

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p style="text-align:center">Plaintiff,</p> <p>v.</p> <p>MOBILE BILLBOARDS OF AMERICA, INC., INTERNATIONAL PAYPHONE COMPANY, RESERVE GUARANTY TRUST, MICHAEL A. LOMAS and MICHAEL L. YOUNG,</p> <p style="text-align:center">Defendants.</p>	<p style="text-align:center">CIVIL ACTION NO. 1:04-CV-2763-WBH</p>
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**RECEIVER'S MOTION FOR CONTEMPT SANCTIONS AND FOR
INJUNCTIVE RELIEF ENJOINING PROSECUTION
OF NORTH CAROLINA CIVIL ACTION**

S. Gregory Hays, Receiver (the "Receiver") files this Motion seeking contempt sanctions and an order that, until such time as this Receivership is concluded, enjoins the prosecution of a civil action filed in North Carolina that is interfering with the Receiver's ability to administer the Receiver Estate. More importantly, it appears that the subject civil action has been initiated and funded by a sales agent who continues to mislead investors who purchased MBA billboard investments from and through him. In support of this Motion, the Receiver shows this Court as follows:

1. As more fully described in the Receiver's First Interim Report filed on or about December 1, 2004, the investment offering that is the subject of this SEC enforcement action operated as a Ponzi scheme. In sum, investors purportedly purchased mobile billboards from Mobile Billboards of America, Inc. ("MBA") and then leased the billboard to International Payphone Company d/b/a Outdoor Media Industries ("IPC"). The lease payments equated to a 13.49% return on the investment (i.e., the purchase price), with investors being given an option to "sell" the billboard(s) back to IPC for the amount of the original purchase price. In truth, lease payments were funded, not from the operation of billboards, but from purchase money paid by later investors.

2. In selling these bogus investments, MBA utilized a network of sales agents.

3. Scott B. Hollenbeck, a sales agent who resides in Kernersville, North Carolina, sold in excess of \$11 million in MBA billboard investments, earning approximately \$3.2 million in commissions. Hollenbeck sold more billboard investments than any other individual MBA sales agent.

4. On or about December 8, 2004, Hollenbeck gave deposition testimony in this case, a copy of which will be filed in connection with this Motion. Many of

the factual allegations set forth herein are based upon Hollenbeck's deposition testimony.¹

5. It appears that Hollenbeck sold billboard investments to more than 100 different individuals (referred to herein as "Hollenbeck's investors"). Many of Hollenbeck's investors are members of his church.

6. As more fully set forth below, Hollenbeck has perpetrated a fraud and engaged in other unlawful conduct that began prior to the sale of the subject MBA investments and continues through today.

7. Among other things, without fully informing his investors, Hollenbeck has initiated and is funding a civil action filed in the United States District Court for the Middle District of North Carolina and has included most, if not all, of his investors as named plaintiffs. That civil action is referred to herein as the North Carolina Action. Copies of the Complaint and Amended Complaint filed in the North Carolina Action are attached hereto as Exhibits "A" and "B," respectively.

8. Upon information and belief, some or all of Hollenbeck's investors are unaware that the North Carolina Action has been filed and/or that they are named as plaintiffs in that action.

¹ Citations to Mr. Hollenbeck's deposition transcript are reflected as "(SBH: [page number],[line numbers])."

9. The defendants in the North Carolina Action are:

- Michael Lomas – defendant in this action
- Michael Young – defendant in this action
- Laurinda Holohan – former director, officer and employee of MBA
- Barry C. Maloney – former attorney for MBA
- Maloney & Knox – Barry Maloney’s law firm
- Heiser & Jesko, Inc. – MBA’s auditors

The Receiver is currently investigating each of these individuals and entities and their involvement in the MBA offering. If the Receiver determines that valid claims exist against some or all of these individuals, he will prosecute or compromise those claims, with all recoveries becoming assets of the Receiver Estate.

10. Hollenbeck has been selling insurance, investments and other financial products since 1989. Approximately 75% of the individuals who purchased MBA investments from Hollenbeck had purchased other financial products from him. (SBH, p. 123, l. 24 – p. 124, l. 22.)

11. In or about 2000, Hollenbeck sold payphone investments on behalf of a company known as Phoenix Telecom, Inc. The Phoenix payphones were “fixed income products” that were very similar to the MBA billboard investments. (SBH, p. 78, ll. 7-18.)

12. Phoenix Telecom and its principals were sued by the SEC in an enforcement action making substantive claims that are virtually identical to the claims asserted in this action. *See, SEC v. Phoenix Telecom, et. al.*, 1:00-CV-01970-JTC. Prior to the filing of that action, Phoenix’s payphones and lease obligations had been assigned to and assumed by ETS Payphones. Shortly thereafter, ETS Payphones and its principal were sued by the SEC in yet another enforcement action making similar allegations. Hollenbeck was aware of these events at or about the time that they were transpiring. (SBH, p. 73, l. 20 – p. 82, l. 14.)

13. Despite being aware of the collapse of Phoenix Telecom and ETS, Hollenbeck provided assurances to his investors that their payphone investments were “safe.” As a part of his effort to lull his investors and divert attention away from his role in the sale of bogus payphone investments, Hollenbeck began making payments to his investors, which he led them to believe were lease payments made in accordance with their payphone investment. In truth, Hollenbeck was making these payments from his own resources. These payments totaled approximately \$30,000 per month. (SBH, p. 81, l. 23 – p. 83, l. 4; p. 96, l. 14 – p. 97, l. 17.)

14. In or about September 2000, Hollenbeck began selling a virtually identical payphone product for National Payphone Company (“NPC”). (SBH, p. 89, ll. 12-15.)

15. NPC is the predecessor in interest to MBA and was directed, controlled and managed by Defendants Michael Lomas and Michael Young.

16. Because Hollenbeck was making payments to his Phoenix payphone investors, NPC provided him with a source of income to continue funding those payments (and, thereby, continuing to lull his investors into believing that their payphone investments were performing in the way that he had represented at the time of the sale). In fact, Hollenbeck described the NPC offering as his “savior” because his commissions provided him with a continuing source of funds to make payments. (SBH, p. 97, ll. 1-17.)

17. At the time that Hollenbeck began selling NPC payphones, MBA was “in the workings.” It was anticipated that the product would ultimately change from payphones to billboards and that NPC payphone investors would be given the option to convert their payphone investment to a billboard investment (which, in fact, happened) (SBH, p. 97, l. 18 – p. 100, l. 25.)

18. Despite his involvement with Phoenix and ETS, Hollenbeck did no meaningful due diligence regarding the NPC and MBA products, which were virtually identical to products that had been the subject of the prior SEC enforcement actions. Instead, he relied on Jim Gibson, the person who recruited him to become an NPC sales agent. Hollenbeck did no due diligence regarding Gibson. (SBH, p. 92, l. 4 – p. 95, l. 25; p. 109, l. 17 – p. 110, l. 25; p. 111, l. 7 –

p. 112, l. 8.) In reality, Hollenbeck did nothing beyond talking to Gibson and Michael Lomas to determine whether the information he was being provided was reliable. (H., 133, ll. 18-25.)

19. Originally, Hollenbeck's NPC sales commission was approximately 18%, which rose over time to 22% at MBA. (SBH, p. 101, ll. 1-22; p. 107, l. 10 – p. 108, l. 6.)

20. Hollenbeck has used his NPC/MBA commissions to continue making payments to his original Phoenix investors. (SBH, p. 104, ll.4-17.)

21. The NPC and MBA investments were securities. However, they were not registered in accordance with the requirements of the federal securities laws or the laws of North Carolina (and other states in which they were sold). Moreover, Hollenbeck was not registered or licensed to sell securities at the time that he was selling these investments.

22. In making sales of billboard investments, Hollenbeck provided prospective investors with a Uniform Franchise Offering Circular ("UFOC") and other sales materials prepared by MBA. Hollenbeck had not read the UFOC until after the SEC filed its case against MBA in late September 2004. (SBH, p. 112, l. 11 – p. 114, l. 22.) The UFOC and other sales materials contain numerous misrepresentations of material fact and, in addition, fail to disclose information that would be important to prospective investors.

23. In addition to the fraudulent UFOC and other MBA sales materials, Hollenbeck engaged in independent fraudulent conduct including, but not limited to:

- Failing to disclose to investors that he had been the subject of a disciplinary proceeding and lost his securities license in 2002 or 2003;
- Failing to disclose to investors that the virtually identical Phoenix Telecom payphone investments sold by him had been the subject of an SEC enforcement action;
- Failing to disclose to investors that Phoenix Telecom had been placed in receivership and that ETS Payphones had filed a bankruptcy petition;
- Failing to disclose to investors that the source of continuing “lease payments” purportedly from Phoenix Telecom and/or ETS were actually being made by Hollenbeck from commissions being generated by the sale of NPC payphones and MBA billboards;
- Failing to disclose that a substantial portion of the investment made (i.e., 18% to 22%) was being paid to him in sales commissions (with additional amounts going to the “master agent,” who recruited him to sell these investments);

- Misrepresenting to investors that their investment was insured by AIG when, in fact, the purported “Surety Bond” (an exemplary copy of which is attached hereto as Exhibit “C”) was fabricated by Hollenbeck using information regarding an insurance policy issued to a securities brokerage firm for whom Hollenbeck had previously worked. (SBH, p. 157, l. 12 – p. 161, l. 6.)

24. On September 21, 2004, the SEC filed this action and the Receiver was appointed. In part, the order appointing the Receiver provides:

All creditors and other persons seeking money damages or other relief from the Receiver Estate and all others acting on behalf of any such creditors and other persons . . . ***are restrained from doing anything to interfere with the possession, recovery or management by the Receiver of the property and assets owned, controlled, belonging to, or in the possession of the Receiver Estate, or to interfere with the receiver in any manner during the pendency of this proceeding.*** (§ XXI, Receivership Order dated September 21, 2004. Emphasis added.)

25. The Receiver first communicated directly with investors in a letter dated October 18, 2004. Among other things, the Receiver asked investors to provide him with information regarding their investment.

26. Shortly thereafter, the Receiver’s office received telephone calls from one or more individuals, who were unwilling to provide their names, but identified themselves as having purchased MBA investments from Hollenbeck. These callers indicated that Hollenbeck was telling his investors that their MBA investments

were safe and that they should not deal directly with the Receiver or provide him with the information requested in the letter.

27. In or about October 2004, Hollenbeck's attorneys contacted the SEC and the Receiver's counsel and indicated that they intended to file the North Carolina Action. At the time, neither the Receiver nor his counsel was aware of the full nature and extent of Hollenbeck's conduct. Even so, the Receiver's counsel expressed reservations about the wisdom of filing the North Carolina Action because the Receiver was in the process of investigating the conduct of all involved in the MBA offering and would be asserting claims against those who were responsible. In addition, Receiver's counsel raised questions about inherent conflicts of interest between Hollenbeck and his investors and indicated that if the goal was to assist investors, claims should be asserted against the sales agents, including Hollenbeck.

28. Despite the admonitions and reservations expressed by Receiver's counsel, the North Carolina Action was filed. As the attached Complaint and Amended Complaint (Exhibits "A" and "B") make clear, they are essentially copies of the SEC's complaint filed in this case.

29. Since the filing of the North Carolina Action, Hollenbeck has provided deposition testimony and the Receiver's investigation has continued. In addition to the facts set forth above, the Receiver has become aware of

Hollenbeck's conduct since the filing of this action (and resulting collapse of MBA).

30. No lease payments have been made by MBA, IPC or the Receiver to any investor since September 21, 2004. However, consistent with his prior conduct, rather than confirming the collapse of MBA and the loss of their entire investment, Hollenbeck has been funding monthly payments to his investors in the amount of \$95, 218 per month. (SBH, p. 150, l. 25 – p. 151, l. 6.) The source of those funds is currently unknown to the Receiver, but it is clear that they are not related to or derived from MBA or the operation of billboards.

31. The Receiver has been provided with a copy of a letter sent by Hollenbeck to some or all of investors indicating that their "accounts" had been moved to an entity under his direction and control and that monthly payments would continue. A copy of the letter is attached hereto as Exhibit "D." Obviously, this letter creates the false impression that his investors' MBA investment is safe and continuing to perform.

32. Hollenbeck is paying the legal fees in the North Carolina Action, which include a \$100,000 initial payment, with an obligation to pay up to \$225,000 depending upon time involved. (SBH, p. 149, l. 22 – p. 150, l. 7.) In sum, this is wasted money. Nothing can be accomplished in the North Carolina Action that will not otherwise be accomplished as a part of the Receivership.

33. The combined effect of Hollenbeck's conduct is to interfere with the Receiver's administration of the Receiver Estate and to mislead and lull his investors into believing that their MBA investments are safe and secure.

34. The Receiver, through his counsel, has requested that Hollenbeck and his counsel stay the North Carolina Action pending the conclusion of this receivership. Those requests have been rejected. Copies of correspondence between the Receiver's counsel and Hollenbeck's counsel in the North Carolina Action are attached hereto as Exhibits "E" to "G." Because of the refusal of Hollenbeck and his counsel to comply with the Receiver's request, the Receiver has been forced to spend time and money filing this Motion.

35. The North Carolina Action also interferes with the Receiver's ability to administer the Receiver Estate by creating the possibility of disparate and conflicting results by and among investors. Information currently available to the Receiver indicates that there are approximately 983 investors in MBA. Among other things, the Receiver is responsible for developing a fair and equitable plan of distribution of any assets of the Receiver Estate. To the extent that the defendants in the North Carolina Action engaged in unlawful conduct that resulted in investors' losses, their conduct affected all investors, not just Hollenbeck's investors. Accordingly, any recovery from those defendants should be for the benefit of all investors, not just Hollenbeck's investors. As noted above, if the

Receiver determines that any of these individuals or entities is culpable, he will assert claims against them (regardless of whether the North Carolina Action is stayed). The Receiver's current assessment is that none of the defendants in the North Carolina Action have financial resources sufficient to make all investors whole. Therefore, it would be unfair and inequitable for this Court to allow a group of investors to pursue claims on their own behalf unless and until the Receiver has either: (1) resolved claims against them for the benefit of all investors and obtained the approval of this Court for his final report and plan of distribution; or, (2) determined that any such claims are not worth pursuing. Moreover, if the defendants in the North Carolina Action are required to defend multiple claims alleging essentially the same wrongdoing, their assets are likely to be further depleted by the expense of litigation, leaving less available to satisfy the Receiver's claims.

36. No harm will be suffered by Hollenbeck's investors if the North Carolina Action is stayed in accordance with the Receiver's request as set forth in this Motion.

37. With respect to Hollenbeck (and other sales agents), it is possible that individual investors have claims that may not be available to the Receiver. Accordingly, the Receiver does not object to Hollenbeck's investors (or any other investors) pursuing claims against their respective MBA sales agents.

WHEREFORE, the Receiver respectfully requests that this Motion be granted as follows:

- (a) Enjoining Scott B. Hollenbeck, his counsel and the other named plaintiffs from further prosecution of the North Carolina Action until the earlier of: (1) this Court's approval of the Receiver's final report and plan of distribution, which will address how claims against the defendants in the North Carolina were resolved; or, (2) the Receiver's determination that any such claims are not worth pursuing;
- (b) Sanctioning Hollenbeck for his refusal to comply with the Receiver's request by requiring him to reimburse the Receiver Estate for attorneys fees and other expenses incurred in filing and litigating this Motion; and,
- (c) Entering an order setting an evidentiary hearing on this Motion and ordering Scott B. Hollenbeck, his counsel and the other named plaintiffs in the North Carolina Action to show cause why the relief requested in this Motion should not be granted.

Respectfully submitted, this 8th day of February, 2005.

By: /s/ J. David Dantzler, Jr.
J. David Dantzler, Jr.
Georgia Bar No. 205125
Attorney for S. Gregory Hays,
Receiver For Defendants Mobile
Billboards of America, Inc.,
International Payphone
Corporation, Reserve Guaranty
Trust and Tiger Media, Inc.

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p>Plaintiff,</p> <p>v.</p> <p>MOBILE BILLBOARDS OF AMERICA, INC., INTERNATIONAL PAYPHONE COMPANY, RESERVE GUARANTY TRUST, MICHAEL A. LOMAS and MICHAEL L. YOUNG,</p> <p>Defendants.</p>	<p>CIVIL ACTION NO. 1:04-CV-2763-WBH</p>
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CERTIFICATE OF SERVICE

This shall certify that on February 8, 2005, I electronically filed the RECEIVER'S MOTION TO SHOW CAUSE AND FOR INJUNCTIVE RELIEF ENJOINING PROSECUTION OF NORTH CAROLINA CIVIL ACTION with the Clerk of Court using the CM/EFC system which will automatically send an e-mail notification of such filing to the following attorneys of record:

James Alexander Rue
William P. Hicks

I certify that I have mailed by United States Postal Service the document to the following non-CM/ECF participants:

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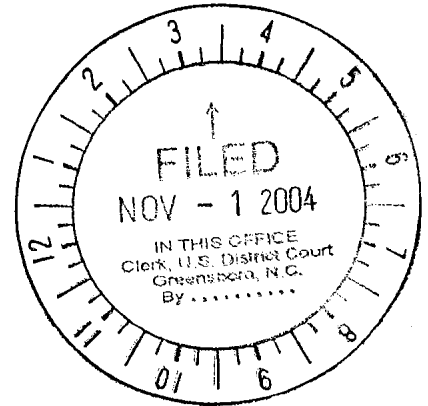
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This 8th day of February, 2005.

By: /s/ J. David Dantzler, Jr.
J. David Dantzler, Jr.
Georgia Bar No. 205125
Attorney for S. Gregory Hays,
Receiver
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Billboards of America, Inc.,
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UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA



1:04 CV 00991

CIVIL ACTION
FILE NO:

TRIAL BY JURY DEMANDED

Barbara Allison; Earl Baker; James Baker; Wayne Beck and Mary Beck, husband and wife; Brenda Beeson; Martha Berrier; Berlene Brandon; Wesley Brindle William Brock; Walter Broom; Laurinda Brown; Penelope Browning; Maryolin Campbell; Sally Carpenter; James Chandler and Sharon Chandler, husband and wife; Jay Coe and Sue Coe, husband and wife; Max Cole; Kenneth Collier; Florence Cooper; Billy G. Cox and Shelby J. Cox, husband and wife; Jean Crew; Bernice Crowe; Edward M. Crowe; Octola Currin; Wayne Dalton; Billy and Jeannette Dillion, husband and wife; Kathryn Dillon; Stephanie and Stephen Dillon, husband and wife; Betty Dunbar; Lynnette Flaneary; Lynn Fulcher; Delores Fulton; William Gann; Richard Gerber and Joanne Gerber, husband and wife; Brenda Glascoe; Barbara Goff; Ruth Grubbs; Therese Harshaw; Grace Hebler; Rachel Hicks; Doris Hollenbeck; Scott Hollenbeck; Allen Holt; Dewey Hopper; Shirley Hopper; Richard Hostetter Darlene Houck; Sidney Humphrey; Brenda Hutcherson; Aldon Idol; Olin Idol and Myra Idol, husband and wife; Marc Ingersoll; Mathew John; Joe Johnson; Christopher Jones; Richard Jones and Ruth Jones, husband and wife; Roger Josey; Carell Kiger; Danny Kiger; Jeffrey and Donna Kiger, husband and wife; Elizabeth Kuruvilla; Jason Kuruvilla; Jeffrey Kuruvilla; Barbara Lattimer; Samuel Lineback and Beulah Lineback, husband and wife; Samuel T. Lineback and Donna Lineback, husband and wife; Ray Manuel Sharlene Martin and T. Wayne Martin, husband and wife; Joy Mathews; Rachel Maudrie; Donald Moore and Rebecca Moore, husband and wife; Fredrick Moore and Elta Moore, husband and wife; Hubert Mustin; Jimmy Neal

William Nelms; William H. Oakley; Arthur Pearson;; Samuel Pierce; Allen Pitts; Marvin Pitts; Roger Plemmons; Phillip Rapp; Debra Roberts; Rose Sams; Maurice R. Shelor; Laurinda Shelton; Diane Sides; Jimmy Sides; Doris Smith; James Smith; Sylvia Sprinkle; Ransom Staley; Virginia Steele; Thomas Stewart; Barbara Stone; Shover Thomas and Susan Thomas, Husband and wife; Sue Turner; Scottie Via; Ronnie Vineyard; Dennis Walker; Drewy Walker; Frederic Watson Beatrice Whicker; Beatrice Whitaker; Richard Whiteheart; Argie Wilcox; Glenn Woodruff; Lenn Woodruff; Nancy Young; Steven Young, Oran Bradford; Ellon M. Campbell; Norma Ellis; Barbara Moran; John C. Chang and Yu-Jhi Chang, husband and wife; Judith W. Britt; Edna C. Brown; Thomas D. Dolin; Doris Eutizzi; L.G. Gilbert; Roswitha Grishin; William E. Jordan, Jr.; Barbara Latta; Charles Latta and Barbara Latta, husband and wife; Michael Petrале; Charles W. Purser and Janet A. Purser, husband and wife; Annie Stamper; Lawrence A. White; Ruben Whitefield; Obed Brady, Jr. and Helen Brady, husband and wife; Garvie O. Chambers Trust; Ann Harris; Larry Maness and Nancy Maness, husband and wife; Clifton Poe and Junie Poe, husband and wife; Alfred Smith and Erma Smith, husband and wife; Erma Smith IRA Resources, Inc.; Daniel Staley and Magalene Staley, husband and wife; Essie Stout IRA Resources, Inc.; Bruce Burgess IRA Resources, Inc.; Meredith H. Alexander and Laurinda M. Alexander, husband and wife; Meredith M. Alexander IRA; Charles Nelson Bess; Donnie P. Bess; Richard W. Bess; Bonnie F. Freeze; Susan J. Bess; Mary J. Childress; Cleo Denny; Norman Everhart and Alta Everhart, husband and wife; Alta Everhart IRA Resources, Inc.; Dora J. Fox, deceased, f/b/o D. Bryan Fox, Jr.; Claudette S. Hill IRA; Claudette S. Hill; Jean Laxton; Patricia S. Marksberry IRA Resources, Inc.; Carol Marksberry; Winnifred A. McDonnell Revocable Living Trust; Philip McDonnell Revocable Living Trust; Alta E.

O'Ferrell, Jr.; Glenn D. O'Ferrell, Jr. IRA; Barbara Davis-Porter IRA Resources, Inc.; Odell Pruitt and Lucille Pruitt, husband and wife; Joan Prestipino; Anne Robertson; Levonda D. Leamon; John A. Ricci; A. Ricci Enterprises, LLC; Agnes Sardler; Judith Scaro; Judy Wray, Attorney in Fact For Pauline Simmons; Joanne Tysinger IRA; Janie M. Volpe; Mary Corriher, Attorney in Fact For Grace S. Waters; Mary W. Wyatt; Joy Zenker; Patricia Caverness; Lorraine Caverness; Sharon L. Lampi; Harold Jones; Barbara Bush; Richard L. Baker; Michael Gillespie.

Plaintiffs,

VS.

Michael A. Lomas, Michael L. Young, Laurinda Holohan, Barry C. Maloney; Maloney & Knox, LLP, and Heiser & Jesko, Inc.

Defendants.

COMPLAINT

The plaintiffs named above (the "Plaintiffs"), hereby file this complaint and alleges the following:

Summary

1. From 2001 through the present, Mobile Billboards of America, Inc. ("Mobile Billboards"), International Payphone Company ("International Payphone"), itself and doing business as Outdoor Media Industries ("Outdoor Media") and Reserve Guaranty Trust ("Reserve Guaranty") offered and sold approximately \$60.5 million of a mobile billboard investment opportunity to approximately 700 investors. All of the 209 Plaintiffs named in this action purchased one or more business opportunity investment contracts from Mobile Billboards

between November 1, 2001 and August 2004, which purchases in the aggregate exceed \$12,000,000 of investments. Michael L. Lomas and Michael L. Young, the chairman of the board and president, respectively of Mobile Billboards, designed, directed and controlled the sale of the investments.

2. Laurinda Holoran ("Holoran") was a director, secretary, treasurer and chief financial officer of Mobile Billboards at all times that the business opportunities were offered and sold to the Plaintiffs. In her capacities with Mobile Billboards, she was responsible for and supervised the accuracy of the financial affairs of Mobile Billboards and in fact, Holoran certified in writing to the veracity and accuracy of the financial performance and financial affairs of Mobile Billboards. In such capacities, Holoran also designed, directed, and controlled the offer and sale of the investments to the Plaintiffs by Mobile Billboards, along with the other individual Defendants named in this action.

3. The scheme involves the sale and leaseback of mobile (mountable on trucks) billboards that Mobile Billboards sold for \$10,500, \$20,000 or multiples thereof. Outdoor Media, operating as a division of International Payphone, leases the billboards back from investors for seven years for monthly payments equivalent to 13.49% annually. Reserve Guaranty purportedly operates as a sinking fund and issues investors certificates that guarantee funding for Mobile Billboards' commitment to buy back the billboard frames at full purchase price at the end of the seven-year lease.

4. The collective business did not generate sufficient advertising revenue to make monthly lease payments to investors and, instead, relied on new investor money to make those payments. Thus, the investment program offered and sold through the efforts of the Defendants operated as a Ponzi scheme.

5. Mobile Billboards' sales materials also made false claims grossly overstating the number of billboards that were operational and misrepresented the value of assets contributed to Reserve Guaranty. These sales materials included one or more versions of an offering circular that was prepared by the Defendant, Barry C. Maloney as legal counsel to Mobile Billboards. The sales materials also included an independent auditors' report issued by the Defendant, H&J, as the auditor for Mobile Billboards, for the years ended December 31, 2002 and 2003. H&J rendered its professional auditing opinion to the effect that the financial statements referenced above, and that were used in the solicitation and sales of the investments to the Plaintiffs, presented fairly, in all material respects, the financial position of Mobile Billboards as of December 31, 2002 and 2003, and the results of its operations and retained earnings and its cash flows for those years, all in accordance with generally accepted accounting principles accepted in the United States.

6. The Mobile Billboard investments were sold through a network of independent sales agents. Mobile Billboards paid sales commissions of between 15% and 22%. None of the Defendants is registered as a broker-dealer. Through the actions of the Defendants, Mobile Billboards caused certain offering materials to be prepared and

distributed to the purchasers of the investments, including sales materials that were delivered to each of the Plaintiffs named in this action. Such offering materials were directly prepared by Maloney and approved for distribution by Lomas, Young and Holohan. Each of the versions of the offering materials authored by the Defendants and distributed to the Plaintiffs included the audited financial statements and related audit report prepared by H&J.

7. The Mobile Billboard investments that were sold to investors, including the Plaintiffs, are securities, but no registration statement has been filed in connection with any of these investments and no exemption is available.

8. Barry C. Maloney ("Maloney") is an attorney licensed to practice as such in the District of Columbia. Maloney is a partner, shareholder or principal in the law firm of Maloney & Knox, LLP. During all times that Mobile Billboards offered and sold the investments to the Plaintiffs, Maloney acted as legal counsel to Mobile Billboards. As such, Maloney was a control person over Mobile Billboard's actions in the offer and sale of the investments to the Plaintiffs, knowing or recklessly disregarding the fact that the investments were being offered to the Plaintiffs in violation of §5 of the Securities Act of 1933 and in further violation of §78-24 of the North Carolina Securities Act. Maloney also caused a legal opinion to issue to Mobile Billboards which concluded that the sale/leaseback business opportunities offered and sold to the Plaintiffs were not securities and did not require registration under the Securities Act as such, when in fact that legal opinion was erroneous, knowing that

the Plaintiffs and sales agents offering the securities would rely upon the substance of the legal opinion. As such, Maloney committed violations of Sections 5(a), 5(c) and 12(a)(1) of the Securities Act [15 U.S.C. 77e(a), 77e(c) and 77l(a)(1)], and Section 10(b) of the Exchange Act [15 U.S.C. 78j(b), and Rule 10b-5 promulgated there under [17 C.F.R. 240.10b-5]; and Maloney violated §15 of the Securities Act of 1933 as a control person of Mobile Billboards [15 U.S.C. 78o].

9. Heiser & Jesko ("H&J") is an auditing and accounting firm with offices located at 37131 Euclid Avenue, Willoughby, Ohio 44094 and acted as the independent auditing firm for Mobile Billboards. In that capacity, ("H&J") audited the financial performance and financial affairs of Mobile Billboards for the years ended December 31, 2002 and 2003. H&J caused an audit report to be issued to Mobile Billboards for each of the above-referenced accounting periods, which report was included with all offering materials distributed to the Plaintiffs by Mobile Billboards and its officers and directors which solicited the Plaintiffs for the purchase of the investments from Mobile Billboards. The Plaintiffs justifiably relied on the contents of the audit report and the audited financial statements of Mobile Billboards that were made of part of the report.

10. By virtue of their conduct, the Defendants have engaged in and directly participated with Mobile Billboards in violations of Sections 5(a), 5(c) and 12(a)(1) and (2) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C.

78j(b)], and Rule 10b-5 promulgated there under, [17 C.F.R. 240.10b-5].

11. By virtue of their conduct, the Defendants, Maloney, Holoran, H&J and Lomas have engaged in violations of Sections 5(a), 5(c) and 12(a)(1) and (2) of the Securities Act [15 U.S.C. 77e(a), 77e(c) and 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. 78j(b), and Rule 10b-5 promulgated there under [17 C.F.R. 240.10b-5]; and have directly participated in such violations, as well as controlled and influenced the unlawful actions of Mobile Billboards in violation of §15 of the Securities Act [15 U.S.C. 78o].

12. The events described in this complaint and the offer and sale of approximately \$60.0 million of investments to over 700 purchasers of the Mobile Billboards' sale/leaseback contracts is also the subject of a separate civil action filed on September 23, 2004 by the United States Securities and Exchange Commission in the United States District Court, Northern District of Georgia, Civil Action File Number 1-04-CV-2763.

Jurisdiction And Venue

13. The Plaintiffs bring this action pursuant to §22 of the Securities Act [15 U.S.C. 77v] and §27 of the Exchange Act [15 U.S.C. 78aa].

14. This Court has jurisdiction over this action pursuant to §22 of the Securities Act [15 U.S.C. 77v] and §27 of the Exchange Act [15 U.S.C. 78aa].

15. The Defendants, directly and indirectly, have made use of the mails, the means and instrumentalities of interstate commerce, and

the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

16. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. 78aa1, because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and Exchange Act have occurred within, the Eastern District of North Carolina. More than \$12,000,000 of Mobile Billboards investments have been sold to approximately 209 investors located in the State of North Carolina.

The Defendants

17. Mobile Billboards of America, Inc. is a Delaware corporation incorporated on January 22, 2001. Mobile Billboards maintains offices in Newbury, Ohio and Bridgeton, Missouri. Mobile Billboards is the subject of cease-and-desist orders in North Carolina and Pennsylvania.

18. International Payphone Company (itself and d/b/a Outdoor Media) is a Delaware corporation, with its principal offices located in Norcross, Georgia. Outdoor Media is an inactive Delaware corporation that was merged into International Payphone in February 2002 and now operates as a division of that company. International Payphone operates out of offices in Georgia, Missouri and Ohio.

19. Reserve Guaranty Trust is a Delaware statutory business trust formed in September 2000 and located in Washington, D.C. The assets of the trust are held in custody by a custodial trustee. Young,

as administrative trustee for Reserve Guaranty, directs and controls the activities of Reserve Guaranty.

20. Michael A. Lomas ("Lomas") age 58, resides in Long Beach, California. Lomas is the Chairman of Mobile Billboards. Lomas is the sole beneficiary of First Century Trust ("First Century"), which owns 100% of the voting stock of Mobile Billboards and 44% of the stock of International Payphone.

21. Michael L. Young ("Young"), age 57, resides in Bridgeton, Missouri. Young is the president and a director of Mobile Billboards. He serves as an administrative trustee for Reserve Guaranty. Young owns 46% of the outstanding stock of International Payphone.

22. Barry C. Maloney ("Maloney"), age 62, conducts a law practice at 5225 Wisconsin Avenue, N.W., Suite 316, Washington, D.C. 20015-1702, as a partner in the law firm of Maloney & Knox, LLP. Maloney holds himself out as a legal expert in the fields of securities law, franchising law, tax and general corporate law. At all times relevant to this complaint, Maloney was engaged as legal counsel for Mobile Billboards, International Payphone, Outdoor Media and Reserve Guaranty.

23. Heiser & Jesko, Inc. ("H&J") is an accounting firm that conducts business at 37131 Euclid Avenue, Willoughby, Ohio 44094. H&J conducted one or more audits of the financial statements for Mobile Billboards for the years ended December 31, 2002 and 2003 in accordance with generally accepted auditing standards. H&J knew or should have known that its audit report for these periods, as well as the financial statements made a part of its report would be used by

the other defendants in the offer and sale of investments to the Plaintiffs.

Facts

The Mobile Billboards Flex Frame Investment Program

24. From at least November 2001 through the present, the defendants sold more than \$60.5 million of billboard investments to approximately 700 investors throughout the United States. Each of the Plaintiffs named as such, purchased Mobile Billboard's investment opportunities. Attached to this complaint as "Exhibit A" is a schedule of the amounts and dates of purchase for each of the named Plaintiffs.

25. The investment was structured so that an investor purchased a billboard frame from Mobile Billboards and simultaneously entered into a leaseback agreement with Outdoor Media under which the investor received monthly lease payments equivalent to 13.49% annually. The sale/leaseback investment offered and sold to the Plaintiffs through the efforts of the Defendants was memorialized by Mobile Billboard's execution of a purchase contract with each Plaintiff, a specimen copy of which is attached hereto as "Exhibit B" and incorporated herein by reference.

26. Mobile Billboards also entered into a buy-back agreement with the investor providing that Mobile Billboards agreed to repurchase the investment for the full sales price after seven years.

27. To support the availability of funds for the buyback, Reserve Guaranty, a trust controlled by Young, issues to the investor a "Trust Secured Certificate." All Plaintiffs in this action were issued Trust Secured Certificates.

28. The billboard frame that Mobile Billboards offers and sells investors attaches to the sides of a truck and includes a global positioning satellite ("GPS") tracking system. These billboard frames, which purportedly adjust to the size of the truck, are designed to hold advertising copy on a vinyl canvas that is stretched over the frame.

29. Mobile Billboards calls these billboards "flex frames" and sells a flex frame billboard package for two sides of a truck plus a GPS monitoring system for \$20,000. Mobile Billboards also offers and sells a flex frame for one side of a truck with a GPS system for \$10,500.

30. Mobile Billboards offers investors two alternatives for the use of the flex frames.

31. One alternative provides that investors operate the mobile billboard business themselves.

32. The second alternative, which, has been chosen by 100% of the investors, including all of the Plaintiffs, provides that Outdoor Media will lease the frame from the investor, make regular monthly lease payments equivalent to 13.49% per year and manage the business by securing advertisers and leasing truck space for the leased billboard frame.

33. Mobile Billboards' ability to buy-back the flex frame at the end of seven years is purportedly guaranteed by Reserve Guaranty, another entity that Lomas and Young created and control.

34. Mobile Billboards represents to investors that it pays \$5,000 of the initial \$20,000 purchase price (\$2,500 for a \$10,500

flex frame) to Reserve Guaranty at the inception of the lease to create a sinking fund to support the buy-back.

35. In consideration for the \$5,000 payment, Reserve Guaranty issues to the investor a "Trust Secured Certificate" which entitles the investor to "an undivided beneficial interest in the assets of Reserve Guaranty with a liquidation amount of up to [\$20,000 times the number of billboards] purchased." The Plaintiffs received such an undivided beneficial interest in Reserve Guaranty.

36. According to the Mobile Billboards' offering materials, "in order to achieve the higher yields needed for redemption of the equipment, up to 90% of the assets of the Trust are invested in pay phones, mobile billboards or other non-standard trust investments, which is less diversified than standard trust investments.

37. Reserve Guaranty was purportedly established as a statutory trust to protect the sinking fund from Mobile Billboards' creditors.

38. Young serves as an administrative trustee for Reserve Guaranty and directs its affairs.

39. Mobile Billboards, Outdoor Media and Reserve Guaranty were controlled by Lomas, Young, Holoran and Maloney. H&J issued an audit report and related audited financial statements for the years ended December 31, 2002 and 2003, which was attached to and made a part of all offering materials distributed to the Plaintiffs in soliciting the purchase of the investments described herein. Each of the Plaintiffs relied on the contents of the Mobile Billboard's offering materials, including the legal opinions authored by Maloney, that indicates that the sale/lease back investments offered and sold by Mobile Billboards

was not a security requiring registration as such. In addition, each of the Plaintiffs relied on the veracity and accuracy of the audit report and related financial statements prepared by and reviewed by H&J, notwithstanding the fact that the audited financial statements of Mobile Billboards failed to correctly and accurately report the financial condition and results of operations of Mobile Billboards for the periods covered thereby.

40. No registration statement has been filed with the Commission in connection with the investments.

Misrepresentations

41. The Defendants failed to disclose that Mobile Billboards and Outdoor Media depend on funds from new investors to meet their lease payment obligations to earlier investors and, thus, were operating the investment as a Ponzi scheme. Maloney, Maloney & Knox, LLP and H&J participated in these misrepresentations by the preparation of and authorized distribution of a legal opinion, in the case of Maloney, and in the issuance of an audit report and audited financial statements in the case of H&J, that failed to advise the Plaintiff's that Mobile Billboards and its control persons were operating the investment as a Ponzi scheme. Upon information and belief, the Plaintiffs have been informed that Maloney in fact altered and revised the financial statements audited by H&J that were included in various versions of Mobile Billboard's offering materials.

42. Outdoor Media's income statement for 2003, which is not provided to investors, shows \$979,256 of billboard advertising

revenue, split \$290,015 to Outdoor Media and 5684,250 to Reserve Guaranty.

43. Outdoor Media paid 53,213,522 in investor lease payments during 2003, an average of \$267,794 per month. The total revenue Outdoor Media reported for the year 2003 would pay only about three months' of lease payment to investors.

44. Outdoor Media made total, lease payments to investors in the first seven months of 2004 in the amount of \$2,642,127. The average total monthly lease payments for that period, were \$377,477. Total advertising revenue for 2004 was \$536,366, less than required to pay two months' of lease payments.

45. Mobile Billboards, as controlled by the individual Defendants, also misrepresents the number of billboards that Outdoor Media has operational.

46. Mobile Billboards' most recent offering circular claimed that there were 3,039 "operating mobile billboard Business Opportunities" as of March 31, 2004.

47. Mobile Billboards also reported that the assets of Reserve Guaranty included 4,112 billboards as of December 31, 2003.

48. Mobile Billboards has fewer than 200 operating billboards.

49. Mobile Billboards' list of purported operating billboards identifies many trucking companies that either do not have frames mounted on their trucks, have not entered into contracts with Outdoor Media or have never heard of the company.

50. For example, F & I Trucking in the metropolitan New York, NY area is identified as having 72 operating billboards. In fact, only

four of F & I Trucking's trucks were used in an advertising campaign several years ago. The company has had no activity with Outdoor Media since that time.

51. Mobile Billboards claimed that two companies in the San Francisco, CA area have a total of 444 operating billboards.

52. One of those companies, GSC Logistics, had discussions with Outdoor Media about placing frames on its 315 trucks in 2001, but never entered into a contract with Outdoor Media. No frames or advertising were ever placed on the company's trucks.

53. Mobile Billboards represented that the other company, Durkee Drayage, has 129 trucks operating with billboards. In fact, Durkee Drayage has no Outdoor Media billboard frames on its trucks.

54. The billboard frames sold to investors and the Plaintiffs consist of kits made up of eight-foot lengths of metal strips, the number depending on the size of the truck, and a bag of mounting screws.

55. The supplier that provides the billboard frame kits sold 2,833 of these kits to Mobile Billboards since the beginning of 2003.

56. Mobile Billboards has instructed the supplier to ship 185 of the frame kits. The balance of the frames that Mobile Billboards has purchased and paid for, 2,526 frame kits, remain in inventory awaiting shipping instructions from the defendants.

57. Mobile Billboards also claims falsely that the frame system it sells is patented.

58. Mobile Billboards also misrepresents to investors that it makes a \$5,000 payment to Reserve Guaranty for every billboard sold.

59. In fact, Mobile Billboards contributes billboard frames and payphones to Reserve Guaranty in lieu of cash payments and overstates the values of the assets contributed.

60. For example, Mobile Billboards values the billboards it has purportedly contributed to Reserve Guaranty at \$1,500 apiece, although Mobile Billboards pays between \$238 and \$278 for each frame.

61. Mobile Billboards also misrepresents the number of billboards contributed to Reserve Guaranty.

62. At all times relevant to the purchase by the Plaintiffs of the Mobile Billboards business opportunity, Lomas, Young, Maloney and Holohan, directed and assisted Mobile Billboard's independent sales force of insurance salesmen and others who offered and sold the investments, including the Reserve Guaranty trust certificate, to investors through direct mail advertising, newspaper advertisements and other means.

63. Mobile Billboards pays commissions ranging from 15% to 22%, but the offering circular it provided to investors and the Plaintiffs does not disclose the payment of any commissions. None of the defendants are registered with the Commission as broker-dealers.

COUNT I - UNREGISTERED OFFERING OF SECURITIES
Violations of Sections 5(a) and 5(c) of the Securities Act
[15 U.S.C. ~ 77e(a) and 77e(c)]

64. Paragraphs 1 through 63 are restated and incorporated herein by reference.

65. No registration statement has been filed or is in effect with the U.S. Securities Exchange Commission ("Commission") pursuant

to the Securities Act and no exemption from registration exists with respect to the transactions described herein. Further, no registration statement is in effect with the North Carolina Securities Division and no state exemption from registration exists with respect to the offer and sale of the investments to the Plaintiffs.

66. From at least November 1, 2001 through the present, the named Defendants and Mobile Billboards, Outdoor Media, Reserve Guaranty, singly and in concert, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and
- (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy securities, through the use or medium of any prospectus or otherwise, without a registration statement having been filed with the Commission as to such securities.

By reason of the foregoing, the Defendants directly and indirectly, singly and in concert, have participated in violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §77e(a) and 77e(c)].

COUNT II-FRAUD

Violations of Section 12(a)(1) of the
Securities Act of 1933
[15 U.S.C. §771(a)(1)]

67. Paragraphs 1 through 63 are hereby realleged and are incorporated herein by reference.

68. From November 2001 through the present, the Defendants participated with Mobile Billboards, Outdoor Media, Reserve Guaranty, in the offer and sale of the securities described, herein, offered and sold the described securities in violation of §5 of the Securities Act of 1933, in that such securities were not registered as required by §5 of the Securities Act, nor were they registered under North Carolina state law as required by §78-24 of the North Carolina Securities Act.

69. By reason of the foregoing, the Defendants directly and indirectly, have violated §12(a)(1) of the Securities Act [15 U.S.C. §771(a)(1)].

COUNT III—FRAUD

Violations of Sections 12(a)(2) of
the Securities Act
[15 U.S.C. §771(a)(2)]

70. Paragraphs 1 through 63 are hereby realleged and are incorporated herein by reference.

71. From at least November 1, 2001 through the present, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails directly and indirectly:

- a) obtained money and property by means of untrue statements of material fact and omissions 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
- (b) engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

72. By reason of the foregoing, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty directly and indirectly, in violations of § 12(a)(2) of the Securities Act [15 U.S.C. §771(a)(2)].

COUNT IV--FRAUD

Violations of Section 10(h) of the Exchange Act
[15 U.S.C. §78j(b) and
Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]

73. Paragraphs 1 through 63 are hereby realleged and are incorporated herein by reference.

74. From at least November 1, 2001 through the present, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, in connection with, the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and 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) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

75. The Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendants acted with

scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

76. By reason of the foregoing, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, directly and indirectly, in violations of Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

COUNT V

Violations of Section 15 of the Securities Act of 1933
Against Defendants Maloney, Maloney & Knox, LLP,
H&J and Holoran
[15 U.S.C. §77o]

77. Paragraphs 1 through 63 are hereby restated and incorporated by reference.

78. From at least November 1, 2001 through the present, Defendants, Maloney, Maloney & Knox, LLP, H&J, Holohan and others, acted as control persons of Mobile Billboards and had the power to influence and exercised the same to cause Mobile Billboards to engage in the unlawful acts and conduct complained of herein.

79. By reason of their respective positions of influence and authority with Mobile Billboards, Maloney, Maloney & Knox, LLP, H&J and Holohan had the power to influence and did influence and participate in the unlawful acts and conduct by Mobile Billboards that are alleged herein.

PRAYER FOR RELIEF

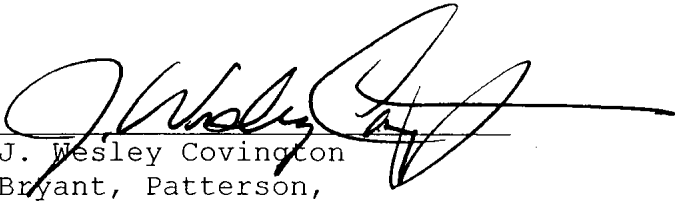
WHEREFORE, the Plaintiffs jointly and severally respectfully pray for the following relief:

1. Awarding the Plaintiffs compensatory damages, together with appropriate prejudgment interest at the maximum allowable by law;
2. Awarding Plaintiffs their costs and expenses for this litigation including reasonable attorneys' fees and other disbursements; and
3. Granting such other and further relief as this Court deems to be just and proper.

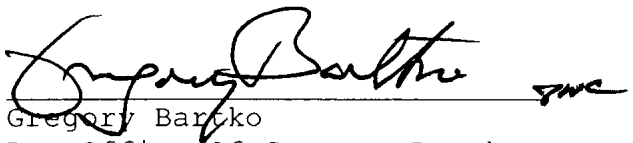
TRIAL BY JURY IS DEMANDED.

Dated: November 1, 2004.

Respectfully submitted,

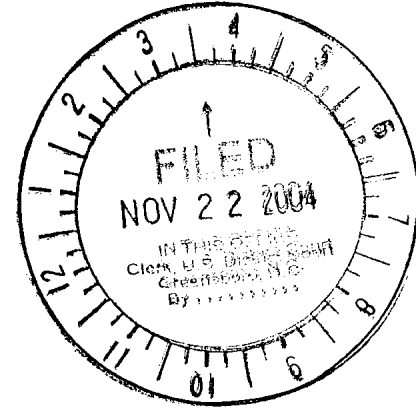


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Atlanta, Georgia 30326
404-272-6855
gbartko@mindspring.com

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA



Barbara Allison; Earl Baker; James Baker; Wayne Beck and Mary Beck, husband and wife; Brenda Beeson; Martha Berrier; Berlene Brandon; Wesley Brindle William Brock; Walter Broom; Laurinda Brown; Penelope Browning; Maryolin Campbell; Sally Carpenter; James Chandler and Sharon Chandler, husband and wife; Jay Coe and Sue Coe, husband and wife; Max Cole; Kenneth Collier; Florence Cooper; Billy G. Cox and Shelby J. Cox, husband and wife; Jean Crew; Bernice Crowe; Edward M. Crowe; Octola Currin; Wayne Dalton; Billy and Jeannette Dillon, husband and wife; Kathryn Dillon; Stephanie and Stephen Dillon, husband and wife; Betty Dunbar; Lynnette Flaneary; Lynn Fulcher; Delores Fulton; William Gann; Richard Gerber and Joanne Gerber, husband and wife; Brenda Glascoe; Barbara Goff; Ruth Grubbs; Therese Harshaw; Grace Hebler; Rachel Hicks; Doris Hollenbeck; Scott Hollenbeck; Allen Holt; Dewey Hopper; Shirley Hopper; Richard Hostetter Darlene Houck; Sidney Humphrey; Brenda Hutcherson; Aldon Idol; Olin Idol and Myra Idol, husband and wife; Marc Ingersoll; Mathew John; Joe Johnson; Christopher Jones; Richard Jones and Ruth Jones, husband and wife; Roger Josey; Carell Kiger; Danny Kiger; Jeffrey and Donna Kiger, husband and wife; Elizabeth Kuruvilla; Jason Kuruvilla; Jeffrey Kuruvilla; Barbara Lattimer; Samuel Lineback and Beulah Lineback, husband and wife; Samuel T. Lineback and Donna Lineback, husband and wife; Ray Manuel Sharlene Martin and T. Wayne Martin, husband and wife; Joy Mathews; Rachel Maudrie; Donald Moore and Rebecca Moore, husband and wife; Fredrick Moore and Elta Moore, husband and wife; Hubert Mustin; Jimmy Neal Marvin Pitts; Roger Plemmons; Phillip Rapp; Debra Roberts; Rose Sams; Maurice R. Shelor; Laurinda Shelton; Diane

CIVIL ACTION
FILE NO:
1:04CV00991

FIRST AMENDED
COMPLAINT

Sides; Jimmy Sides; Doris Smith; James Smith; Sylvia Sprinkle; Ransom Staley; Virginia Steele; Thomas Stewart; Barbara Stone; Shover Thomas and Susan Thomas, Husband and wife; Sue Turner; Scottie Via; Ronnie Vineyard; Dennis Walker; Drewy Walker; Frederic Watson Beatrice Whicker; Beatrice Whitaker; Richard Whiteheart; Argie Wilcox; Glenn Woodruff; Lenn Woodruff; Nancy Young; Steven Young, Oran Bradford; Ellon M. Campbell; Norma Ellis; Barbara Moran; John C. Chang and Yu-Jhi Chang, husband and wife; Judith W. Britt; Edna C. Brown; Thomas D. Dolin; Doris Eutizzi; L.G. Gilbert; Roswitha Grishin; William E. Jordan, Jr.; Barbara Latta; Charles Latta and Barbara Latta, husband and wife; Michael Petrале; Charles W. Purser and Janet A. Purser, husband and wife; Annie Stamper; Lawrence A. White; Ruben Whitefield; Obed Brady, Jr. and Helen Brady, husband and wife; Garvie O. Chambers Trust; Ann Harris; Larry Maness and Nancy Maness, husband and wife; Clifton Poe and Junie Poe, husband and wife; Alfred Smith and Erma Smith, husband and wife; Erma Smith IRA Resources, Inc.; Daniel Staley and Magalene Staley, husband and wife; Essie Stout IRA Resources, Inc.; Bruce Burgess IRA Resources, Inc.; Meredith H. Alexander and Laurinda M. Alexander, husband and wife; Meredith M. Alexander IRA; Charles Nelson Bess; Donnie P. Bess; Richard W. Bess; Bonnie F. Freeze; Susan J. Bess; Mary J. Childress; Cleo Denny; Norman Everhart and Alta Everhart, husband and wife; Alta Everhart IRA Resources, Inc.; Dora J. Fox, deceased, f/b/o D. Bryan Fox, Jr.; Claudette S. Hill IRA; Claudette S. Hill; Jean Laxton; Patricia S. Marksberry IRA Resources, Inc.; Carol Marksberry; Winnifred A. McDonnell Revocable Living Trust; Philip McDonnell Revocable Living Trust; Alta E. O'Ferrell, Jr.; Glenn D. O'Ferrell, Jr. IRA; Barbara Davis-Porter IRA Resources, Inc.; Odell Pruitt and Lucille Pruitt, husband and wife; Joan Prestipino; Anne Robertson; Levonda D. Leamon; John A.

Ricci; A. Ricci Enterprises, LLC; Agnes Sardler; Judith Scaro; Judy Wray, Attorney in Fact For Pauline Simmons; Joanne Tysinger IRA; Janie M. Volpe; Mary Corriher, Attorney in Fact For Grace S. Waters; Mary W. Wyatt; Joy Zenker; Patricia Caverness; Lorraine Caverness; Sharon L. Lampi; Harold Jones; Barbara Bush; Richard L. Baker; Michael Gillespie.

Plaintiffs,

VS.

Michael A. Lomas, Michael L. Young, Laurinda Holohan, Barry C. Maloney; Maloney & Knox, LLP, and Heiser & Jesko, Inc.

Defendants.

FIRST AMENDED COMPLAINT

The plaintiffs named above (the "Plaintiffs"), hereby file this first amended complaint and allege the following:

Summary

1. From 2001 through the present, Mobile Billboards of America, Inc. ("Mobile Billboards"), International Payphone Company ("International Payphone"), itself and doing business as Outdoor Media Industries ("Outdoor Media") and Reserve Guaranty Trust ("Reserve Guaranty") offered and sold approximately \$60.5 million of a mobile billboard investment opportunity to approximately 700 investors. All of the 209 Plaintiffs named in this action purchased one or more business opportunity investment contracts from Mobile Billboards between November 1, 2001 and August 2004, which purchases in the aggregate exceed \$12,000,000 of investments. Michael L. Lomas and Michael L. Young, the chairman of the board and president,

respectively of Mobile Billboards, designed, directed and controlled the sale of the investments.

2. Laurinda Holoran ("Holoran") was a director, secretary, treasurer and chief financial officer of Mobile Billboards at all times that the business opportunities were offered and sold to the Plaintiffs. In her capacities with Mobile Billboards, she was responsible for and supervised the accuracy of the financial affairs of Mobile Billboards and in fact, Holoran certified in writing to the veracity and accuracy of the financial performance and financial affairs of Mobile Billboards. In such capacities, Holoran also designed, directed, and controlled the offer and sale of the investments to the Plaintiffs by Mobile Billboards, along with the other individual Defendants named in this action.

3. The scheme involves the sale and leaseback of mobile (mountable on trucks) billboards that Mobile Billboards sold for \$10,500, \$20,000 or multiples thereof. Outdoor Media, operating as a division of International Payphone, leases the billboards back from investors for seven years for monthly payments equivalent to 13.49% annually. Reserve Guaranty purportedly operates as a sinking fund and issues investors certificates that guarantee funding for Mobile Billboards' commitment to buy back the billboard frames at full purchase price at the end of the seven-year lease.

4. The collective business did not generate sufficient advertising revenue to make monthly lease payments to investors and, instead, relied on new investor money to make those payments. Thus,

the investment program offered and sold through the efforts of the Defendants operated as a Ponzi scheme.

5. Mobile Billboards' sales materials also made false claims grossly overstating the number of billboards that were operational and misrepresented the value of assets contributed to Reserve Guaranty. These sales materials included one or more versions of an offering circular that was prepared by the Defendant, Barry C. Maloney as legal counsel to Mobile Billboards. The sales materials also included an independent auditors' report issued by the Defendant, H&J, as the auditor for Mobile Billboards, for the years ended December 31, 2002 and 2003. H&J rendered its professional auditing opinion to the effect that the financial statements referenced above, and that were used in the solicitation and sales of the investments to the Plaintiffs, presented fairly, in all material respects, the financial position of Mobile Billboards as of December 31, 2002 and 2003, and the results of its operations and retained earnings and its cash flows for those years, all in accordance with generally accepted accounting principles accepted in the United States.

6. The Mobile Billboard investments were sold through a network of independent sales agents. Mobile Billboards paid sales commissions of between 15% and 22%. None of the Defendants is registered as a broker-dealer. Through the actions of the Defendants, Mobile Billboards caused certain offering materials to be prepared and distributed to the purchasers of the investments, including sales materials that were delivered to each of the Plaintiffs named in this action. Such offering materials were directly prepared by Maloney and

approved for distribution by Lomas, Young and Holohan. Each of the versions of the offering materials authored by the Defendants and distributed to the Plaintiffs included the audited financial statements and related audit report prepared by H&J.

7. The Mobile Billboard investments that were sold to investors, including the Plaintiffs, are securities, but no registration statement has been filed in connection with any of these investments and no exemption is available.

8. Barry C. Maloney ("Maloney") is an attorney licensed to practice as such in the District of Columbia. Maloney is a partner, shareholder or principal in the law firm of Maloney & Knox, LLP. During all times that Mobile Billboards offered and sold the investments to the Plaintiffs, Maloney acted as legal counsel to Mobile Billboards. As such, Maloney was a control person over Mobile Billboard's actions in the offer and sale of the investments to the Plaintiffs, knowing or recklessly disregarding the fact that the investments were being offered to the Plaintiffs in violation of §5 of the Securities Act of 1933 and in further violation of §78-24 of the North Carolina Securities Act. Maloney also caused a legal opinion to issue to Mobile Billboards which concluded that the sale/leaseback business opportunities offered and sold to the Plaintiffs were not securities and did not require registration under the Securities Act as such, when in fact that legal opinion was erroneous, knowing that the Plaintiffs and sales agents offering the securities would rely upon the substance of the legal opinion. As such, Maloney committed violations of Sections 5(a), 5(c) and 12(a)(1) of the Securities Act

[15 U.S.C. 77e(a), 77e(c) and 77l(a)(1)], and Section 10(b) of the Exchange Act [15 U.S.C. 78j(b), and Rule 10b-5 promulgated there under [17 C.F.R. 240.10b-5]; and Maloney violated §15 of the Securities Act of 1933 as a control person of Mobile Billboards [15 U.S.C. 78o].

9. Heiser & Jesko ("H&J") is an auditing and accounting firm with offices located at 37131 Euclid Avenue, Willoughby, Ohio 44094 and acted as the independent auditing firm for Mobile Billboards. In that capacity, ("H&J") audited the financial performance and financial affairs of Mobile Billboards for the years ended December 31, 2002 and 2003. H&J caused an audit report to be issued to Mobile Billboards for each of the above-referenced accounting periods, which report was included with all offering materials distributed to the Plaintiffs by Mobile Billboards and its officers and directors which solicited the Plaintiffs for the purchase of the investments from Mobile Billboards. The Plaintiffs justifiably relied on the contents of the audit report and the audited financial statements of Mobile Billboards that were made of part of the report.

10. By virtue of their conduct, the Defendants have engaged in and directly participated with Mobile Billboards in violations of Sections 5(a), 5(c) and 12(a)(1) and (2) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. 78j(b)], and Rule 10b-5 promulgated there under, [17 C.F.R. 240.10b-5].

11. By virtue of their conduct, the Defendants, Maloney, Holoran, H&J and Lomas have engaged in violations of Sections 5(a),

5(c) and 12(a)(1) and (2) of the Securities Act [15 U.S.C. 77e(a), 77e(c) and 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. 78j(b), and Rule 10b-5 promulgated there under [17 C.F.R. 240.10b-5]; and have directly participated in such violations, as well as controlled and influenced the unlawful actions of Mobile Billboards in violation of §15 of the Securities Act [15 U.S.C. 78o].

12. The events described in this complaint and the offer and sale of approximately \$60.0 million of investments to over 700 purchasers of the Mobile Billboards' sale/leaseback contracts is also the subject of a separate civil action filed on September 23, 2004 by the United States Securities and Exchange Commission in the United States District Court, Northern District of Georgia, Civil Action File Number 1-04-CV-2763.

Jurisdiction And Venue

13. The Plaintiffs bring this action pursuant to §22 of the Securities Act [15 U.S.C. 77v] and §27 of the Exchange Act [15 U.S.C. 78aa].

14. This Court has jurisdiction over this action pursuant to §22 of the Securities Act [15 U.S.C. 77v] and §27 of the Exchange Act [15 U.S.C. 78aa].

15. The Defendants, directly and indirectly, have made use of the mails, the means and instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

16. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. 78aa1, because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and Exchange Act have occurred within, the Eastern District of North Carolina. More than \$12,000,000 of Mobile Billboards investments have been sold to approximately 209 investors located in the State of North Carolina.

The Defendants

17. Mobile Billboards of America, Inc. is a Delaware corporation incorporated on January 22, 2001. Mobile Billboards maintains offices in Newbury, Ohio and Bridgeton, Missouri. Mobile Billboards is the subject of cease-and-desist orders in North Carolina and Pennsylvania.

18. International Payphone Company (itself and d/b/a Outdoor Media) is a Delaware corporation, with its principal offices located in Norcross, Georgia. Outdoor Media is an inactive Delaware corporation that was merged into International Payphone in February 2002 and now operates as a division of that company. International Payphone operates out of offices in Georgia, Missouri and Ohio.

19. Reserve Guaranty Trust is a Delaware statutory business trust formed in September 2000 and located in Washington, D.C. The assets of the trust are held in custody by a custodial trustee. Young, as administrative trustee for Reserve Guaranty, directs and controls the activities of Reserve Guaranty.

20. Michael A. Lomas ("Lomas") age 58, resides in Long Beach,

California. Lomas is the Chairman of Mobile Billboards. Lomas is the sole beneficiary of First Century Trust ("First Century"), which owns 100% of the voting stock of Mobile Billboards and 44% of the stock of International Payphone.

21. Michael L. Young ("Young"), age 57, resides in Bridgeton, Missouri. Young is the president and a director of Mobile Billboards. He serves as an administrative trustee for Reserve Guaranty. Young owns 46% of the outstanding stock of International Payphone.

22. Barry C. Maloney ("Maloney"), age 62, conducts a law practice at 5225 Wisconsin Avenue, N.W., Suite 316, Washington, D.C. 20015-1702, as a partner in the law firm of Maloney & Knox, LLP. Maloney holds himself out as a legal expert in the fields of securities law, franchising law, tax and general corporate law. At all times relevant to this complaint, Maloney was engaged as legal counsel for Mobile Billboards, International Payphone, Outdoor Media and Reserve Guaranty.

23. Heiser & Jesko, Inc. ("H&J") is an accounting firm that conducts business at 37131 Euclid Avenue, Willoughby, Ohio 44094. H&J conducted one or more audits of the financial statements for Mobile Billboards for the years ended December 31, 2002 and 2003 in accordance with generally accepted auditing standards. H&J knew or should have known that its audit report for these periods, as well as the financial statements made a part of its report would be used by the other defendants in the offer and sale of investments to the Plaintiffs.

Facts

The Mobile Billboards Flex Frame Investment Program

24. From at least November 2001 through the present, the defendants sold more than \$60.5 million of billboard investments to approximately 700 investors throughout the United States. Each of the Plaintiffs named as such, purchased Mobile Billboard's investment opportunities. Attached to Plaintiffs' original complaint as "Exhibit A" is a schedule of the amounts and dates of purchase for each of the named Plaintiffs.

25. The investment was structured so that an investor purchased a billboard frame from Mobile Billboards and simultaneously entered into a leaseback agreement with Outdoor Media under which the investor received monthly lease payments equivalent to 13.49% annually. The sale/leaseback investment offered and sold to the Plaintiffs through the efforts of the Defendants was memorialized by Mobile Billboard's execution of a purchase contract with each Plaintiff, a specimen copy of which is attached to Plaintiffs' original complaint as "Exhibit B" and incorporated herein by reference.

26. Mobile Billboards also entered into a buy-back agreement with the investor providing that Mobile Billboards agreed to repurchase the investment for the full sales price after seven years.

27. To support the availability of funds for the buyback, Reserve Guaranty, a trust controlled by Young, issues to the investor a "Trust Secured Certificate." All Plaintiffs in this action were issued Trust Secured Certificates.

28. The billboard frame that Mobile Billboards offers and sells investors attaches to the sides of a truck and includes a global positioning satellite ("GPS") tracking system. These billboard frames, which purportedly adjust to the size of the truck, are designed to hold advertising copy on a vinyl canvas that is stretched over the frame.

29. Mobile Billboards calls these billboards "flex frames" and sells a flex frame billboard package for two sides of a truck plus a GPS monitoring system for \$20,000. Mobile Billboards also offers and sells a flex frame for one side of a truck with a GPS system for \$10,500.

30. Mobile Billboards offers investors two alternatives for the use of the flex frames.

31. One alternative provides that investors operate the mobile billboard business themselves.

32. The second alternative, which, has been chosen by 100% of the investors, including all of the Plaintiffs, provides that Outdoor Media will lease the frame from the investor, make regular monthly lease payments equivalent to 13.49% per year and manage the business by securing advertisers and leasing truck space for the leased billboard frame.

33. Mobile Billboards' ability to buy-back the flex frame at the end of seven years is purportedly guaranteed by Reserve Guaranty, another entity that Lomas and Young created and control.

34. Mobile Billboards represents to investors that it pays \$5,000 of the initial \$20,000 purchase price (\$2,500 for a \$10,500

flex frame) to Reserve Guaranty at the inception of the lease to create a sinking fund to support the buy-back.

35. In consideration for the \$5,000 payment, Reserve Guaranty issues to the investor a "Trust Secured Certificate" which entitles the investor to "an undivided beneficial interest in the assets of Reserve Guaranty with a liquidation amount of up to [\$20,000 times the number of billboards] purchased." The Plaintiffs received such an undivided beneficial interest in Reserve Guaranty.

36. According to the Mobile Billboards' offering materials, "in order to achieve the higher yields needed for redemption of the equipment, up to 90% of the assets of the Trust are invested in pay phones, mobile billboards or other non-standard trust investments, which is less diversified than standard trust investments.

37. Reserve Guaranty was purportedly established as a statutory trust to protect the sinking fund from Mobile Billboards' creditors.

38. Young serves as an administrative trustee for Reserve Guaranty and directs its affairs.

39. Mobile Billboards, Outdoor Media and Reserve Guaranty were controlled by Lomas, Young, Holoran and Maloney. H&J issued an audit report and related audited financial statements for the years ended December 31, 2002 and 2003, which was attached to and made a part of all offering materials distributed to the Plaintiffs in soliciting the purchase of the investments described herein. Each of the Plaintiffs relied on the contents of the Mobile Billboard's offering materials, including the legal opinions authored by Maloney, that indicates that the sale/lease back investments offered and sold by Mobile Billboards

was not a security requiring registration as such. In addition, each of the Plaintiffs relied on the veracity and accuracy of the audit report and related financial statements prepared by and reviewed by H&J, notwithstanding the fact that the audited financial statements of Mobile Billboards failed to correctly and accurately report the financial condition and results of operations of Mobile Billboards for the periods covered thereby.

40. No registration statement has been filed with the Commission in connection with the investments.

Misrepresentations

41. The Defendants failed to disclose that Mobile Billboards and Outdoor Media depend on funds from new investors to meet their lease payment obligations to earlier investors and, thus, were operating the investment as a Ponzi scheme. Maloney, Maloney & Knox, LLP and H&J participated in these misrepresentations by the preparation of and authorized distribution of a legal opinion, in the case of Maloney, and in the issuance of an audit report and audited financial statements in the case of H&J, that failed to advise the Plaintiff's that Mobile Billboards and its control persons were operating the investment as a Ponzi scheme. Upon information and belief, the Plaintiffs have been informed that Maloney in fact altered and revised the financial statements audited by H&J that were included in various versions of Mobile Billboard's offering materials. Moreover, in their respective capacities as legal counsel and the auditors for Mobile Billboards, Maloney and H&J made material misstatements and omissions in the preparation of the offering and

sales materials used by Mobile Billboards, which they knew or should have known would have been distributed to investors, including but not limited to the following:

- (i) Maloney drafted, approved and recommended for use several versions of the Mobile Billboard's offering materials that failed to disclose that Mobile Billboards would depend on funds from new investors to meet its lease payment obligations to earlier investors and thus, failed to disclose that the investment opportunity operated as a Ponzi scheme;
- (ii) Maloney drafted, approved and recommended for use several versions of the Mobile Billboard's offering materials that failed to disclose that the "business opportunity" purchased by investors was in reality a security subject to Federal and state registration. In fact, Maloney prepared a legal opinion designed to be distributed to prospective investors that erroneously concluded that the Mobile Billboard's business opportunity was not a security subject to registration;
- (iii) Maloney drafted, approved and recommended for use several versions of the Mobile Billboard's offering materials that failed to disclose that Mobile Billboards was paying exorbitant sales commissions of between 15% to 22% to a network of agents that were not registered as broker-dealers;
- (iv) H&J drafted, approved and recommended for use and distribution to investors, at least two years of audited financial statements for the years ended December 31, 2002 and 2003, that failed to disclose that Mobile Billboards would depend on funds from new investors to meet their lease payment obligations to earlier investors and thus, failed to disclose that the investment opportunity operated as a Ponzi scheme;
- (v) H&J drafted, approved and recommended for use and distribution to investors, at least two years of audited financial statements for the years ended December 31, 2002 and 2003, that failed to disclose that Mobile Billboards was paying exorbitant sales commissions of between 15% to 22% to a network of agents that were not registered as broker-dealers;

- (vi) H&J drafted, approved and recommended for use and distribution to investors, at least two years of audited financial statements for the years ended December 31, 2002 and 2003, that stated that Mobile Billboards formed Reserve Guaranty for the purpose of sufficiently protecting the investors' rights to have their flex-frame equipment repurchased at the end of the seven year term of the buy-back option and falsely stated that the value of RGT as a sinking fund for approximately \$48,000,000 of contingent liability at the end of the equipment leasing period, was sufficient to exercise the buy-back options in favor of the investors;

- (vii) H&J drafted, approved and recommended for use and distribution to investors, at least two years of audited financial statements for the years ended December 31, 2002 and 2003, that failed to accurately disclose the actual financial performance and condition of Mobile Billboards for the periods covered by such audited financial statements.

42. Outdoor Media's income statement for 2003, which is not provided to investors, shows \$979,256 of billboard advertising revenue, split \$290,015 to Outdoor Media and 5684,250 to Reserve Guaranty.

43. Outdoor Media paid 53,213,522 in investor lease payments during 2003, an average of \$267,794 per month. The total revenue Outdoor Media reported for the year 2003 would pay only about three months' of lease payment to investors.

44. Outdoor Media made total, lease payments to investors in the first seven months of 2004 in the amount of \$2,642,127. The average total monthly lease payments for that period, were \$377,477. Total advertising revenue for 2004 was \$536,366, less than required to pay two months' of lease payments.

45. Mobile Billboards, as controlled by the individual Defendants, also misrepresents the number of billboards that Outdoor Media has operational.

46. Mobile Billboards' most recent offering circular claimed that there were 3,039 "operating mobile billboard Business Opportunities" as of March 31, 2004.

47. Mobile Billboards also reported that the assets of Reserve Guaranty included 4,112 billboards as of December 31, 2003.

48. Mobile Billboards has fewer than 200 operating billboards.

49. Mobile Billboards' list of purported operating billboards identifies many trucking companies that either do not have frames mounted on their trucks, have not entered into contracts with Outdoor Media or have never heard of the company.

50. For example, F & I Trucking in the metropolitan New York, NY area is identified as having 72 operating billboards. In fact, only four of F & I Trucking's trucks were used in an advertising campaign several years ago. The company has had no activity with Outdoor Media since that time.

51. Mobile Billboards claimed that two companies in the San Francisco, CA area have a total of 444 operating billboards.

52. One of those companies, GSC Logistics, had discussions with Outdoor Media about placing frames on its 315 trucks in 2001, but never entered into a contract with Outdoor Media. No frames or advertising were ever placed on the company's trucks.

53. Mobile Billboards represented that the other company, Durkee Drayage, has 129 trucks operating with billboards. In fact, Durkee Drayage has no Outdoor Media billboard frames on its trucks.

54. The billboard frames sold to investors and the Plaintiffs consist of kits made up of eight-foot lengths of metal strips, the number depending on the size of the truck, and a bag of mounting screws.

55. The supplier that provides the billboard frame kits sold 2,833 of these kits to Mobile Billboards since the beginning of 2003.

56. Mobile Billboards has instructed the supplier to ship 185 of the frame kits. The balance of the frames that Mobile Billboards has purchased and paid for, 2,526 frame kits, remain in inventory awaiting shipping instructions from the defendants.

57. Mobile Billboards also claims falsely that the frame system it sells is patented.

58. Mobile Billboards also misrepresents to investors that it makes a \$5,000 payment to Reserve Guaranty for every billboard sold.

59. In fact, Mobile Billboards contributes billboard frames and payphones to Reserve Guaranty in lieu of cash payments and overstates the values of the assets contributed.

60. For example, Mobile Billboards values the billboards it has purportedly contributed to Reserve Guaranty at \$1,500 apiece, although Mobile Billboards pays between \$238 and \$278 for each frame.

61. Mobile Billboards also misrepresents the number of billboards contributed to Reserve Guaranty.

62. At all times relevant to the purchase by the Plaintiffs of the Mobile Billboards business opportunity, Lomas, Young, Maloney and Holohan, directed and assisted Mobile Billboard's independent sales force of insurance salesmen and others who offered and sold the investments, including the Reserve Guaranty trust certificate, to investors through direct mail advertising, newspaper advertisements and other means.

63. Mobile Billboards pays commissions ranging from 15% to 22%, but the offering circular it provided to investors and the Plaintiffs does not disclose the payment of any commissions. None of the defendants are registered with the Commission as broker-dealers.

COUNT I - UNREGISTERED OFFERING OF SECURITIES
Violations of §§5(a) and 5(c) of the Securities Act
[15 U.S.C. §77e(a) and §77e(c)]

64. Paragraphs 1 through 63 are restated and incorporated herein by reference.

65. No registration statement has been filed or is in effect with the U.S. Securities Exchange Commission ("Commission") pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein. Further, no registration statement is in effect with the North Carolina Securities Division and no state exemption from registration exists with respect to the offer and sale of the investments to the Plaintiffs.

66. From at least November 1, 2001 through the present, the named Defendants and Mobile Billboards, Outdoor Media, Reserve Guaranty, singly and in concert, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and
- (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy securities, through the use or medium of any prospectus or otherwise, without a registration statement having been filed with the Commission as to such securities.

By reason of the foregoing, the Defendants directly and indirectly, singly and in concert, have participated in violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §77e(a) and 77e(c)].

COUNT II-FRAUD

Violations of §12(a)(1) of the
Securities Act of 1933
[15 U.S.C. §771(a)(1)]

67. Paragraphs 1 through 63 are hereby realleged and are incorporated herein by reference.

68. From November 2001 through the present, the Defendants participated with Mobile Billboards, Outdoor Media, Reserve Guaranty, in the offer and sale of the securities described, herein, offered and sold the described securities in violation of §5 of the Securities Act of 1933, in that such securities were not registered as required by §5 of the Securities Act, nor were they registered under North Carolina state law as required by §78-24 of the North Carolina Securities Act.

69. By reason of the foregoing, the Defendants directly and

indirectly, have violated §12(a)(1) of the Securities Act [15 U.S.C. §771(a)(1)].

COUNT III--FRAUD

Violations of §12(a)(2) of
the Securities Act
[15 U.S.C. §771(a)(2)]

70. Paragraphs 1 through 63 are hereby realleged and are incorporated herein by reference.

71. From at least November 1, 2001 through the present, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails directly and indirectly:

- a) obtained money and property by means of untrue statements of material fact and omissions 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
- (b) engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

72. By reason of the foregoing, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty directly and indirectly, in violations of § 12(a)(2) of the Securities Act [15 U.S.C. §771(a)(2)].

COUNT IV--FRAUD

Violations of §10(b) of the Exchange Act
[15 U.S.C. §78j(b) and
Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]

73. Paragraphs 1 through 63 are hereby realleged and are incorporated herein by reference.

74. From at least November 1, 2001 through the present, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, in connection with, the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and 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) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

75. The Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

76. By reason of the foregoing, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, directly and indirectly, in violations of Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

COUNT V

Violations of §15 of the Securities Act of 1933
Against Defendants Maloney, Maloney & Knox, LLP,
H&J and Holoran
[15 U.S.C. §77o]

77. Paragraphs 1 through 63 are hereby restated and incorporated by reference.

78. From at least November 1, 2001 through the present, Defendants, Maloney, Maloney & Knox, LLP, H&J, Holohan and others, acted as control persons of Mobile Billboards and had the power to influence and exercised the same to cause Mobile Billboards to engage in the unlawful acts and conduct complained of herein.

79. By reason of their respective positions of influence and authority with Mobile Billboards, Maloney, Maloney & Knox, LLP, H&J and Holohan had the power to influence and did influence and participate in the unlawful acts and conduct by Mobile Billboards that are alleged herein.

COUNT VI

Violations of Chapter 75—Monopolies, Trust
and Consumer Protection
Against All Defendants
[N.C.G.S. §75-1.1]

80. Paragraphs 1 through 63 are hereby restated and incorporated by reference.

81. The Defendants, knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendants acted with

scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

82. By reason of the foregoing, the Defendants participated with Mobile Billboards, Outdoor Media and Reserve Guaranty, directly and indirectly, in violations of N.C.G.S. §75-1.1, in that the Defendants did engage in unfair and deceptive acts or practices affecting commerce within the State of North Carolina.

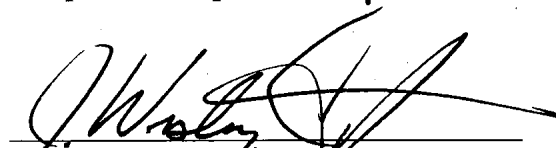
PRAYER FOR RELIEF

WHEREFORE, the Plaintiffs jointly and severally respectfully pray for the following relief:

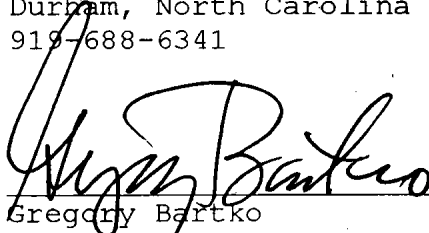
1. Awarding the Plaintiffs compensatory damages, together with appropriate prejudgment interest at the maximum allowable by law;
2. Awarding Plaintiffs their costs and expenses for this litigation including reasonable attorneys' fees and other disbursements;
3. Awarding Plaintiffs treble damages, together with appropriate prejudgment interest at the maximum allowable by law, in accordance with N.C.G.S. §75-16;
4. Awarding Plaintiffs actual reasonable attorneys' fees as authorized by N.C.G.S. §75-16.1; and
5. Granting such other and further relief as this Court deems to be just and proper.

Dated: November 22, 2004.

Respectfully submitted,



J. Wesley Covington
Bryant, Patterson,
Covington, Idol & Lewis, P.A.
P.O. Box 341
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Webb Group Financial Services
Dr. Scott B. Hollenbeck, RFC

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MEMO

RE: MBA – IRA Resource Inc. Clients

Our Mobile Billboard – IRA Resource accounts are in the process of being moved to Franklin Asset Private Equity Fund.

Starting the month of October, if you receive a monthly check from Mobile Billboards or IRA Resources, that monthly check will be processed through the Webb Group on the 15th of each month and will arrive to the client around the 20th of the month.

If you do not receive a check monthly, but your account grows in the IRA account at IRA Resources, Inc., you will be receiving a quarterly statement showing your growth in your account. The quarterly statements will be processed and delivered on March 25, June 25, September 25, and December 25, respectively.

Thank you again for your friendship and the opportunity to work together.

Sincerely,



Dr. Scott B. Hollenbeck, RFC

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December 28, 2004

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Re: *SEC v. MBA, et. al.*

Dear Wes and Greg:

As you know, we represent S. Gregory Hays, the Receiver appointed in the above-referenced action currently pending in the United States District Court for the Northern District of Georgia. This letter is sent to you as counsel for Scott R. Hollenbeck, one of the persons responsible for the sale of the mobile billboard investments that are the subject of this case.

On December 1, 2004, the Receiver filed his First Interim Report with the court. As indicated in that report, it is evident that the investment offering operated as a Ponzi scheme by using investment proceeds from purchasers of MBA billboards to make the lease payments to prior purchasers who purportedly leased their billboards back to Outdoor Media Industries. Despite the sale of thousands of these billboard investments, the Receiver has been able to locate fewer than 200 billboards actually installed on trucks, and none are currently operating at a profit. In addition, the trust that was created for the purpose of funding the repurchase of the billboards was considerably under funded, which means that purchasers have lost virtually all of their investment. While the Receiver's investigation continues, it is becoming increasingly clear that material misrepresentations were made to investors and that essential information was withheld from them during the sales process and thereafter.

As the sales agent who sold more of these billboards than any other individual, Mr. Hollenbeck was an active participant in this scheme. The company records now in the possession of the Receiver indicate that he sold more than \$11 million in billboard investments, which resulted in excess of \$2 million in commissions and bonuses being paid to him. Mr. Hollenbeck confirmed these amounts in his deposition testimony on December 8, 2004.

Mr. Hollenbeck's conduct in connection with this investment offering violated various provisions of state and federal securities laws, as well as other principles of applicable statutory and common law. By way of example, Mr. Hollenbeck:

- Failed to perform any due diligence or make other inquiry regarding the offering before asking his customers to invest substantial amounts of money in the subject billboards;
- Effectively operated an independent Ponzi scheme by using the billboard offering to provide him with monies to continue to make payments to prior payphone investments that he knew had collapsed;
- Fabricated a purported AIG surety bond that gave purchasers the false impression that any investment was insured up to \$2 million;
- Targeted investors for whom the billboard investment, even if legitimate, was not well-suited;
- Made various misrepresentations regarding the quality and the performance of the billboard investments;
- Encouraged investors to use IRA funds to purchase billboards, which, in all likelihood, are not appropriate for such investments;
- Failed to disclose numerous material facts including, but not limited to:
 - The amount of his commission, approximately 20% of the purchase price paid by his customers;
 - As designed, the offering was a Ponzi scheme in that the first year's lease payments were to be made from the purchase money paid by each investor;
 - That similar investments sold by Mr. Hollenbeck (i.e., payphones) had collapsed and been shut down as a result of enforcement actions filed by the SEC; and,
 - That he was using commissions earned from billboard sales to fund "phantom" lease payments to people who had purchased payphone investments from him.
- Sold an unregistered security and, at the time, was not authorized to sell securities.

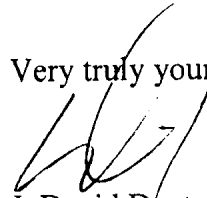
J. Wesley Covington, Esq.
Gregory Bartko, Esq.
December 28, 2004
Page 4

Hollenbeck, can proceed on behalf of all plaintiffs anyway. While I am not an ethics expert, there appears to be a clear, unwaivable conflict of interest between Mr. Hollenbeck and his customers.

Your failure to make the requested payment and stay the North Carolina litigation on or before January 7, 2005 will be deemed to be a denial. In that event, the Receiver will likely seek relief from the district court responsible for the receivership and/or the North Carolina court where your case is pending. Nothing in this letter is intended to be nor should be construed as a waiver, release, limitation or other modification of any right or claim that the Receiver may have against Mr. Hollenbeck or any other person or entity (including those named as defendants in the North Carolina action).

If you have questions or would like to discuss this further, please do not hesitate to contact me. We look forward to your response.

Very truly yours,



J. David Dantzler, Jr.

JDD:kw

cc: S. Gregory Hays, Receiver
Alex Rue, Esq.
Nina Marino, Esq.
Julie O'Daniel, Esq.
Mr. Barry Maloney
Mr. Robert Sabo

**BRYANT, PATTERSON,
COVINGTON, IDOL & LEWIS, P. A.**

ATTORNEYS AT LAW

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VICTOR S. BRYANT, JR. (1924-2001)
LEE A. PATTERSON, II (1948-2002)

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ROBERT A. IDOL
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January 5, 2005

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VIA FACSIMILE AND FIRST CLASS MAIL

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Atlanta, GA 30308

Re: SEC vs. MBA et al

Dear David:

Greg and I are in receipt of your December 28, 2004 letter ("Letter") relative to our client, Scott B. Hollenbeck as he relates to the above-named case. The following responds to several of the unsupported allegations and statements made in your letter as they relate to our client. Moreover, certain aspects of this letter follow a lengthy meeting that Greg conducted with Alex Rue on December 29, 2004 specifically on the topic of preliminary discussions towards resolving any civil action that the Securities and Exchange Commission ("SEC") contemplates in this case, as outlined in the SEC's Wells letter dated December 20, 2004. Just this morning, we have received a proposed draft permanent injunctive order sent to us by Alex Rue that we are reviewing now.

We believe the entire tenor of your letter is based upon one faulty premise, which is stated in the third paragraph thereof, which is "*As the sales agent who sold more of these billboards than any other individual, Mr. Hollenbeck was an active participant in this scheme.*" The active participants in the MBA scheme are the defendants in the SEC civil action that has been filed as well as the defendants in the federal case we have filed in North Carolina. There are no facts to support your conclusion that Mr. Hollenbeck was "inside" this scheme. His testimony at his deposition on December 8, 2004 did not provide any such facts, nor do any of the documents he produced prior to that deposition. Mr. Hollenbeck had little if any contact with any of the principals of this scheme at the Mobile Billboards level. I think it is fair to say that the people who were the principle architects of the scheme involving Mobile Billboards include Messrs. Lomas, Maloney and the auditing firm that created and distributed audited financial statements in support of the scheme. Simply because our client was one of the most productive sales agents for Mobile Billboards does not make him an active participant in any scheme.

We believe that many of the bullet point assertions on page 2 of your letter most likely are accurate, but they relate not to Mr. Hollenbeck, rather they relate to Mobile Billboards as the issuer of the securities and the control persons of the issuer. Mr. Hollenbeck devised no Ponzi scheme in order to raise funds for Mobile Billboards. Mr. Hollenbeck has no higher duty with respect to acting as a sales agent in the offer and sale of an unregistered security than does a former SEC lawyer that drafted and distributed two legal opinions on behalf of Mobile Billboards that clearly gave comfort to all of the sales agents that the investment contract offered by MBA was not a security, but rather was a business opportunity properly registered as such in the state of North Carolina. It is not fraudulent for a sales agent to rely on what appeared to be a properly issued legal opinion. It is not fraudulent for a sales agent to follow the written manuals and other training materials distributed by the issuer if the sales agent has no reason to believe

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that any material misrepresentations have been made in the offer and sale of the business opportunity. Being overly successful at his sales activities does not make Scott Hollenbeck an active participant in any fraudulent scheme. Our discussions with many other MBA sales agents strongly support our belief that the sales agents were not "participants" in some MBA Ponzi scheme, nor did they knowingly offer and sell unregistered securities.

When Greg met with Alex Rue on December 29, 2004, he admitted in his discussions with him that our client erred in creating and distributing a document to his customers that gives the impression that a "surety bond" covered investments in Mobile Billboards that protected funds that were invested in the company. We have advised our client that he should not have prepared such a document, nor should he have used the document in the sales presentations he made to many of his customers. Mr. Hollenbeck did not think his use of this "declarations page" describing the insurance coverage of the risk capital protector insurance policy issued by AIG was wrongful in any way. He simply erred in judgment in using this document in his sales activities. His error in judgment in all likelihood gives rise to serious consideration on our part to recommend some settlement by him in the SEC civil action that is now contemplated against him.

Considering the totality of the circumstances, we have advised our client that if possible, we would like to settle any disgorgement action contemplated by the SEC by negotiating the specific terms of a permanent injunction and a disgorgement arrangement, so long as a dollar for dollar credit is given to Mr. Hollenbeck for all sums voluntarily repaid by him to his Mobile Billboards customers. After all, do you know of one single person involved in this entire Mobile Billboards debacle who has returned one dollar of any investor's funds except our client? I doubt it. Based on our client's preliminary analysis, he has returned a total of \$1,126,758.88 to his clients specifically for repurchases of business opportunities and quarterly distributions that Mobile Billboards should have made since the filing of the SEC civil action. Mr. Hollenbeck, along with several other sales agents, has also agreed to contribute towards the payment of attorneys' fees in the case we now have pending in North Carolina against certain named MBA defendants. Alex Rue indicated a willingness to Greg to negotiate a settlement with Mr. Hollenbeck that would include these terms. Our client will need a substantial time period over which he could pay any disgorgement amount and he is willing to supply the SEC with his financial affidavit in order to support the fact that he does not have the sort of financial resources whereby he can simply write a check for the amount to be disgorged. In that regard, your letter demanding full disgorgement by January 7, 2005 is not reasonable and would simply put Mr. Hollenbeck into a Chapter 7 bankruptcy proceeding.

Addressing your comments about our lawsuit against several Mobile Billboards defendants, we find your position rather curious and unsupported by the facts giving rise to our lawsuit. First, Greg and I specifically had a telephone conversation with you and Alex before our case was filed. We asked you and Alex what your positions would be if we elected to file suit on behalf of approximately 200 purchasers of Mobile Billboard's investment contracts. Both you and Alex advised that you had no objections to the suit so long as the actual Mobile Billboards entities were not named, as that was prohibited by the stay order entered by the District Court for the Northern District of Georgia. We even supplied you with a draft copy of our complaint before it was filed. No objection was then made by either you or Alex. The only circumstance that has intervened since we filed suit is that our client's deposition has been taken. We knew that Mr. Hollenbeck was a sales agent for Mobile Billboards, but he was not a participant in the fraudulent activities that we have alleged in our North Carolina case against those defendants. He was essentially duped like everyone else and it was our legal judgment that cooperating with four or five of the sales agents would produce a better result for all 200 plaintiffs rather than becoming legally adversarial with them. Our judgment has proven to be correct.

We also advised you that time was of the essence in filing our lawsuit in order to toll what we believe to be a statute of limitations that would run on or about November 1, 2004. We filed suit in order to

J. David Dantzler, Esq.
Page Three
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preserve and protect our clients' claims against the named defendants. No other party was interested or prepared to do that. Now having taken legal action against Mr. Maloney and the auditing firm for Mobile Billboards, and discovering that it is likely that at least the auditing firm has liability coverage that may be available to pay any judgment that may be obtained against them in our North Carolina case, you demand that we dismiss our stay our action in North Carolina. You have offered no legal authority in support of the Receiver's right to demand civil litigants to dismiss a case such as that brought in North Carolina. We do not believe under the circumstances that it would be prudent for us to do so. You have not given any factual reasons why our lawsuit is interfering with the SEC action taken against Mobile Billboards and we are not aware of any. In fact, we understand that for the most part, the defendants in the SEC civil action against Mobile Billboards have consented to permanent relief and that the only remaining issues in that case as it stands is whether there are assets still in the hands of the named defendants. We think the interests of our 200 plaintiffs in the North Carolina case are aligned with the Receiver's interests overall.

In short, dismissing or staying our action filed in North Carolina would be contrary to our professional responsibilities to all of the named plaintiffs in that case.

Give Greg or I a call if you wish to continue discussions on any aspect of this letter.

Sincerely,



J. Wesley Covington

Cc: Gregory Bartko, Esq.
Alex Rue, Esq.
Nina Marino, Esq.
Julie O'Daniel, Esq.
Barry Maloney, Esq.
G. Lawrence Reeves, Jr., Esq.

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January 11, 2005

BY FAX AND E-MAIL

J. Wesley Covington
Bryant, Patterson, Covington, Idol & Lewis, P.A.
Post Office Box 341
Durham, North Carolina 27702

Re: SEC v. MBA, et al.

Dear Wes:

I have received your letter dated January 5, 2005 and discussed it with the Receiver. If your client is unwilling to stay the litigation filed in North Carolina, it is difficult to imagine that the Receiver's claims against Mr. Hollenbeck can be settled. Not only does that case interfere with the Receiver's ability to do his job, it is now clear that it is part of Mr. Hollenbeck's continued failure to deal honestly with his customers.

Rather than continuing an exchange of correspondence, we will address the Receiver's concerns to the appropriate court. While we disagree with many of the characterizations in your letter, I am compelled to respond to your statement that Alex Rue and I had no objection to your filing the North Carolina action. While I do not speak for Mr. Rue or the SEC, I specifically recall that I told you that I did not understand what you hoped to accomplish by filing suit other than deflecting attention away from Mr. Hollenbeck and other sales agents. I also told you that we believed that if you were going to file suit in North Carolina, the purchasers would be best served by naming Mr. Hollenbeck and other sales agents as defendants. Regardless of the frequency of their interaction with Messrs. Lomas, Young, Maloney, et. al., it is clear that many, including Mr. Hollenbeck, engaged in unlawful conduct.

Under the circumstances as they existed at the time, we were not comfortable taking steps that might preclude your filing suit. However, since our conversation, the Receiver's investigation of this investment offering has progressed. We also know more about Mr. Hollenbeck's sales activities and his continued lulling of his customers. The combination of these things forces the Receiver to take action seeking to stay or enjoin the prosecution of the North Carolina proceeding. By filing the complaint, you have tolled the statute of limitations, which was the principal reason articulated for filing now (rather than allowing the Receiver to do his work first). However, the continued prosecution of that action interferes with the Receiver's


J. Wesley Covington
January 11, 2005
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administration of the Receiver Estate and violates the order entered by Judge Hunt on September 21, 2004.

If your position regarding a stay of the North Carolina case changes, please let me know immediately. Otherwise, we will be filing the appropriate motion(s) and other papers seeking a court order to that effect.

I am traveling until Friday, but will be checking my voice-mail and e-mail during that time. If you would like to discuss this further, please leave me a message, and I will try to call you.

Sincerely,



J. David Dantzler, Jr.

[Drafted, but not signed]

cc: Gregory Bartko, Esq.
Alex Rue, Esq.
Nina Marino, Esq.
Julie O'Daniel, Esq.
Barry Maloney
G. Lawrence Reeves, Jr., Esq.

ATLANTA:4701055.1

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

<p>SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. MOBILE BILLBOARDS OF AMERICA, INC., INTERNATIONAL PAYPHONE COMPANY, RESERVE GUARANTY TRUST, MICHAEL A. LOMAS and MICHAEL L. YOUNG, Defendants.</p>	<p style="text-align:center">CIVIL ACTION NO. 1:04-CV-2763-WBH</p>
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**BRIEF IN SUPPORT OF RECEIVER’S MOTION FOR
CONTEMPT SANCTIONS AND FOR
INJUNCTIVE RELIEF ENJOINING PROSECUTION
OF NORTH CAROLINA CIVIL ACTION**

S. Gregory Hays, Receiver (the “Receiver”) files this brief in support of his Motion for Contempt Sanctions and for Injunctive Relief Enjoining Prosecution of North Carolina Civil Action showing this Court as follows:

The relevant facts are actually set forth as numbered paragraphs in the Motion, itself. Accordingly, they will not be restated here except as necessary to explain the legal basis for the Receiver’s request.

The Receiver was appointed by this Court in an order entered on September 21, 2004 (the “Receivership Order”). In relevant part, the Receivership Order provides:

All creditors and other persons seeking money damages or other relief from the Receiver Estate and all others acting on behalf of any such creditors and other persons . . . ***are restrained from doing anything to interfere with the possession, recovery or management by the Receiver of the property and assets owned, controlled, belonging to, or in the possession of the Receiver Estate, or to interfere with the receiver in any manner during the pendency of this proceeding.*** (§ XXI, Receivership Order dated September 21, 2004. Emphasis added.)

Among other things, this provision allows the Receiver to perform his accounting and investigation, including the prosecution of claims for the benefit of the Receiver Estate, without being interfered with or disrupted by the actions of third parties. When the Receiver's work is completed, the assets of the Receiver Estate, including the proceeds of any recoveries, will be distributed to investors and other creditors of MBA.

The specific direction of this Court, as set forth above, is critical to an effective receivership. Obviously, it is important that the Receiver be able to accomplish his work without interference. Being forced to deal with distractions such as the North Carolina Action that is the subject of this Motion, slow his progress and increase the expense of administering the Receiver Estate.

Equally important in this instance, the Receiver is charged with developing a plan that, under the circumstances, is fair and equitable to all investors. He cannot condone efforts by a select group to improve their positions vis-à-vis others who suffered identical losses. In effect, the filing and prosecution of the North Carolina

Action creates the potential for a “race” to effect a recovery between the Receiver and the plaintiffs in that action (as well as prospective plaintiffs, who might decide to pursue identical claims) and requires the subject defendants to deplete assets in defending multiple litigations of identical claims. Obviously, such a circumstance is not in the best interest of MBA’s investors, as a whole, and the other creditors of the Receiver Estate.

The interference and distraction caused by the filing and prosecution of the North Carolina Action are enough to justify enjoining the prosecution of that case until the Receiver’s work is finished. However, this case is much more egregious. As more fully set forth in the Motion, the North Carolina Action has been filed at the behest of and is being directed by Scott Hollenbeck, the single largest individual seller of MBA billboard investments. It is evident that the filing and prosecution of these claims is part of a continuing effort by Mr. Hollenbeck to mislead his investors about the current state of MBA and to deflect attention away from his role in the sale of these bogus investments.

As indicated in the Motion, the Receiver, through his counsel, has given Mr. Hollenbeck and his counsel notice of the provisions of the Receivership Order and an opportunity to stay voluntarily the prosecution of the North Carolina Action. Those efforts have been rebuffed.

This Court has the inherent power to enforce its own orders and to sanction, by civil contempt, those who refuse to comply. *Shillitani v. United States*, 384 U.S. 364, 370, 86 S. Ct. 1531, 1535, 16 L. Ed.2d 622 (1966); *Riccard v. Prudential Insurance Company*, 307 F.3d 1277 (11th Cir. 2002); *Citronelle-Mobile Gathering, Inc. v. Watkins*, 943 F.2d 1297 (11th Cir. 1991). Hollenbeck and his counsel have had notice of the Receivership Order for months and have had ample opportunity to comply. The continued prosecution of the North Carolina Action under the circumstances present here is a clear violation of this Court's order and should be sanctioned. Moreover, the continued prosecution of the North Carolina Action should be enjoined until such time as the Receiver has had full opportunity to complete his work, including investigating and prosecuting appropriate claims against third-parties.

WHEREFORE, the Receiver respectfully requests that his Motion be granted.

This 8th day of February, 2005.

By: /s/ J. David Dantzler, Jr.
J. David Dantzler, Jr.
Georgia Bar No. 205125
Attorney for S. Gregory Hays,
Receiver For Defendants Mobile
Billboards of America, Inc.,
International Payphone
Corporation, Reserve Guaranty
Trust and Tiger Media, Inc.

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

<p>SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. MOBILE BILLBOARDS OF AMERICA, INC., INTERNATIONAL PAYPHONE COMPANY, RESERVE GUARANTY TRUST, MICHAEL A. LOMAS and MICHAEL L. YOUNG, Defendants.</p>	<p>CIVIL ACTION NO. 1:04-CV-2763-WBH</p>
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CERTIFICATE OF SERVICE

This shall certify that on February 8, 2005, I electronically filed the BRIEF
IN SUPPORT OF RECEIVER'S MOTION FOR CONTEMPT SANCTIONS
AND FOR INJUNCTIVE RELIEF ENJOINING PROSECUTION
OF NORTH CAROLINA CIVIL ACTION with the Clerk of Court using the
CM/EFC system which will automatically send an e-mail notification of such filing
to the following attorneys of record:

James Alexander Rue
William P. Hicks

I certify that I have mailed by United States Postal Service the document to the following non-CM/ECF participants:

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This 8th day of February, 2005.

By: /s/ J. David Dantzler, Jr.
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