in Lake Oswego, Oregon.

9. Defendant FMCI Trust ("FMCI") is a purported common-law trust established in July 1997 with a mailing address at a Mail Boxes, Etc. box located in The Woodlands, Texas.

10. Defendant Funders Marketing Company, Inc. ("Funders") is a Texas corporation established in October 1996 and has an address in Jasper, Texas.

11. Defendant Raymond G. Parr ("Parr"), age 52, of Jasper, Texas, is the "general manager" for MVP and FMCI. Parr is also an officer and director of Funders.

12. Defendant Willard Vearl Smith ("Smith"), age 60, resides in Palm Desert, California, and in Lake Oswego, Oregon. Smith is the registered agent for MVP and for Funders and is the "assistant manager" for MVP Network (Trust).

13. Defendant Earl McKinney ("McKinney"), age unknown, of Eden Prairie, Minnesota, owns and controls Fortune. In 1991, McKinney was convicted of a felony, to-wit: making a false statement to a federally insured institution in *United States v. McKinney*, Case No. 91-20042 (C.D. Ill., Dec. 18, 1991).

14. Defendant Fortune Investments, Ltd. ("Fortune") is a Nevada corporation established in November 1997. As of February 1998, Fortune was in a delinquent status.

15. Defendant Robert Cord ("Cord"), age unknown, of Seabrook, Texas, did and does own and control Winterhawk West Indies, Ltd. ("Winterhawk"). Cord is also known as Robert F. Schoonover, Jr. Cord has a history of felony and misdemeanor

convictions dating back to 1981. In September 1997, Cord, who earlier had escaped from federal custody, was indicted for money laundering, arrested in Belize and extradited to the United States. In August 1998, Cord entered a plea of guilty to wire fraud. A civil forfeiture action with respect to Cord's assets remains pending in the United States District Court for the Southern District of Texas.

16. Winterhawk purports to be an offshore corporation.

17. Defendant IGW Trust ("IGW") is a purported common law trust established on September 20, 1997, and has a mailing address in Mesquite, Texas.

18. Defendant Carolyn Don Hicks ("Hicks"), age unknown, of Sulphur Springs, Texas, is the "general manager" of IGW.

19. Defendant Carl LaDane Weaver ("Weaver"), age unknown, of Blossom, Texas, is a broker for IGW.

20. Relief Defendant Howe Financial Trust ("Howe") is an Indiana corporation established in December 1996. Among the trustees of Howe is Relief Defendant Treds Financial Trust ("Treds").

21. Treds is a purported common-law trust established in September 1997. Among the trustees of Treds are McKinney, McKinney's wife and other relatives of McKinney.

JURISDICTION AND VENUE

22. The Commission brings this action pursuant to the authority conferred upon the Commission by section 20(b) of the Securities Act, 15 U.S.C. §77t(b), and by section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), to enjoin FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW,

Hicks and Weaver from future violations of the federal securities laws. The Commission also seeks disgorgement of ill-gotten gains from FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver and from Howe and Treds, together with prejudgment interest, an asset freeze, the appointment of a temporary receiver, an accounting and such other equitable relief that may be deemed appropriate. In addition, the Commission seeks civil penalties pursuant to section 20(d) of the Securities Act, 15 U.S.C. §77t(d), and to section 21(d) of the Exchange Act, 15 U.S.C. §78u(d).

23. The Commission is also seeking an order requiring Howe and Treds to disgorge monies which they received and which FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and/or Weaver fraudulently obtained from investors, and to pay prejudgment interest thereon.

24. This Court has jurisdiction over this action, and venue is proper, pursuant to sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§77t(d) and 77v(a), and sections 21(d) and (e) and 27 of the Exchange Act, 15 U.S.C. §§77u(d) and (e) and 78aa.

25. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly or in concert, made use of the means or instruments of transportation and communication in, and the means or instrumentalities of interstate commerce or of the mails, in connection with the transactions, acts, practices and courses of business alleged in

this Complaint. Certain of the transactions, acts, practices and courses of business alleged herein took place in the Northern District of Texas and elsewhere.

FACTUAL BACKGROUND

THE FUNDRAISING NETWORK

26. This case involves fraudulent "prime bank" securities issued by FRG, MVP and FMCI.

27. The issuance of these fraudulent "prime bank" securities resulted in the raising of more than \$14 million.

28. FRG, MVP and FMCI used several different sellers to raise funds from investors.

29. FMCI was a seller for MVP, in addition to being an issuer itself.

30. In September 1996, FRG and Roberts began soliciting investors for a "prime bank" trading program.

31. Roberts, a registered insurance agent in Texas, enlisted several other insurance agents, including Parr, to raise funds on behalf of FRG.

32. In January 1997, Parr began soliciting investors for FRG through Funders, a corporation which Parr and Smith, another insurance agent, had formed.

33. Parr and Smith created MVP in order to pay investors the promised returns.

34. Beginning in July 1997, Parr and Smith, in turn, enlisted other insurance agents, including Coulter, who assisted Parr and Smith in raising funds for MVP.

35. Soon afterwards, Coulter brought his brother-in-law Hix on board to assist Coulter in raising funds for MVP.

36. Beginning in August 1997, Parr also recruited fellow participants in multi-level marketing ventures, including Hicks and Weaver, first as investors, and then as brokers for FMCI and FRG.

OFFER AND SALE OF THE "PRIME BANK" TRADING PROGRAMS

37. FRG, MVP and FMCI offered and sold a series of "prime bank" trading programs.

38. FRG, MVP and FMCI used virtually the same investment contracts, offering materials and oral representations for each program.

39. FRG, MVP and FMCI each used sales seminars, individual meetings and telephone solicitations to raise funds.

40. FRG, MVP and FMCI each represented that investor funds would be pooled and forwarded on to a purported "trader," who was to use the funds to buy and sell "prime bank" instruments, and that the "prime bank" instruments would yield extremely high returns, to-wit: six (6%) percent to twenty (20%) percent per month.

41. FRG, MVP and FMCI represented that the investment to be made was safe, with the principal and at least six (6%) percent annual interest guaranteed by either the "trading" bank or by a surety.

FRG's Fraudulent Scheme

42. Roberts and Parr solicited investors in a number of ways, including speaking with potential investors on the telephone and meeting with individuals or small groups.

43. Roberts held at least one seminar at a Houston area hotel with fifty (50) to sixty (60) potential investors and treated the potential investors to dinner.

44. Directly and through intermediaries, FRG represented that investor funds would be placed in a "prime bank" trading program, that investors could expect a yield of six (6%) percent to ten (10%) percent per month beginning approximately sixty (60) to ninety (90) days after the investor delivered the funds for investment and that the investor's principal would be returned to the investor within one hundred fifty (150) days.

45. Roberts and his intermediaries also represented to investors that the investment principal would be guaranteed in one of two ways: either through a surety bond with an unregistered, Aruba-based insurance company or with a "106" or "108" guarantee issued by the trading bank for the principal and six (6%) percent or eight (8%) percent annual interest.

46. FRG provided investors with offering materials which described the method by which the "prime bank" trading program worked.

47. The offering materials contained information describing how purported traders would take the pooled investor funds and buy and sell international bank instruments.

48. The offering materials contained information describing how through these transactions, a trader could leverage the initial amount hundreds of times.

49. Some FRG offering materials stated that the trader would provide the leveraged funds to international banking firms for loans to underdeveloped countries under the auspices of the International Monetary Fund ("IMF").

50. The offering materials contained information describing how the leveraging process and the IMF loans were to create the high yields.

51. The offering materials also contained charts which showed the promised monthly returns and contained a Non-Circumvention and Non-Disclosure Agreement, a list of references and a Joint Venture Agreement.

52. The Non-Circumvention and Non-Disclosure Agreement purported (a) to prohibit either the investor FRG from taking any action to avoid the payment of fees or commissions in connection with any transaction revealed by either party to the other and (b) to prohibit either party from disclosing information provided by the other to third parties without the written consent of the other party.

53. According to its terms, the Non-Circumvention and Non-Disclosure Agreement was to remain in force for three (3) years.

54. The Joint Venture Agreement identified the investor as the "Participant" and FRG as the "Managing Joint Venturer."

55. The Joint Venture Agreement purported to authorize FRG to pool funds obtained from investors in FRG's bank account at Woodforest National Bank ("Woodforest") and to transfer those funds elsewhere at FRG's sole discretion.

56. The Joint Venture Agreement purported to require FRG to obtain a surety bond issued by an insurer and to obtain reinsurance for the surety bond through a Dun & Bradstreet-rated insurer.

57. The surety bond purportedly insured a gold certificate pledged by the selected investment group.

58. In later Joint Venture Agreements, the requirement of a surety bond was replaced by a requirement that promises that the funds obtained from investors was to be secured by a 106 guarantee to be issued by a Top 25 European bank.

59. The 106 or 108 guarantee in the Joint Venture Agreement assured each participant a minimum of six (6%) percent to eight (8%) percent annual interest to be paid on no less than a semi-annual basis.

60. The Joint Venture Agreement also purported to require FRG to comply with all state and federal laws, including securities laws.

61. The Joint Venture Agreement purported to allow each participant to withdraw that participant's invested funds at any time after giving notice to FRG, subject to a penalty of up to the amount of interest earned during the term of the Joint Venture Agreement.

62. The Joint Venture Agreement also called for automatic renewal after 185 days unless one of the parties notified the other in writing of the intent not to renew.

63. Separately attached to the Joint Venture Agreement was an Agreement of Specific Performance.

64. The Agreement of Specific Performance identified each investor as the Venture Partner and stated that FRG was promising to pay the investor a minimum of six (6%) percent to eight (8%) percent interest monthly for twelve (12) months.

65. Roberts, on behalf of FRG, signed the Joint Venture Agreement.

66. Between September 1996 and August 1997, FRG raised approximately \$6.2 million from dozens of investors in at least four (4) states, most of whom were from Texas.

67. Roberts was not a "trader" and did not make any of the actual investments himself.

68. Roberts relied upon others, including Cord, to determine the investment terms.

69. Cord was represented to be the "trader" who had the international connections and who could make the transactions work.

70. FRG forwarded at least \$2.5 million to Cord and Winterhawk for these trades.

71. FRG, Roberts, Funders, Parr, Smith, Cord, Winterhawk, IGW, Hicks and Weaver either knew or were reckless in not knowing that the information they supplied to investors and others in the course of raising funds for FRG was false and misleading.

72. Contrary to representations made by FRG, Roberts, Funders, Parr, Smith, Cord, Winterhawk, IGW, Hicks and Weaver, there was no bank trading program, there was no guarantee and the success of the trading program was illusory because FRG, Roberts, Funders, Parr, Smith, Cord and Winterhawk were making Ponzi payments, either directly or indirectly, to investors, almost all of the funds collected by from investors for FRG were used for personal expenditures or Ponzi payments and investors did not receive the payments as promised.

73. FRG, Roberts, Funders, Parr, Smith, IGW, Hicks, Cord, Winterhawk and Weaver, either directly or indirectly, misappropriated most of the investor funds.

74. FRG, Roberts, Funders, Parr, Smith, Cord, Winterhawk, IGW, Hicks and Weaver also knowingly or recklessly concealed material information about the terms of the scheme.

75. Although FRG, Roberts, Funders, Parr, Smith, Cord, Winterhawk, IGW, Hicks and Weaver touted the legitimacy and success of the trading program, FRG, Roberts, Funders, Parr, Smith, Cord, Winterhawk, IGW, Hicks and Weaver did not inform investors that FRG, Roberts, Funders, Parr, Smith, Cord, Winterhawk, IGW, Hicks and Weaver had performed virtually no due diligence concerning the investments and/or the traders in order to confirm the promises they had received and, in turn, made to the investors.

76. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, also failed to disclose that Cord was a convicted felon who had escaped from prison and had never made the payments he had promised to Roberts.

MVP's And FMCI's Fraudulent Schemes

77. After raising money for FRG for several months through Funders, Parr and Smith appropriated FRG's sales presentations and offering materials to strike out on their own.

78. While raising money for FRG, Funders, Parr and Smith had been using an MVP bank account to make Ponzi payments to investors ("MVP Ponzi account").

79. In August of 1997, Parr and Smith opened a second MVP bank account for "prime bank" trading program investments ("MVP investment account") in which funds raised by Smith, Coulter, Hix and other MVP brokers were deposited.

80. At about the same time, Parr opened an FMCI bank account into which he deposited investor funds raised by him and his brokers, including IGW, Hicks and Weaver.

81. Much of the funds in the FMCI bank account were transferred to the MVP Ponzi account and/or to the MVP investment account.

82. MVP and FMCI even claimed to be raising money for FRG long after FRG stopped taking investor funds in September 1997.

83. MVP and FMCI, directly and through intermediaries, represented that investor funds would be placed in a trading program and that investors could expect a yield of six (6%) percent to twenty (20%) percent per month beginning sixty (60) to ninety (90) days after an investor delivered funds and that the principal would be returned to the investor within one hundred fifty (150) days.

84. MVP and FMCI, directly and through intermediaries, also represented that the investment principal would be guaranteed through with a "106" or "108" guarantee issued by the trading bank, purportedly providing for a guaranteed return of the principal and payment of six (6%) percent to eight (8%) percent annual interest.

85. The offering materials which MVP and FMCI provided to potential investors also included information describing how purported traders would take the pooled investor funds and buy and sell international bank instruments and leverage the bank instruments hundreds of times.

86. Some oral presentations which MVP and FMCI, directly and through intermediaries, made to potential investors included representations about IMF-backed loans to underdeveloped countries.

87. The offering materials which MVP and FMCI provided to potential investors contained Non-Circumvention and Non-Disclosure Agreements similar to those provided by FRG.

88. MVP's and FMCI's contracts were more abbreviated than FRG's contracts and were entitled Contract for Joint Venture and Specific Performance Disbursement Order ("CJV").

89. The terms of MVP's and FMCI's CJVs were virtually identical.

90. Each of MVP's and FMCI's CJVs promised that the investor's funds would be pooled with the funds invested by others, that a "106" guarantee would be issued by a "top 25" European bank, that payments of six (6%) percent to twenty (20%) percent per month for twelve(12) months would begin to be made ninety (90) days after the investor's funds were "placed into trade" and that the original principal was to be returned within ninety (90) to one hundred eighty (180) days.

91. Some of MVP's and FMCI's CJVs varied in their specific payout terms, but each maintained the pooling, the guarantee, high interest yields and return of principal.

92. Smith signed the MVP CJVs on behalf of MVP.

93. Parr signed the FMCI CJVs on behalf of FMCI.

94. IGW also issued CJVs.

95. The terms of IGW's CJVs were identical to those issued by FMCI and MVP.

96. Hicks signed IGW's CJVs on behalf of IGW.

97. Between August 1997 and March 1998, MVP and FMCI together raised more than \$8.5 million from more than one hundred (100) investors in at least fourteen (14) states, in New Zealand and in Antigua.

98. Neither Parr nor Smith was a "trader."

99. Neither Parr nor Smith made any of the actual investments.

100. Parr and Smith relied upon others, including McKinney, an acquaintance of Smith, to determine the investment terms.

101. MVP and FMCI represented that McKinney was in contact with many "traders," that McKinney had all the international connections and that McKinney could make the transactions work.

102. MVP forwarded at least \$2.1 million to McKinney to make trades.

103. McKinney also arranged at least one other \$400,000 transaction on behalf of MVP and FMCI.

104. Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver knew or were reckless in not knowing that the information they supplied to investors and others in the course of raising funds for MVP and FMCI was false and misleading.

105. Contrary to representations made by the Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver, there was no bank trading program, there was no guarantee, the success of the trading program was illusory because Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver, either directly or indirectly, were making Ponzi payments to investors, because most of the funds collected from investors for MVP and FMCI were used for personal expenditures or Ponzi payments and because investors had not received the payments as promised.

106. Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver, either directly or indirectly, misappropriated most of the investor funds.

107. Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver knowingly or recklessly concealed material information about the terms of the scheme by touting the legitimacy and success of the trading program, by failing to inform potential and actual investors that no one had performed virtually any due diligence on the investments or traders to confirm the promises Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver had received and, in turn, made them to investors.

108. Hix, Coulter, MVP, FMCI, Parr, Smith, McKinney, Fortune, IGW, Hicks and Weaver also failed to disclose that McKinney was a convicted felon who never made the payments to them in accordance with McKinney's promises to them.

Misappropriation Of Investor Funds

109. From September 1996 until at least March 1998, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver raised at least \$14.5 million from investors for "prime bank" trading programs offered through FRG, MVP and FMCI.

110. Little of the at least \$14.5 million raised from investors was actually used for any investment.

111. Most of the at least \$14.5 million raised from investors was used for personal expenses or for Ponzi payments.

112. From September 1996 until August 1997, FRG raised at least \$6.2 million from investors for its "prime bank" trading program.

113. Of the at least \$6.2 million FRG raised from investors, only approximately \$3.25 million was forwarded to purported "traders," including \$2.5 million which was forwarded to Cord and/or Winterhawk.

114. Most of the balance of the at least \$6.2 million FRG raised from investors was used for Roberts' personal and business expenses or for Ponzi payments.

115. Roberts took at least \$1 million for his own personal benefit.

116. From the beginning, Roberts ran FRG's fraudulent "prime bank" scheme in the following manner: after one early investor made a \$10,000 payment on October 28, 1996; Roberts cashed a \$9,000 check drawn to his order on October 29, 1996.

117. Roberts used funds obtained from investors to pay personal expenses, including the purchase of vehicles, the construction of a swimming pool, the payment of taxes due to the Internal Revenue Service, the landscaping of his property, the repayment of loans, the payment of business expenses, the purchase of household furniture, the payment of utility and telephone bills and the purchase of groceries.

118. Roberts made payments to investors totaling more than \$1.8 million and claimed that the payments were the proceeds of trades.

119. Bank records show that FRG received only approximately \$250,000 from "traders" through whom it had invested.

120. Roberts' remaining interest payments were Ponzi payments which were used by Roberts and his agents to gain new investors by convincing prospective investors that the program was paying when, in fact, it was not.

121. Out of the \$2.5 million Cord and Winterhawk received from FRG, they returned only approximately \$250,000.

122. Cord used the remainder for personal expenses, including the purchase of cars, boats and real property.

123. Cord's assets, which exceeded \$1 million, were seized by the United States in August 1997 and are currently subject to a civil forfeiture action in the United States District Court for the Southern District of Texas.

124. According to bank records, between January 1997 and March 1998, MVP, FMCI and Funders raised in excess of \$8 million from investors purportedly to be used in "prime bank" trading programs.

125. \$1.7 million of the in excess of \$8 million was raised by IGW and forwarded to FMCI.

126. Of the in excess of \$8 million amount, MVP and FMCI initially placed approximately \$5.5 million with "traders."

127. More than \$2 million of the approximately \$5.5 million was returned to MVP and FMCI within a short time.

128. The remaining approximately \$3.5 million actually forwarded to "traders" had generated only approximately \$1 million in returns through the end of May 1998.

129. MVP and FMCI paid more than \$4.6 million to investors, including IGW investors.

130. Out of the funds raised by FMCI, including funds raised through IGW, approximately \$1.5 million was transferred to the MVP Ponzi account.

131. Some funds were transferred from the MVP investment account to the MVP Ponzi account.

132. Some Ponzi payments were made from the MVP investment account.

133. Ponzi payments were also made from the FMCI account.

134. Investor funds from MVP, FMCI and Funders were also used for personal expenditures, including, but not limited to, the following: (a) Parr's and his family members' receipt of more than \$286,000 (including payments by FRG), (b) Hix's receipt of no less than \$79,500, (c) Smith and his wife Mary Ann Bauce's receipt of more than \$124,000 and (d) Coulter's receipt of more than \$12,000.

135. IGW raised approximately \$1.6 million on behalf of FMCI.

136. FMCI returned approximately \$300,000 to IGW.

137. IGW used almost \$200,000 to make interest payments and to return principal to IGW's investors.

138. Hicks used the balance of IGW's \$300,000 to pay personal and business expenses, including telephone, credit card and insurance bills.

139. Hicks and his family received more than \$117,000.

140. Weaver and his wife received more than \$83,000.

141. Fortune and McKinney received more than \$2.1 million from MVP in September and October 1997.

142. Fortune returned approximately \$544,000 to MVP in October and November 1997.

143. McKinney also wrote a \$1 million check to MVP on Fortune's Merrill Lynch account in January 1998, but the check was returned for insufficient funds.

144. The remainder of the MVP funds were used by McKinney and his wife for personal expenses.

145. McKinney caused \$800,000 to be wired directly to an account at First Bank Minneapolis in the name of Universal Title Company to purchase McKinney's residence in Eden Prairie, Minnesota.

146. McKinney expended more than \$200,000 from his Merrill Lynch account to acquire home furnishings.

Post-Sale Misrepresentations And Lulling Of Investors

147. From August 1997 through the present, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver, directly or indirectly, engaged in a series of communications and transactions calculated to lull investors into a sense of false security and to prevent and/or delay investors from seeking the repayment of the investors' funds.

148. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver, directly or indirectly, have continued to assure investors, both orally and in writing, that the investors' funds are safe, that the trading program is viable and that the investors can continue to expect to receive the returns the investors were promised.

149. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver knew or were reckless in not knowing that their communications were false and misleading.

150. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver, directly or indirectly, consistently portrayed the investments simply as behind schedule in making payments, in August 1997 Roberts learned that Cord was

more than just behind schedule in his payments when Cord's business associate sent Roberts a letter explaining that Cord had disappeared and was presumed out of the country for weeks and that funds were missing from Winterhawk's accounts.

151. Although FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver, directly or indirectly, consistently portrayed the investments simply as behind schedule in making payments, since September 1997, when FRG stopped raising funds for this investment, until the present, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver have maintained that Cord stole more than \$6 million from FRG even though only \$2.5 million of FRG's funds was ever transferred to Cord.

152. FRG has attempted to lull investors by representing that Cord's assets had been seized by the government and that FRG has a valid claim for most of those assets.

153. Hix, Coulter, MVP, FMCI, Parr, Smith, IGW, Hicks and Weaver have made excuses to investors by claiming that Cord's theft prevented repayment even though they claimed to be raising funds for FRG long after FRG stopped receiving investor funds and, because FRG was no longer receiving investor funds, the funds which they obtained from investors could not have been among the funds stolen by Cord and Winterhawk.

154. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver continue to tell investors that the investors will be paid in accordance with their contracts.

155. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver have represented for the past several months that Roberts was negotiating a loan for \$10 million using stock borrowed from one of his business associates.

156. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver have told investors that they were working on several other deals which would yield the necessary funds to make repayment to all investors.

157. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, IGW, Hicks and Weaver continue to provide written and oral assurances that investors would receive return of their principal with profits.

CAUSES OF ACTION

COUNT ONE

Violations Of Section 10(b) Of The Exchange Act And Of Rule 10b-5

158. The Commission realleges and restates the matters set forth in Paragraphs 1 through 157 of this Complaint and incorporates by reference those matters as if set forth herein verbatim.

159. The “prime bank” securities offered and sold by FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver are “securities,” as that term is defined in section 2(1) of the Securities Act, 15 U.S.C. §77b, and in section 3(a)(10) of the Exchange Act, 15 U.S.C. §78c.

160. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails (a) have employed devices, schemes and artifices to defraud, (b) have made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not

misleading and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

161. As a part of and in furtherance of their scheme to defraud, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material facts and misrepresentations of material facts and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth above.

162. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver made those misrepresentations and omissions knowingly or with reckless disregard for the truth.

163. By reason of the foregoing, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver have violated and, unless enjoined, will continue to violate the provisions of section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5].

COUNT TWO

Violations Of Section 17(a)(1) Of The Securities Act

164. The Commission realleges and restates the matters set forth in Paragraphs 1 through 157 of this Complaint and incorporates by reference those matters as if set forth herein verbatim.

165. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have employed devices, schemes or artifices to defraud.

166. As part of and in furtherance of this scheme, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those statements and omissions set forth above.

167. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver made the above-referenced misrepresentations and omissions knowingly or with reckless disregard for the truth.

168. By reason of the foregoing, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver have violated, and unless enjoined, will continue to violate section 17(a)(1) of the Securities Act, 15 U.S.C. §77q(a)(1).

COUNT THREE

Violations Of Section 17(a)(2)-(3) Of The Securities Act

169. The Commission realleges and restates the matters set forth in Paragraphs 1 through 157 of this Complaint and incorporates by reference those matters as if set forth herein verbatim.

170. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have obtained money and property by means of untrue statements of material fact and by omissions 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.

171. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have engaged in transactions, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers.

172. As part of and in furtherance of this scheme, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material fact and which omitted to

state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those statements and omissions set forth above.

173. FRG, Hix, Coulter, Roberts, MVP, FMCI FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver made the above-referenced misrepresentations and negligently.

174. By reason of the foregoing, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver have violated, and unless enjoined, will continue to violate section 17(a)(2)-(3) of the Securities Act, 15 U.S.C. §77q(a)(1).

COUNT FOUR

Violations Of Section 5(a) And 5(c) Of The Securities Act

175. The Commission realleges and restates the matters set forth in Paragraphs 1 through 157 of this Complaint and incorporates by reference those matters as if set forth herein verbatim.

176. FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver, directly or indirectly, singly and in concert with others, have been offering to sell, selling and delivering after sale, certain securities and have been, directly and indirectly, (a) making use of the means and instruments of transportation and communication in interstate commerce and of the

mails to sell securities, through the use of written contracts, offering documents and otherwise, (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation such securities for the purpose of sale and for delivery after sale, and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

177. The “prime bank” trading programs were offered and sold to the public through a general solicitation of investors.

178. No registration statement has been filed with the Commission or are otherwise in effect with respect to these securities.

179. By reason of the foregoing, FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver have violated and, unless enjoined, will continue to violate section 5(a) and (c) of the Securities Act, 15 U.S.C. §77e(a) and (c).

COUNT FIVE

Claim Against Relief Defendants As Custodians Of Investor Funds

180. The Commission realleges and restates the matters set forth in Paragraphs 1 through 157 of this Complaint and incorporates by reference those matters as if set forth herein verbatim.

181. Howe and Treds received directly or indirectly from FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver funds and property which either are the proceeds or are traceable to

the proceeds of the unlawful activities of FRG, Hix, Coulter, Roberts, MVP, FMCI, Funders, Parr, Smith, McKinney, Fortune, Cord, Winterhawk, IGW, Hicks and Weaver.

182. Howe and Treds obtained the funds and property as part of and in furtherance of the securities violations alleged and under circumstances in which it is not just, equitable or conscionable for them to retain the funds and property.

183. As a consequence, Howe and Treds have been unjustly enriched.

184. The Commission is entitled to an order requiring that Howe and Treds disgorge those funds and property.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Securities and Exchange Commission respectfully prays for judgment as follows:

(1) preliminarily and permanently enjoining Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver, their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of section 17(a) of the Securities Act, 15 U.S.C. §77q(a), of section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and of Rule 10b-5, 17 C.F.R. §240.10b-5;

(2) preliminarily and permanently enjoining Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network,

Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver, their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of section 5(a) and (c) of the Securities Act, 15 U.S.C. §77e(a) and (c);

(3) entering an order instanter freezing the assets Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver and of Relief Defendants Howe Financial Trust and Treds Financial Trust, directing that all financial or depository institutions comply with the Court's Order;

(4) ordering instanter that Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver and of Relief Defendants Howe Financial Trust and Treds Financial Trust file with the Court and serve upon Plaintiff Securities and Exchange Commission, no later than ten (10) calendar days after entry of the freeze order, an accounting, under oath, detailing all of

their assets and all funds or other assets received from investors and from one another;

(5) ordering instanter that Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver and of Relief Defendants Howe Financial Trust and Treds Financial Trust be restrained and enjoined from destroying, removing, mutilating, altering, concealing or disposing of, in any manner, any of their books and records or documents relating to the matters set forth in the Complaint, or the books and records and such documents of any entities under their control, until further order of the Court;

(6) ordering instanter the appointment of a receiver pendente lite for Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver and of Relief Defendants Howe Financial Trust and Treds Financial Trust, for the benefit of investors, to marshal, conserve, protect and hold funds and assets obtained by Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd.,

IGW Trust, Carolyn Don Hicks and Carl Weaver and of Relief Defendants Howe Financial Trust and Treds Financial Trust and their agents, co-conspirators and others involved in this scheme to defraud, wherever such assets may be found, or, with the approval of the Court, dispose of any wasting asset in accordance with the application and proposed order provided herewith;

(7) ordering that the parties may commence discovery immediately, and that notice periods be shortened to permit the parties to require production of documents or the deposition of any party or party-representative, on seventy-two (72) hours notice by facsimile or personal service;

(8) ordering Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount, and ordering Relief Defendants Howe Financial Trust and Treds Financial Trust to disgorge an amount equal to the illegally obtained investors funds they received from Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver, plus prejudgment interest on that amount;

(9) ordering civil penalties against Defendants Funding Resource Group, Quentin Hix, Gene Coulter, Steven C. Roberts, MVP Network, Inc., FMCI Trust, Funders Marketing Company, Inc., Raymond G. Parr, Willard Vearl Smith, Earl D. McKinney, Fortune Investments, Ltd., Robert Cord, Winterhawk West Indies, Ltd., IGW Trust, Carolyn Don Hicks and Carl Weaver pursuant to section 20(d) of the Securities Act, 15 U.S.C. §77t(d), and pursuant to section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), for the violations alleged herein; and

(10) ordering such other and further relief as the Court may deem just and proper.

Dated: November 13, 1998.



ROBERT A. BRUNIG
(Attorney in Charge)
Minnesota Bar No. 12403
SPENCER C. BARASCH
D.C. Bar No. 388886
DOUGLAS A. GORDIMER
Maryland Bar Member

Attorneys for Plaintiff
SECURITIES & EXCHANGE COMMISSION
Fort Worth District Office
801 Cherry Street
Suite 1900
Fort Worth, TX 76102
Telephone: (817) 978-3821
Facsimile: (817) 978-2700