

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

SECURITIES AND EXCHANGE COMMISSION, §
Plaintiff, §
v. §
TRAVIS E. CORRELL, GREGORY THOMPSON, §
DWIGHT JOHNSON, HARRY ROBINSON §
"ROBBY" GOWDEY, et al., §
Defendants, §
and §
BANNER SHIELD, LLC, HOSPITALITY §
MANAGEMENT GROUP, INC., CREATIVE §
WEALTH VENTURES and JTA ENTERPRISES, §
Relief Defendants. §

Lead Case
CASE NO.4:05-CV-472 RAS

SECURITIES AND EXCHANGE COMMISSION, §
Plaintiff, §
v. §
GLOBAL FINANCE & INVESTMENTS, INC. §
et al., §
Defendants, §
and §
USASSET & FUNDING CORP., et al. §
Relief Defendants. §

Consolidated Case
CASE NO. 4:07-CV-346 RAS

INTERIM JOINT STATUS REPORT

TO THE HONORABLE RICHARD SCHELL, UNITED STATES DISTRICT JUDGE:

COME NOW, Plaintiff in the above captioned cause, Securities and Exchange Commission (the "SEC") and S. Gregory Hays, the duly appointed, qualified and acting receiver in the above captioned cause (the "Receiver") and file this Interim Joint Status Report, as follows:

I.

TASKS REMAINING BY THE SEC

1. The SEC has essentially completed this action. The remaining tasks, except as stated otherwise by the Receiver, herein below, are as follows:

2. With regard to the named Defendants, the following remains to be accomplished:

a. **Travis Correll:** is a named (actually the lead) defendant in this action. He entered into an Agreed Judgment in this action on October 31, 2006 (docket # 179). He was indicted and convicted in *United States v. Correll*, in the United States District Court for the Northern District of Georgia, Atlanta Division, criminal case no. 1:07-CR-365-01-ODE on March 24, 2008, and sentenced to 144 (later reduced to 108) months of confinement which he is presently serving. As part of the criminal conviction, a restitution judgment in amount of \$29,164,934.98 was entered against him. Based upon the criminal conviction, counsel will seek SEC approval to request that he be dismissed from this action.

b. **Gregory Thompson:** is a named defendant in this action. He entered into an agreed judgment on October 21, 2006 as well (docket # 180). The agreed judgment reserved the issues of disgorgement and civil penalty. Thompson was indicted in the Western District of Texas, San Antonio Division on December 2, 2009 in *United States v. Gregory W. Thompson*, cause no. SA09CR948 (docket #3). In said action, the government is also seeking a restitution/forfeiture judgment. As is referenced by the Receiver, herein below,

the Receiver successfully recovered sufficient assets from Thompson to essentially recoup almost all of Thompson's ill-gotten gain from the Ponzi scheme. The SEC intends to file a motion for the Court to determine Thompson's disgorgement/civil penalty liability in order to finalize Thompson's involvement in this case.

c. **Dwight Johnson:** is also a named defendant herein, and agreed to a judgment as to liability on October 31, 2006 (docket # 182). Said judgment also reserved the issues of disgorgement and civil penalty. As is referenced by the Receiver, herein below, a dispute exists between the Receiver and Johnson regarding his accounting. The Receiver contends that Johnson profited by the Ponzi scheme by approximately \$1.78 million. Johnson contends that he was a "net loser." Accordingly, the SEC intends to file a motion for the Court to determine Johnson's disgorgement/civil penalty obligation in this action.

d. **Grant Cardno:** a judgment by default was entered against him on June 1, 2006 (docket # 129). The SEC intends to file a motion for the Court to determine the issues of disgorgement and civil penalty.

e. **Neulan Midkiff:** is a named defendant herein and entered into an agreed judgment as to liability on November 20, 2006 (docket # 191). He was indicted in the United States District Court for the District of Minnesota in case no. 06-cr-407 in *United States v. Midkiff*, and was convicted on October 16, 2008 and sentenced to be imprisoned for 180 months, and ordered to pay restitution of \$19,071,390.84. The SEC intends to file a motion for the Court to determine disgorgement and civil penalty.

f. **Travis Correll & Co., Inc.:** A default judgment was entered against this named defendant on June 1, 2006 (docket #127). The company is no longer in business and counsel intends to seek SEC authority to request that this defendant be dismissed.

g. **The Liberty Establishment, Inc.:** A default judgment was entered against this named defendant on June 1, 2006 (docket # 131). Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to request that this defendant be dismissed.

h. **Sovereign Capital Investments, S.A.:** A default judgment was entered against this named defendant on December 11, 2006 (docket # 196). Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to request that this defendant be dismissed.

i. **TNT Office Supply, Inc.:** This named defendant originally filed an answer; however, no judgment was ever rendered. The Receiver sold all of its assets during case administration and applied the proceeds to Thompson's potential disgorgement obligation. The company is no longer an ongoing concern, and counsel intends to seek SEC approval to request that this defendant be dismissed.

j. **Net Worth Group, Inc.:** Default judgment was rendered against this named defendant on June 1, 2006 (docket # 128). Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to request that this defendant be dismissed.

k. **Joshua Tree Group, LLC:** This named defendant filed an answer; however, no judgment has been rendered. This company was utilized by Midkiff as his vehicle to perpetuate the fraud. Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to request that this defendant be dismissed.

i. **Harry Robinson "Robby" Gowdey:** this named defendant is deceased. An agreed judgment as to liability was entered on October 31, 2006 (docket # 182). The Receiver settled with the representative of Gowdey's estate on August 31, 2009. The SEC intends to take no further action as to this defendant.

3. With regard to remaining relief defendants, the following remains to be accomplished:

a. **Banner Shield, LLC:** was a named relief defendant in this action, and was operated by Gowdey (now deceased) to perpetuate the fraud. Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to request that this defendant be dismissed.

b. **Creative Wealth Ventures, LLC:** a default judgment was entered against this named relief defendant on June 1, 2006 (docket # 125). Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to request that this defendant be dismissed.

c. **JTA Enterprises:** this named relief defendant filed an answer; however, no judgment was ever rendered against it. Counsel believes that this company is no longer an ongoing concern and intends to seek SEC approval to

request that this defendant be dismissed from the lead case (*SEC v. Correll, et al.*).

4. **Timing:** With regard to those defendants against which the SEC intends to file a motion seeking a disgorgement order/civil penalty, the SEC intends to have such motion(s) on file no later than **March 15, 2010**.

II.

TASKS REMAINING FOR THE RECEIVER

5. ***In re Sentinel Funds:*** In his capacity as Receiver for Travis E. Correll, the Receiver has submitted a \$1,000,000 claim in *In re Sentinel Funds, Inc.*, Case No. 06-11822-BKC-JKO a bankruptcy proceeding currently pending in the United States Bankruptcy Court for the Southern District of Florida. The bankruptcy trustee in the proceeding recently notified claimants that he will soon begin preparing his Final Report, in which he will request the authority to make distributions to investors. Barring any contingencies, the trustee expects to be in a position to make distributions to claimants within 30 to 60 days following the filing of his Final Report. The trustee currently anticipates that each claimant will receive a distribution of approximately 26.5% of his or her allowed claim. However, the amount that will ultimately be distributed to the Receiver may be less than 26.5% of his allowed claim of \$1,000,000. Several claimants are currently arbitrating the effect that an agreement (which was signed by Travis Correll, among others) may have on the amount the claimants are entitled to recover from the bankruptcy proceeding. The outcome of the arbitration could potentially reduce the Receiver's ultimate recovery from the bankruptcy proceeding significantly, and the Receiver likely will not receive any distribution until the arbitration has concluded. Due

to the pending arbitration, in which the Receiver is not a party, the Receiver is unable to reasonably estimate the timing of any recovery in this matter.

6. ***Funds Frozen in Offshore Account:*** The Receiver has determined that he may be able to assert a claim for the recovery of some portion of funds that may have been frozen in an offshore bank account. The Receiver believes that he may be able to prove that investor funds were ultimately transferred to the frozen bank account, and attempt to repatriate and recover those funds. However, a substantial amount of work would need to be undertaken to affect a recovery of the funds. The Receiver intends to discuss this issue, including the costs of pursuing his claims and the likelihood of recovery, with the SEC prior to undertaking further action to recover the funds.

7. **Gregory Thompson:** as is reflected above in the SEC's discussion of its remaining tasks (paragraph 2b) Thompson has been indicted. Prior to his indictment, the Receiver, in discussions with Thompson's counsel, Mr. Scott Baker, agreed that the Receiver had recovered substantially as much in liquidated funds (approximately \$1,167,629.37) as Thompson's ill gotten gain from the Ponzi scheme (approximately \$1,208,539.00). Although settlement documents were drafted and submitted to Mr. Baker, after numerous inquiries (the last communication was an e-mail from Mr. Baker promising to "get back" to counsel "next week" dated November 3, 2009), Mr. Baker never responded. Thereafter, his client (Mr. Thompson) was indicted. The Receiver has prepared supporting declarations for the SEC to file its motion to seek a disgorgement amount regarding Thompson. While the Receiver attempted to avoid this by seeking an agreement with Thompson regarding such obligation, due to the non-responsive nature of his counsel, such was not possible.

8. **Dwight Johnson:** the Receiver completed his analysis well over a year ago, and forwarded said analysis to Dwight Johnson's counsel, Mr. Scott Baker. According to the Receiver's current analysis, Johnson profited from the Ponzi scheme by \$1,785,189.57. The analysis originally submitted to Mr. Baker showed Johnson profited by \$2,377,264.57. Mr. Baker objected to this number and contended that Johnson was "net loser" and submitted an undocumented spreadsheet to support the same. Said spreadsheet indicated that Johnson had lost \$564,340.63. Substantial rhetoric was exchanged between counsel regarding the need for documentation and back-up for difference between the two accountings. The last communication with the Receiver's counsel from Mr. Baker was in June of 2009. In order to try to increase communication, one of the Receiver's staff analysts, Scott Askue, contacted Mr. Baker. Mr. Baker provided copies of check stubs and various handwritten bank account ledgers to Mr. Askue but did not provide definitive proof of transactions such as copies of cancelled checks. The only way to resolve the matter appears to be for the SEC to file a motion seeking a hearing to determine Johnson's disgorgement/civil penalty obligations. The Receiver's counsel has prepared declarations to support the SEC's motion regarding Johnson's disgorgement/civil penalty obligations.

9. **To Your Health:** there is \$40,000 frozen in an account owned by "To Your Health." According to his counsel, in 2005 (when the account was frozen) To Your Health was an assumed name for Dwight Johnson. The Receiver contends that this account should remain frozen until Johnson's disgorgement/civil penalty obligations can be determined.

10. **ATL, Inc.:** There is approximately \$120,000 frozen in an account that is derivative of the Creative Wealth Ventures, LLC (see paragraph 3b, *supra*). The Receiver intends to discuss this issue, including the costs of pursuing his claims and the likelihood of recovery, with the SEC prior to undertaking further action to recover the funds.

III.

SUMMARY

11. The actions remaining to be accomplished by counsel for the SEC involve seeking commission approval to dismiss numerous defendants who are either no longer an ongoing concern, have died, or have been criminally convicted and have large restitution judgments against them. Additionally, some defendants need to have disgorgement/civil penalty judgments determined. Counsel for the SEC believes that he can have the necessary approvals from the commission regarding dismissals, and motions with regard to disgorgement/civil penalty on file, by March 15, 2010.

12. The Receiver has six remaining actions. Two of those actions (Thompson and Johnson) will be obviated by the SEC filing motions regarding disgorgement/civil penalty. Two of the actions involve additional investigation by the Receiver and consultation with the SEC to determine whether or not assets will be sought (frozen offshore funds and ATL). Finally, two depend upon other proceedings, the To Your Health account is dependent upon an adjudication of Johnson's disgorgement/civil penalty obligation and Sentinel Funds is dependent upon the resolution of an ongoing bankruptcy proceeding and arbitration.

Respectfully submitted,

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