

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
SHERMAN DIVISION

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p>Plaintiff,</p> <p>vs.</p> <p>TRAVIS E. CORRELL, individually and doing business as Horizon Establishment; et al.</p> <p>Defendants,</p> <p>and</p> <p>BANNER SHIELD, LLC; et al.</p> <p>Defendants Solely for Purposes of Equitable Relief.</p>	<p><b>Lead Case</b></p> <p>Case No.: 4:05-CV-472 RAS</p> <p><b>RECEIVER’S OBJECTION TO CLAIM OF G2, LLC AND, ALTERNATIVELY, FOR RESOLUTION AS TO DISPUTED CLAIM TO DISTRIBUTION TO RECEIVER IN <i>SENTINEL FUNDS</i> BANKRUPTCY</b></p> <p><b>Consolidated Case</b></p> <p>Case No.:4:07-cv-346 RAS</p>
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**RECEIVER’S OBJECTION TO CLAIM OF G2, LLC AND, ALTERNATIVELY,  
MOTION FOR RESOLUTION AS TO DISPUTED CLAIM TO  
DISTRIBUTION TO RECEIVER IN *SENTINEL FUNDS* BANKRUPTCY**

S. Gregory Hays, the court-appointed Receiver in the above-styled action, submits this Objection to the Claim of G2, LLC and, Alternatively, Motion for Resolution as to Disputed Claim to Distribution in *Sentinel Funds* Bankruptcy. In support of this Motion, the Receiver shows the following:

**INTRODUCTION**

On March 22, 2012, the Receiver received \$1,000,000, plus \$5,728.68 in interest, from the bankruptcy estate of Sentinel Funds (the “Sentinel Bankruptcy”), which was administered by the United States Bankruptcy Court for the Southern District of Florida (the “Sentinel Bankruptcy Court” or the “Bankruptcy Court”). This distribution was, in effect, the return of

100% of an investment made by Defendant Travis Correll in the Sentinel Funds High Yield Investment Program, which was a fraudulent investment scheme operated by Kenneth Winters. Winters' scheme has been referred to previously in this case and the Sentinel bankruptcy case as the Sentinel Funds Ponzi Scheme (hereinafter, the "Sentinel Ponzi Scheme").<sup>1</sup>

As more fully set forth below, the payment from the Sentinel Bankruptcy estate was made on a claim filed by the Receiver and his counsel and only after extensive litigation in the Bankruptcy Court. When it became apparent that the Receiver would realize a recovery, G2, LLC ("G2"), an investigative firm owned and operated by Henry George and Rich Douglas,<sup>2</sup> made a demand to the Receiver for payment of a 20% "success commission" relying on the provisions of an engagement letter executed by G2 and Travis Correll, which was in effect at the time of the Receiver's appointment.

G2, purportedly acting *pro se* through George Goldsmith (a/k/a "Henry George"), has filed a Complaint against the Receiver in this Court seeking recovery of the 20% "success" fee. Prior to the filing of this Motion, the Receiver filed a motion to dismiss that Complaint. The Receiver believes that it is appropriate to address G2's claim in the summary process of claims administration established in the receivership. Moreover, G2 may not prosecute a civil action without being represented by counsel.

Under the circumstances present here, the Receiver does not believe that G2 is entitled to a success fee under the terms of the engagement letter. If the Court disagrees and determines

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<sup>1</sup> There is some question about whether Winters' scheme was actually a Ponzi scheme, but that is immaterial to the result. The scheme was certainly a fraud.

<sup>2</sup> The Receiver is aware that Henry George and Rich Douglas are aliases. (See Exhibit 1, Complaint and Demand for Jury Trial, *Morningstar Holding Corp. v. G2, LLC*, D. Idaho, No. 1:10-cv-00439-BLW, Sept. 1, 2010, ECF No. 5.) Given the number of exhibits referenced herein, for the Court's convenience the Receiver has attached an Appendix.

that the success fee is payable pursuant to the terms of the engagement letter between Correll and G2, then that portion of the fee should be treated as an unsecured claim and, therefore, entitled only to pro rata payment under the terms of the approved Plan of Distribution. Accordingly, the Receiver files this Objection and Motion seeking an order from this Court denying G2's claim.

### **RELEVANT FACTUAL BACKGROUND**

#### **Correll's Investment in the Sentinel Ponzi Scheme Operated by Kenneth B. Winters**

1. As this Court is aware, in 2001, Defendant Travis Correll began operating an investment program known as the "Bank Deposit Program" after he was introduced to Grant Cardno, who was purportedly a trader in overseas bank trading programs that Correll had researched online. Correll wrongly believed that Cardno's bank trading program provided legitimate investment opportunities to obtain high returns and that an investment in Cardno's program would yield returns of 20% to 30% per month. Correll solicited \$200,000 from friends and family, invested only \$100,000 with Cardno, and retained the rest to cover expenses. After Correll's initial investment with Cardno failed to yield significant returns as he had expected, Correll used the \$100,000 he retained for operating expenses to pay the promised monthly returns to investors, thus beginning his Ponzi scheme. As word of Correll's investment program spread, he began to use funds from new investors to pay promised monthly returns to other investors, with the expectation that he would be able to start paying legitimate monthly returns eventually.

2. In an effort to generate enough capital to pay off investors and end his unwitting Ponzi scheme, Correll began to make risky investments in various businesses and other investment programs. One of the high-risk investments Correll made was a \$1,000,000 investment in Kenneth Winters' Sentinel Funds High Yield Investment Program ("HYIP"), which, unknown to Correll at the time, was itself a fraudulent investment scheme.

3. Specifically, on August 7, 2003, Correll invested \$1,000,000 to obtain Limited Partnership Interests in the HYIP operated by Winters as Sentinel Funds, Inc., Sentinel Holdings Corporation, and/or Sentinel Partners, LTD (collectively, “Sentinel”). The HYIP was sponsored by Fleet Bank, which was later acquired by Bank of America, N.A. The Sentinel Bankruptcy Court found that certain officers of Fleet Bank assisted Winters in his fraudulent scheme. (*See Exhibit 2*, Order, *In re: Sentinel Funds, Inc.* (the “Sentinel Bankruptcy”), ECF No. 810, Bankr. S.D. Fla., No. 06-11822.)

4. Prior to the Receiver’s appointment, various investors, including Correll, concluded that the HYIP was operated as a Ponzi scheme which defrauded Correll and numerous other investors in the HYIP. (*See id.*)

**Correll’s Engagement of G2, LLC to Recover  
Investment in the Sentinel Ponzi Scheme**

5. While the relationship between Correll and G2 was entered into prior to the Receiver’s appointment, it appears that G2 may have been retained initially by one or more victims of the Sentinel Ponzi Scheme. As its investigation continued, it appears that G2 contacted additional victims, including Correll, in an effort to be retained by them as well.

6. Although the circumstances are unclear, Correll and G2 entered into an agreement in June 2005 to pursue the recovery of his \$1,000,000 investment in Sentinel. On June 16, 2005, Correll executed a Retainer and Asset Recovery Agreement with G2 (the “Asset Recovery Agreement”), which is included in the related appendix of exhibits as Exhibit 3. In the Asset Recovery Agreement, G2 represented to Correll that it would: (a) “travel to Western Europe to obtain evidentiary documents associated with this case and at the same time contact certain key individuals and entities associated with the fraud to demand and arrange for restitution;” (b) “coordinate closely with law enforcement authorities to manage the ongoing criminal

investigation to the fullest benefit of G2's clients;" and (c) "[r]espond appropriately to unexpected developments, some of which may require additional travel, expenses, actions on the part of G2 or its clients."

7. Pursuant to the Asset Recovery Agreement, Correll paid G2 a \$10,000 retainer and, *inter alia*, agreed to pay to G2 a "commission of twenty percent (20%) . . . of any and all of the Claim Amount recovered and/or returned or obtained by any other method *through our [G2's] sources and methods* to the Claimant after the execution date of this Agreement." (See Ex. 3, Asset Recovery Agreement, at 2 (emphasis added); *see also* June 16, 2005 RBC Centura check to G2 LLC in the amount of \$10,000, attached hereto as Exhibit 4.)

**G2's Engagement of Josephs Jack to Pursue the BOA Litigation  
and the Chapter 7 Sentinel Bankruptcy Related to the Sentinel Ponzi Scheme**

8. On December 7, 2005, the Court appointed Mr. Hays as Receiver for Correll (and others). (ECF No. 7.) During the early stage of the receivership, the Receiver was unaware of all of the facts and circumstances regarding Correll's investment with Winters.

9. In reviewing Correll's records, the Receiver first became aware of Sentinel and G2 on or about December 15, 2005. The Receiver's professionals first contacted G2 on or about that date to obtain a basic understanding of the circumstances related to Sentinel. At that time (and for many months thereafter), the Receiver and his professionals had no independent knowledge of Correll's investment in Sentinel or the steps taken to effect a recovery. Rather, the Receiver relied entirely on G2's knowledge and assessment of the facts and merits of any potential claim on Correll's behalf against Sentinel and/or Winters.

10. On May 8, 2006, an involuntary bankruptcy proceeding under Chapter 7 was commenced against Sentinel Funds, Inc. in the Bankruptcy Court for the Southern District of Florida, Fort Lauderdale Division, Case No. 06-11822-JKO (the "Sentinel Bankruptcy").

11. On August 10, 2006, G2, on behalf of Correll and the other investors in the Sentinel Ponzi Scheme, engaged the law firm of Josephs Jack to pursue claims against Winters d/b/a Sentinel and Bank of America. Josephs Jack was selected by G2 without any input from the Receiver. Until the relationship between Josephs Jack and G2 fell apart (discussed in detail below), the Receiver's only contact with Josephs Jack was through G2.

12. On January 26, 2007, the Receiver filed a proof of claim in the Sentinel Bankruptcy, seeking recovery of Correll's \$1,000,000 investment in the Sentinel Ponzi Scheme. This was undertaken by the Receiver's professionals in this case, separate and apart from the representation by and activities of G2 and Josephs Jack.

13. On February 16, 2007, Josephs Jack filed a state court action in Broward County Circuit Court in Florida styled *Novotny Family Trust, et al. v. Fleet Bank, et al.*, Case No. 07-003636 CACE 13 (the "BOA Litigation"). Correll's claim was included in the claims asserted in the BOA Litigation.

14. Subsequently, on May 18, 2007, Rich Douglas, on behalf of G2, contacted the Receiver's office and informed the Receiver that he should pay G2 an additional \$31,700 for fees and expenses incurred in February 2006 (\$16,700) and April 2007 (\$15,000). The Receiver paid G2 \$31,700. (See May 30, 2007 email from Rich Douglas to Scott Askue, attached hereto as Exhibit 5 and G2 Invoice to Receiver dated May 15, 2007, attached hereto as Exhibit 6, showing that the sum represented "legal fees" related to the "Sentinel Theft Claim.")

15. On September 12, 2007, Josephs Jack filed a verified statement of representation in the Sentinel Bankruptcy, verifying that the firm represented the Josephs Jack Ad Hoc Committee ("JAHOC"), which was comprised of the Receiver and thirty-one (31) other investors defrauded in the Sentinel Ponzi Scheme. (See Ex. 2, Sentinel Bankr. Order, ECF No. 810, at 2.)

**G2 and Josephs Jack Sever Ties**

16. On October 10, 2008, Josephs Jack notified the Receiver and its other clients in the BOA Litigation that “the management of G2, the people that hired us on your behalf, has fallen into a bit of turmoil . . . and the aggravation emanating from that has complicated our efforts and put burdens upon us that we will no longer endure.” (See Oct. 10, 2008 letter, attached hereto as Exhibit 7.) According to Josephs Jack, G2 breached its agreement with Josephs Jack by failing to fund the costs of the litigation matters. (See Ex. 7 at 2.) Josephs Jack stated it could “no longer deal with or through G2,” and “if you [the Receiver] wish to proceed with us, we will need to hear from you at once . . . irrespective of the course you desire to pursue.” (See Ex. 7 at 2.)

17. On October 15, 2008, Josephs Jack informed the Receiver that it was “reluctant to enter into a new retainer agreement for [Correll’s] claim against Bank of America,” because, *inter alia*, Correll is a “convicted felon and serving time in prison.” (See Oct. 15, 2008 letter, attached hereto as Exhibit 8.) Josephs Jack advised the Receiver to either find new counsel or dismiss the BOA Litigation so that Josephs Jack could “continue pressing for some recovery in the [Sentinel] bankruptcy court.” (*Id.*) Because these were not new developments, and because the Receiver (and Correll) had paid the monies described above, the Receiver objected to being discharged by Josephs Jack. Ultimately, Josephs Jack agreed to continue representing the Receiver in the prosecution of Correll’s claim against BOA, and the Receiver agreed that Josephs Jack would represent him in the Sentinel Bankruptcy case.

18. On October 1, 2009, BOA moved for summary judgment on the Receiver’s claims in the BOA Litigation on the grounds that Correll had no interactions with any employees of BOA prior to investing in the Sentinel Ponzi Scheme, and, therefore, BOA did not make any representations to Correll and/or had no duty of disclosure as to Correll. (See BOA’s Mot. for

Summ. J., Sentinel Bankr., ECF No. 725-5, attached hereto as Exhibit 9.) It was at or about the time of the filing of this Motion that the Receiver first became aware that Correll had not had direct contact with BOA or its predecessor, Fleet. Instead of opposing BOA's motion, the Receiver opted to voluntarily dismiss his claims against BOA.

19. On May 20, 2009, the Receiver and Josephs Jack executed a revised engagement letter, which provided for Josephs Jack's continued representation of the Receiver in the Sentinel Bankruptcy. (See Engagement Letter, attached hereto as Exhibit 10.) On October 27, 2009, the Sentinel Bankruptcy Court allowed the JJAHC's claims, including the Receiver's claim. (See Exhibit 11, Order, Sentinel Bankr., ECF No. 588.)

20. On January 22, 2010, after Josephs Jack and G2 had severed ties, Henry George, a G2 principal, submitted an application for professional expenses incurred in assisting the trustee in the Sentinel Bankruptcy (the "Trustee") and the Trustee's Special Counsel in prosecuting fraudulent transfer claims and other avoidance claims. (See Exhibit 12, Jan. 22, 2010 Application of Henry George, Sentinel Bankr., ECF No. 637.) On March 4, 2010, the Sentinel Bankruptcy Court granted George's application and authorized the Sentinel Bankruptcy Trustee "to pay Henry George \$65,153.14 for investigative fees and costs." (See Exhibit 13, Order, Sentinel Bankr., ECF No. 659.)

**Settlement of the BOA Litigation and the Resulting Conflict  
Between Josephs Jack and the Receiver**

21. On March 25, 2010, Josephs Jack settled claims on behalf of the JJAHC claimants in the BOA Litigation in partial satisfaction of their claims in the Sentinel Bankruptcy. Because the Receiver had dismissed the Correll claim in the BOA Litigation, the Receiver Estate did not participate in this settlement or receive any of the settlement proceeds. (Exhibit 14, Mot. by S. Gregory Hays, Receiver, to Disqualify Josephs Jack ("Disqualification Motion") at 5, Sentinel



Bankr., ECF No. 725; *see also* Exhibit 15, Affidavit of S. Gregory Hays (“Hays Affidavit”) ¶ 12, ECF No. 725-4.)

22. Following the BOA Litigation settlement, Cancellara and Reininghaus, two claimants in the Sentinel Bankruptcy who were not part of the JJAHC, took the position that all of the JJAHC’s claims in the Sentinel Bankruptcy should be offset by any amounts the JJAHC claimants received in the BOA Litigation. (*See* Ex. 14, Disqualification Motion at 5.) On May 3, 2010, Josephs Jack contacted the Receiver’s counsel, Troutman Sanders LLP<sup>3</sup> (“Troutman Sanders”), and stated that Cancellara’s and Reininghaus’ positions did not affect the Receiver’s claim in the Sentinel Bankruptcy. (*See id.* at 6.)

23. On May 14, 2010, Cancellara and Reininghaus filed an omnibus objection in the Bankruptcy Court to the claims of the JJAHC investors who participated in the BOA Litigation settlement. (Exhibit 16, Sentinel Bankr., ECF No. 673.) Josephs Jack did not notify the Receiver or Troutman Sanders of the objection when it was filed, nor did Josephs Jack provide a copy of the objection to the Receiver or Troutman Sanders. (*See* Ex. 14, Disqualification Motion at 7; Ex. 15, Hays Aff. ¶¶ 13-14; Exhibit 17, Affidavit of Charles Burnett (“Burnett Aff.”) ¶¶ 5-6.) The Receiver did not become aware of the objection until his office received the service copy that was mailed to him by counsel for Cancellara and Reininghaus. (*See* Ex. 15, Hays Aff. ¶ 15; Ex. 17, Burnett Aff. ¶ 7.)

24. The Receiver and Troutman Sanders reviewed the omnibus objection and determined that the objection in fact could have a significant impact on the Receiver’s claim in the Sentinel Bankruptcy, contrary to Josephs Jack’s advice. (*See* Ex. 15, Hays Aff. ¶ 16; Ex. 17,

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<sup>3</sup> Because the Receiver had engaged Josephs Jack as counsel in the BOA Litigation and the Sentinel Bankruptcy, Troutman Sanders LLP did not take an active role in the prosecution of the Receiver’s claims in those matters at that time.

Burnett Aff. ¶ 8.) Because the Receiver did not recover any money from BOA, any reduction of the JJAHC's allowed claims or an offset of distributions to them based on the JJAHC's recoveries from BOA would greatly increase the amount of the distribution to the Receiver in the Sentinel Bankruptcy.

25. Without consulting the Receiver or advising him that Cancellara and Reininghaus had filed their objection, Josephs Jack filed a response to the objection on behalf of the JJAHC, which included the Receiver. In the response, Josephs Jack took a position directly adverse to the Receiver's interests. (See Exhibit 18, Sentinel Bankr., ECF No. 676; Ex. 14, Disqualification Mot. at 7; Ex. 17, Burnett Aff. ¶ 9.) The Receiver was not provided notice of the JJAHC's response brief or with any opportunity to comment on the brief prior to filing. (Exhibit 19, Sentinel Bankr., ECF No. 677 ¶ 4; see Ex. 15, Hays Aff. ¶¶ 18-19; Ex. 17, Burnett Aff. ¶¶ 10-11). The Receiver learned of the response only after Cancellara and Reininghaus' counsel contacted Troutman Sanders and provided it with a copy of the response. (Ex. 15, Hays Aff. ¶ 21; Ex. 17, Burnett Aff. ¶ 13.)

26. Following the Receiver's discovery of Josephs Jack's response brief, the Receiver and his counsel at Troutman Sanders concluded that Josephs Jack had a conflict of interest in representing the Receiver and the JJAHC. At about the same time, Josephs Jack informed the Receiver: "[T]he thought has occurred to me that this firm [Josephs Jack] has an arguable conflict in representing your [the Receiver's] interests in this claim. This is so because you made no recovery against Bank of America, and your position could arguably be allied with that of the Cancellara/Reininghaus position." (Ex. 17, Burnett Aff., Ex. C.) As a result of the conflict of interests and the response brief, the Receiver was forced to terminate Josephs Jack as counsel for the Receiver in the Sentinel Bankruptcy and withdraw from the JJAHC on June 3, 2010. (Ex.

15, Hays Aff. ¶ 22; Ex. 17. Burnett Aff. ¶ 17.) Following this event, there were protracted negotiations between Josephs Jack and the Receiver regarding Josephs Jack's representation of the Receiver and the terms of its termination.

27. On June 16, 2010, the Receiver and Josephs Jack executed a Mutual Release. Pursuant to paragraph 2 of the Mutual Release, Josephs Jack "release[d] and discharge[d] the Receiver of any claims, demands, damages, controversies, actions and/or causes of action of whatever kind or character relating to its payment for legal services rendered to the Receiver in connection with the Sentinel Bankruptcy Proceeding or the Bank of America litigation." (*See* Mutual Release, attached hereto as Exhibit 20.) Pursuant to paragraph 2, Josephs Jack agreed that "[t]he Receiver shall have *no* obligation to pay Josephs Jack any portion of the funds distributed to him or otherwise attributable to his claim in the Sentinel Bankruptcy Proceeding, and Josephs Jack shall have *no* claim to such funds." (*Id.* (emphasis added).) Josephs Jack also released all claims to any contingency fee related to the August 10, 2006 agreement executed between Josephs Jack and G2 and/or the March 4, 2009 agreement executed between Josephs Jack and the Receiver. (*Id.*)

**The Receiver's Objection to Claims by Sentinel Bankruptcy Claimants  
Who Participated in the BOA Litigation Settlement (the "Settling Parties")**

28. The Receiver hired new Florida counsel, Berger Singerman, LLP, to represent its interests in the Sentinel Bankruptcy. On June 21, 2010, the Receiver filed an objection to the claims of all the claimants in the Sentinel Bankruptcy who had participated in the BOA Litigation settlement (the "Settling Parties"), which was similar in substance to the objection filed by Cancellara and Reininghaus. (*See* Exhibit 21, Omnibus Objection, Sentinel Bankr., ECF No. 689.)

29. In July 2010, with the apparent authorization of Josephs Jack, the Settling Parties' attorney, John McLuskey, filed a response to the Receiver's objection and an objection to the Receiver's claim in the Sentinel Bankruptcy on behalf of both the Settling Parties and the JJAHC. (See Exhibit 22, Response, Sentinel Bankr., ECF No. 705.) In August 2010, the Receiver's counsel informed Josephs Jack that the firm may have violated its obligations under Florida Rule of Professional Conduct 4-1.9 by authorizing the objection and demanded that Josephs Jack withdraw the objection. (Ex. 14, Disqualification Motion at 10; Ex. 17, Burnett Aff., Ex. D.) The Receiver further stated he would be forced to seek appropriate sanctions and move to disqualify Josephs Jack from representing the JJAHC if Josephs Jack did not act immediately to remedy the situation. (*Id.*)

30. In September 2010, the Receiver, McLuskey, Josephs Jack, counsel for Cancellara and Reininghaus, and counsel for the Sentinel Bankruptcy Trustee participated in a mediation. (Ex. 14, Disqualification Motion at 10.) At the mediation it became apparent that Josephs Jack intended to continue its representation of the JJAHC with respect to Cancellara's and Reininghaus' objections, as well as the Receiver's objections, to the Settling Parties' claims, which the Receiver and his counsel believed to be in direct opposition to the Receiver's interests and in violation of Florida Rule of Professional Conduct 4-1.9. (*Id.*) Immediately after the mediation, the Receiver again demanded that Josephs Jack withdraw as counsel for the JJAHC. (*Id.* at 11.) Josephs Jack refused and the Receiver was forced to file a motion to disqualify Josephs Jack in the Sentinel Bankruptcy. (See *id.*) The Receiver's motion to disqualify was denied because the Bankruptcy Court determined the Receiver had waited too long to raise the issue. (Exhibit 23, Order, Sentinel Bankr., ECF No. 771.)

**The Receiver's Full Recovery of the \$1,000,000 Correll  
Invested in the Sentinel Ponzi Scheme**

31. Subsequently, on June 29, 2011, the Sentinel Bankruptcy Court issued its Order Sustaining Objections to Claims Satisfied in Whole or in Part through Settlement with Bank of America. (Ex. 2, Sentinel Bankr. Order, ECF No. 810.) As a result of the Receiver's successful objection to the Settling Parties' claims, the Receiver obtained a full recovery of the \$1,000,000, plus \$5,728.68 in interest, Correll invested in the Sentinel Ponzi Scheme. (See Exhibit 24, Trustee's Notice of Final Dividends to Creditors, Sentinel Bankr., ECF No. 954.)

32. At no time was G2 involved in the Receiver's efforts in the Sentinel Bankruptcy court, including litigation of the matters that resulted in the subject recovery. In fact, after the Receiver paid G2 the \$31,700 in 2007, as requested, the Receiver had no direct contact with G2. G2 did not contact the Receiver again until late 2011, after G2 learned of the Receiver's recovery in the Sentinel Bankruptcy.

33. The Receiver received the distribution from the Sentinel Bankruptcy Trustee on March 22, 2012. Until this Court makes a determination as to G2's claim to part of the distribution, the Receiver will not distribute any portion of the recovery to investors.

**THE CURRENT DISPUTE**

**G2's Claim to Part of the Sentinel Bankruptcy Distribution to the Receiver**

34. In a letter dated November 4, 2011, attached hereto as Exhibit 25, counsel for G2 contacted the Receiver's counsel "regarding the success commission owed by your client." In the letter, G2 stated it will seek the commission as well as attorneys' fees and costs if there is a dispute as to the success commission. (See Ex. 25.) G2 also demanded that the Receiver "hold in trust or interplead sufficient funds to pay these attorneys fees and costs in addition to the success commission," in the event of a dispute.

35. In a letter dated February 6, 2012, attached hereto as Exhibit 26, G2's counsel demanded that the Receiver remit to G2 a "20% success commission" in the amount of \$180,000. G2 also demanded that the Receiver deduct a 10% contingent fee from its distribution payable to Josephs Jack.

36. On February 7, 2012, counsel for Capital Options, LLC ("Capital Options") contacted the Receiver. (*See* Feb. 7, 2012 email, attached hereto as Exhibit 27.) The Receiver believes that Capital Options is one of the two members of G2, and that Capital Options is Rich Douglas' entity. Capital Options' counsel notified the Receiver of "an ongoing dispute between Mr. Goldsmith [a/k/a "Henry George"] and Capital Options," and stated that "G2 is the subject of a pending legal proceeding in California for the dissolution of G2." (*Id.*) Capital Options' counsel requested that the Receiver "confer with Capital Options" prior to making any payment to Mr. Goldsmith or G2. (*Id.*)

37. By letter dated February 10, 2012, attached hereto as Exhibit 28, the Receiver responded to G2's February 6, 2012 letter and informed G2 that, after careful review of this matter, "the Receiver does not believe that G2 is entitled to any further compensation from the payment of the Receiver's claim filed in the Sentinel bankruptcy case." As stated in the February 10, 2012 letter, the Receiver's recovery of the full \$1,000,000 invested by Correll in the Sentinel Ponzi Scheme was the sole result of the Receiver's efforts and was not related to or the result of any of G2's "sources and methods." G2 responded to the Receiver's February 10, 2012 letter on March 23, 2012, reiterating G2's demand for payment of a "success commission." (*See* Exhibit 29.)

#### **The Receiver's Objection to G2's Claim**

38. G2 apparently relies on the Asset Recovery Agreement entered into with Correll, which, in relevant part, provides: "G2 charges a commission of twenty percent (20%) (the

‘Commission Fee’) of any and all of the Claim Amount recovered and/or returned or obtained by any other method *through our sources and methods* to the Claimant after the execution date [of] this Agreement.” (See Ex. 3, Asset Recovery Agreement.)

39. The Receiver disputes any claim by G2 to the Receiver’s distribution from the Sentinel Bankruptcy. The Receiver also objects to any assertion by G2 that the Receiver owes Josephs Jack a contingency fee, which was expressly released at the time of the Receiver’s written settlement with G2.

40. In his February 10, 2012 letter, the Receiver informed G2 that its asserted right to any part of the Receiver’s distribution is a claim against the assets of the Receiver Estate, which must be adjudicated by this Court. Accordingly, for the reasons set forth below, the Receiver seeks an order from this Court rejecting G2’s claim and holding that G2 is not entitled to any part of the Receiver’s distribution from the Sentinel Bankruptcy. As stated in the Receiver’s February 10, 2012 letter, the Receiver will not distribute any portion of the distribution from the Sentinel Bankruptcy to investors until this Court has made a determination as to G2’s right to any success fee.

41. The Receiver never entered into an agreement with G2 directly; the contract G2 entered into was with Correll. When G2 contacted the Receiver in May 2007 and demanded payment, the Receiver had limited information available on the status of the Sentinel Ponzi Scheme. Relying on limited information and facts, the Receiver determined that the best course was to remain a part of Josephs Jack’s group of plaintiffs. However, as the Receiver learned subsequently, compared with the other plaintiffs in the BOA Litigation, Correll had no interactions with BOA employees, which ultimately resulted in the dismissal of Correll’s claim against BOA. Moreover, due to Correll’s unique position, the Receiver did not share in the

settlement of the JJAHC's claims in the BOA Litigation. G2 should have been aware of these facts by the time it contacted the Receiver demanding payment, if not when it entered into the agreement with Correll in June 2005.

42. The Receiver, not Josephs Jack or G2, filed a claim in the Sentinel Bankruptcy. As explained above, while Josephs Jack represented Correll and the Receiver in their capacity as members of the JJAHC, the Receiver ultimately was forced to terminate its engagement of Josephs Jack and obtain new counsel due to the conflict between the Receiver's and the Settling Parties' positions in the Sentinel Bankruptcy. Furthermore, after the Receiver terminated Josephs Jack, the law firm (*i.e.*, the "source and method") retained by G2, Josephs Jacks objected to the Receiver's claim and to the Receiver's objection to the Settling Parties' claim in the Sentinel Bankruptcy. Thus, Josephs Jack, the lawyers selected by G2, ultimately advocated *against* the Receiver's position, in an effort to reduce the Receiver's recovery in the Sentinel Bankruptcy. Solely as the result of the Receiver's successful litigation of the claim objections in the Sentinel Bankruptcy, the Receiver recovered the full amount of Correll's investment. Therefore, the recovery was the sole result of the Receiver's own efforts and was not related to or derived from G2's, or Josephs Jack's, "sources or methods."

43. In addition, although this figure is not precise, the Receiver has, as of the date of this filing, incurred professional fees in excess of \$190,000 in litigating the issues in the Sentinel Bankruptcy case described above *after* it became clear that Josephs Jack – the law firm selected by G2 – had a clear conflict of interest. Obviously, the Receiver has continued to incur fees and expenses in dealing with G2's ongoing demand for payment.

44. Finally, together the Receiver and Correll have already paid G2 \$41,700. In addition, in March 2010, Henry George, a G2 principal, received \$65,153.14 for G2's work



related to the Sentinel Bankruptcy. In short, G2 has been paid for its work in the Sentinel Bankruptcy, which is the only source of recovery from Sentinel obtained by the Receiver.

45. For the reasons stated above, the Receiver respectfully requests that this Court treat the Complaint filed by G2 as a claim in this receivership, deny G2's claim, and hold that G2 is not entitled to any portion of the \$1,005,728.68 distribution to the Receiver from the Sentinel Bankruptcy.

46. In the event that this Court construes the G2 engagement letter differently from the Receiver, it is evident that any work done by G2 that in any way related to Correll's claims occurred prior to the Receiver's appointment. Accordingly, if the Court determines that the "success fee" is due and payable under the terms of the engagement letter, the Receiver requests that this Court order that this claim be treated as an unsecured claim entitled only to a pro rata share of the amounts paid to other unsecured creditors, including investors.

Respectfully submitted, this 7th day of June, 2012.

/s/ J. David Dantzler, Jr.  
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*Attorneys for S. Gregory Hays, Receiver*

**CERTIFICATE OF SERVICE**

I do hereby certify that on June 7, 2012, I electronically filed the foregoing document with the Clerk of this Court using the CM/ECF system, which will automatically send notification of such filing to the following:

Timothy S. McCole

I further certify that on June 7, 2012, the foregoing has been served to the following non-CM/ECF participants by depositing a copy in the United States Mail with adequate postage thereon and addressed as follows:

*/s/ J. David Dantzler, Jr.*

\_\_\_\_\_  
J. DAVID DANTZLER, JR.

Georgia Bar No. 205125

**CERTIFICATE REGARDING CONFERENCE**

Under the circumstances of this case, Receiver's counsel has not conferred with claimant G2, LLC prior to filing this Motion.

*/s/ J. David Dantzler, Jr.*

\_\_\_\_\_  
J. DAVID DANTZLER, JR.

Ga. State Bar No. 205125

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
SHERMAN DIVISION

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p style="text-align: center;">Plaintiff,</p> <p>vs.</p> <p>TRAVIS E. CORRELL, individually and doing business as Horizon Establishment; et al.</p> <p style="text-align: center;">Defendants,</p> <p>and</p> <p>BANNER SHIELD, LLC; et al.</p> <p style="text-align: center;">Defendants Solely for Purposes of Equitable Relief.</p>	<p style="text-align: center;"><b>Lead Case</b></p> <p style="text-align: center;">Case No.: 4:05-CV-472 RAS</p> <p style="text-align: center;"><b>APPENDIX TO RECEIVER’S OBJECTION TO CLAIM OF G2, LLC AND, ALTERNATIVELY, FOR RESOLUTION AS TO DISPUTED CLAIM TO DISTRIBUTION TO RECEIVER IN <i>SENTINELFUNDS</i> BANKRUPTCY</b></p> <p style="text-align: center;"><b>Consolidated Case</b></p> <p style="text-align: center;">Case No.:4:07-cv-346 RAS</p>
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**APPENDIX TO  
RECEIVER’S OBJECTION TO CLAIM OF G2, LLC AND, ALTERNATIVELY,  
MOTION FOR RESOLUTION AS TO DISPUTED CLAIM TO  
DISTRIBUTION TO RECEIVER IN *SENTINEL FUNDS* BANKRUPTCY**

TAB	DOCUMENT
1	Complaint and Demand for Jury Trial, <i>Morningstar Holding Corp. v. G2, LLC</i> , D. Idaho, No. 1:10-cv-00439-BLW, Sept. 1, 2010, ECF No. 5.
2	Order Sustaining Objections to Claims Satisfied in Whole or in Part Through Settlement with Bank of America, <i>In re Sentinel Funds, Inc.</i> , Bankr. S.D. Fla., No. 06-11822 (“Sentinel Bankr.”), ECF No. 810.
3	Retainer and Asset Recovery Agreement by and between Correll & G2, LLC (“G2”).
4	June 16, 2005 RBC Centura check to G2 in the amount of \$10,000.
5	May 30, 2007 email from Rich Douglas to Scott Askue seeking payment to G2 of \$31,700 for fees and expenses incurred in February 2006 (\$16,700) and April 2007 (\$15,000).

TAB	DOCUMENT
6	May 15, 2007 G2 Invoice to Receiver showing that the sum represented "legal fees" related to the "Sentinel Theft Claim."
7	October 10, 2008 letter from Josephs Jack regarding "turmoil" with G2.
8	October 15, 2008 letter from Josephs Jack informing the Receiver that it was "reluctant to enter into a new retainer agreement for [Correll's] claim against Bank of America," because, <i>inter alia</i> , Correll is a "convicted felon and serving time in prison."
9	Defendant Bank of America's Memorandum in Support of Motion for Summary Judgment Dismissing Claims of Plaintiff S. Gregory Hays, as Receiver for Travis Correll, <i>Novotny Family Trust v. Fleet Bank</i> , In the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida, No. 07-003636 CACE 13, Sentinel Bankr., ECF No. 725-5.
10	Engagement Letter between Josephs Jack & Receiver.
11	Order Granting Amended Motion to Approve Stipulation for Settlement of Potential Claims Objections, Sentinel Bankr., ECF No. 588.
12	Application of Henry George Requesting Payment of Expenses Incurred in Assisting the Trustee and his Professionals in Prosecuting Fraudulent Transfer and Other Avoidance Claims, Sentinel Bankr., ECF No. 637.
13	Order Granting Application of Henry George Requesting Payment of Expenses Incurred in Assisting the Trustee and His Professionals in Prosecuting Fraudulent Transfer and Other Avoidance Actions, Sentinel Bankr., ECF No. 659.
14	Motion by S. Gregory Hays, Receiver, to Disqualify Josephs Jack, Sentinel Bankr., ECF No. 725.
15	Affidavit of S. Gregory Hays, Sentinel Bankr., ECF No. 725-4.
16	Omnibus Objection of Creditors Ken Cancellara and Rolf Reininghaus to Claims of Creditors Whose Claims Have Been Satisfied in Full or in Part Through Settlement of State Court Litigation Against Bank of America, N.A., Sentinel Bankr., ECF No. 673.
17	Affidavit of Charles R. Burnett, Sentinel Bankr., ECF No. 725-6.
18	Response by Josephs Jack Ad Hoc Committee of Unsecured Creditors in Opposition to Omnibus Objection Filed by Ken Cancellara and Rolf Reininghaus, Sentinel Bankr., ECF No. 676.
19	Notice of Filing Withdrawal by S. Gregory Hays, Receiver for Travis Correll, from Josephs Jack Ad Hoc Committee, Sentinel Bankr., ECF No. 677.
20	Mutual Release between Josephs Jack & Receiver.
21	Omnibus Objection of Gregory Hays, as SEC Receiver for Estate of Travis Correll to Claims of Creditors Whose Claims Have Been Satisfied in Full or in Part Through Settlement of State Court Litigation Against Bank of America, N.A., Sentinel Bankr., ECF No. 689.

TAB	DOCUMENT
22	Response by Rosalind G. Lecky and Novotny Family Trust in Opposition to Omnibus Objection Filed by Gregory Hays, Receiver for the Estate of Travis Correll, Based on <i>In Pari Delicto</i> or Alternatively to Subordinate Correll's Claim Pursuant to 11 U.S.C. § 510(c), Sentinel Bankr., ECF No. 705.
23	Order Denying Motion by Creditor Gregory Hays to Disqualify Josephs Jack, Sentinel Bankr., ECF No. 771.
24	Trustee's Notice of Final Dividends to Creditors, Sentinel Bankr., ECF No. 954.
25	November 4, 2011 letter from G2's counsel to Receiver's counsel "regarding the success commission owed by your client."
26	February 6, 2012 letter from G2's counsel to Receiver demanding remittance to G2 of "20% success commission" in the amount of \$180,000 and that the Receiver deduct a 10% contingent fee from its \$1,000,000 distribution payable to Josephs Jack.
27	February 7, 2012 email from Capital Options' counsel regarding "an ongoing dispute between Mr. Goldsmith [a/k/a "Henry George"] and Capital Options," and stating that "G2 is the subject of a pending legal proceeding in California for the dissolution of G2."
28	February 10, 2012 letter from Receiver responding to G2's February 6, 2012 letter and stating that, after careful review of this matter, "the Receiver does not believe that G2 is entitled to any further compensation from the payment of the Receiver's claim filed in the Sentinel bankruptcy case."
29	March 23, 2012 letter from G2 responding to Receiver's February 10, 2012 letter and reiterating G2's demand for payment of a "success commission."