

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 Lynn presiding (the "SEC Proceedings").

2. The Wolcott Lifetime Trust is a trust established in Nevis, West Indies and may be served with process by and through its Trustee, Jack Higgins at 4022 Indian Trail, Destin, Florida 32541.

3. Jeffrey D. Saxon, Jr. is an individual resident and citizen of the State of Alabama and maybe served with process at 9370 Leverette Drive, Semmes, Alabama 36575.

Jurisdiction and Venue

4. 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, 1331, 1332 and Fed. R. Civ. P. 4(k)(1)(D).

5. 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

6. 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., 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*, 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.

7. 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, Microfund, LLC and B. David Gilliland. 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.

8. Hammersmith and Microfund are entities which operated huge international Ponzi schemes under the direction and control of 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.

9. As part of his overall scheme, Gilliland engaged Bridgeport Alliance, LLC ("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.

10. 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.

11. On July 31, 1998 the Wolcott Lifetime Trust (the "Trust") was established by Classic Trust Administration, Inc. of Nevis West Indies, as the grantor of the Trust. Jack Higgins ("Higgins") was appointed as the Trustee and continues to function in that capacity. The lifetime beneficiary of the Trust is Melody Wolcott Gilliland (the ex-wife of Gilliland) and the remainder beneficiaries are Devon Leigh Gilliland and Ashley Waldron Miller (the daughters of Gilliland). The affairs of the Trust are controlled by Gilliland. The Trust assets really belong to Gilliland.

12. The primary, if not the sole, asset of the Trust was a lot and residence located at 9047 Lake Shore Drive in Port Sheldon Township, Michigan (the "Property"). The Property was purchased by the Trust for \$385,000.00 on August 11, 1998. The money used to purchase the Property is directly traceable to monies invested by the defrauded lenders/investors and, therefore, the Property constitutes a Receivership Asset within the meaning of the Order Appointing the Receiver.

13. Subsequent to learning of the existence of the Property, the Receiver filed a Notice of Lis Pendens against the Property on August 24, 1999. Higgins was aware of the filing of this Lis Pendens by the Receiver.

14. Jeffrey D. Saxon, Jr. ("Saxon") is one of the investors in the fraudulent programs operated by Hammersmith. As a result of the collapse of the program, Saxon claims to still be owed funds by Hammersmith. Prior to the appointment of the Receiver, in an effort to pacify and lull Saxon with respect to his continued demands for payment, Gilliland instructed Higgins to give two checks drawn on a Hammersmith account to Saxon even though Gilliland knew there were not sufficient funds on deposit to cover the checks.

15. Accordingly, when Saxon presented the checks they were dishonored. Saxon then brought hot check charges against Higgins in Alabama. In an effort to resolve the hot check charges against him, Higgins agreed to convey the Property to Saxon and did so by Quitclaim Deed dated October 18, 1999. In that the Receiver's Lis Pendens was filed of record prior to the Quitclaim Deed, Saxon took title to the Property subject to the interest of the Receiver.

16. At the time Saxon demanded title to the Property, he was well aware of the existence of the Receivership as to Hammersmith and had communicated directly with the Receiver regarding Hammersmith and the prospects for repayment of defrauded investors. Despite such knowledge, Saxon nonetheless clandestinely embarked on his self-help efforts by virtue of which he obtained the Quitclaim Deed to the Property.

17. The Order Appointing the Receiver provides, in pertinent part, as follows:

Relief Defendants Hammersmith Trust, L.L.C., Hammersmith Trust, Ltd., Bridgeport Alliance, L.L.C., Landfair Custodial Services, Inc., Microfund, L.L.C., American Pacific Bank & Trust, Inc., Eurofund Investment, Inc., B. David Gilliland, and Melody Rose, individually and jointly, and their agents, employees, servants, attorneys and all persons in

active concert or participation with him who receive actual notice of this Order Freezing Assets, Reinstating Appointment of Receiver and Authorizing Expedited Discovery, by personal service or otherwise, be and hereby are restrained and enjoined from, directly or indirectly, making any payment or expenditure of funds, effecting any sale, gift, hypothecation or other disposition of any asset, pending a showing to this Court that he, she or it has sufficient funds or assets to satisfy all claims arising from the violations of the federal securities laws alleged in Plaintiff Securities and Exchange Commission's Second Amended Complaint, or the posting a bond or surety sufficient to assure payment of any such claim.

The Quitclaim Deed given by Higgins to Saxon is a violation of the foregoing provision of the Order.

18. Subsequent to the Receiver learning of the Quitclaim Deed of the Property to Saxon, he made written demand upon Higgins and Saxon to rescind the transaction. Although Higgins agreed to do so, Saxon refused. Accordingly, Higgins gave a Warranty Deed to the Property to the Receiver which was filed of record on March 7, 2000. The Quitclaim Deed to Saxon remains a cloud on the Receiver's title to the Property.

COUNT ONE - DECLARATORY JUDGMENT

19. Paragraphs 1-18 are incorporated by reference for all purposes.

20. An actual controversy exists between the parties as to who owns title to the Property.

21. Pursuant to 28 U.S.C. §2201, the Receiver requests a declaratory judgment which determines that the Property is a Receivership Asset, that Saxon does not have valid title to the Property and which orders Saxon and the Trust to undertake all acts and execute all documents necessary to clean the title and convey clear title to the Receiver.

22. Pursuant to 28 U.S.C. §2202, the Receiver seeks recovery of his reasonable and necessary attorneys fees, and all costs of Court.

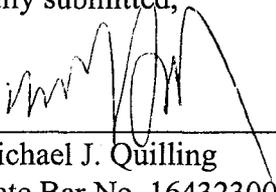
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23. Receiver hereby requests a trial by jury.

WHEREFORE, PREMISES CONSIDERED, the Receiver prays that upon final trial of this matter that he recover judgment against the Defendants, in accordance with the foregoing, and for such other and further relief, general or special, at law or in equity, to which he may show himself justly entitled.

Respectfully submitted,

By: _____


Michael J. Quilling
State Bar No. 16432300
Andrew M. Truesvich
State Bar No. 00785119
D. Dee Raibourn, III
State Bar No. 24009495

QUILLING, SELANDER, CUMMISKEY
& LOWNDS, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)

ATTORNEYS FOR RECEIVER