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1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF GEORGIA
3 ATLANTA DIVISION
4
5 SECURITIES AND EXCHANGE COMMISSION,
6 Plaintiff,
7 CIVIL ACTION FILE
8 vs.
9 NO. 1:04-CV-2763
10 MOBILE BILLBOARDS OF AMERICA,
11 INC., INTERNATIONAL PAYPHONE COMPANY,
12 TIGER MEDIA, INC., RESERVE GUARANTY TRUST,
13 MICHAEL A. LOMAS and MICHAEL L. YOUNG,
14 Defendants. VOLUME I

15

16

17 DEPOSITION OF
18 SCOTT HOLLENBECK

19

20 December 8, 2004

21 1:20 p.m.

22

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 Suite 400

24 Atlanta, Georgia

25 Lisa Fischer, CCR-B-1277, RPR, CRR

0002

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0004

1 INDEX TO EXAMINATIONS

2

3 Examination Page

4

5 Cross-Examination by Mr. Rue 7

6

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8

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0005

1 INDEX TO EXHIBITS

2

3 Exhibit	Description	Page
4 18	Subpoena	42
5 19	Listing of Accounts	88
6 20	Associate Agreement	104
7 21	UFOC	112
8 22	Composite Exhibit	116
9 23	Complaint	147
10 24	First Amended Complaint	150
11 25	The Webb Financial Group, Inc., Promotional Material	151
12 26	Surety Bond	157
13 27	Surety Bond	160

14

(Photocopies of Exhibits 1 through 27

15 have been attached to the original transcript,
the originals having been retained by
16 Mr. Dantzler.)

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1 (Disclosure pursuant to OCGA 9-11-28

2 (d): The party taking this deposition will
3 receive the original and one copy based on our
4 standard and customary per-page charges.
5 Copies to other parties will likewise be
6 furnished at our customary page rate.
7 Incidental direct expenses of production may
8 be added to either party where applicable.)

9

10 MR. RUE: This will be the
11 deposition of Scott Hollenbeck, taken in
12 the case of SEC versus Mobile Billboards
13 of America, et al. Mr. Hollenbeck's
14 deposition is taken pursuant to a
15 subpoena and a Notice of Taking
16 Deposition.

17 Are we in agreement that all
18 objections, except as to the form of the
19 question and the responsiveness of the
20 answer, are reserved until trial or other
21 hearing in this matter?

22 MR. COVINGTON: Correct.

23 MR. RUE: I spoke with you gentlemen
24 before we began, and Mr. Hollenbeck wants
25 to read and sign the deposition --

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1 MR. COVINGTON: That is correct.

2 MR. RUE: -- transcript.

3 SCOTT HOLLENBECK,

4 having been first duly sworn, was examined and

5 testified as follows:

6 CROSS-EXAMINATION

7 BY MR. RUE:

8 Q. Mr. Hollenbeck, my name is Alex Rue.

9 I'm here on behalf of the Securities and

10 Exchange Commission, and I'm going to ask you

11 some questions today. If for some reason or

12 another you don't understand me, please

13 interrupt me.

14 A. Yes, sir.

15 Q. And let me start by asking you some

16 fundamental, basic questions, Mr. Hollenbeck.

17 Where do you live?

18 A. I live in Kernersville, North

19 Carolina. The address is 6128 Roxbury Court

20 in Kernersville, North Carolina.

21 Q. How long have you lived at that

22 address?

23 A. I've lived at that address for three

24 years. I've lived in Kernersville since 1992.

25 Q. Where did you live before

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1 Kernersville?

2 A. I lived in Pittsburgh, Pennsylvania,
3 the Butler, Pennsylvania, area, which is a
4 suburb of Pittsburgh.

5 Q. How old are you?

6 A. I'm 49 and holding.

7 Q. What's your educational background,
8 sir?

9 A. I got a bachelor's from Bob Jones
10 University in 1977. I got a master's degree
11 in 1978 from Bob Jones University. And I got
12 a doctorate from Trinity College in
13 Jacksonville, Florida, in 1987.

14 Q. And that's --

15 A. -- a doctorate in theology.

16 Q. Are you ordained as a minister in
17 any church?

18 A. I was, yes, sir.

19 Q. Do people sometimes call you
20 Dr. Hollenbeck?

21 A. Sometimes, yes, sir.

22 Q. Do you have "Dr. Hollenbeck" on your
23 business card?

24 A. I do.

25 Q. I suppose you have gone to some

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1 sorts of training in the nature of continuing
2 education or professional training --

3 A. Yes, sir.

4 Q. -- after you got your doctorate from
5 Trinity?

6 A. Yes, sir.

7 Q. And was it in 1987?

8 A. 1987.

9 Q. When did you graduate from high
10 school?

11 A. 1973.

12 Q. At a school in the Pittsburgh area?

13 A. In Jacksonville, Florida. I'm from
14 a family of nine adopted children and was
15 adopted when I was 12 in Jacksonville,
16 Florida, and went to high school at Jefferson
17 in Jacksonville.

18 Q. I'm sorry. I missed it. What year
19 did you say you graduated?

20 A. Graduated in 1973.

21 Q. And then you went straight to Bob
22 Jones University and went straight through and
23 got your degree?

24 A. Yes, sir.

25 Q. And then you got your master's

0010

1 degree?

2 A. What happened is I had a trust fund
3 that had been set up from my parents. My
4 parents were killed in a car accident. And it
5 paid for our way through college. The four of
6 us oldest children are real brothers and
7 sisters. And I played the trombone, and I
8 traveled with the ensemble from Bob Jones
9 University and saved that money to get my
10 master's and immediately went into the
11 master's program the very next year.

12 Q. You got your master's in 1978?

13 A. Yes, sir.

14 Q. Now, after that, did you go to work?

15 A. I did. I went to be dean of
16 students at Fairhaven College in Chesterton,
17 Indiana. And I was associate pastor there at
18 that church and was in charge of the music,
19 and then dean of students over the private
20 college that they had. And I traveled for the
21 college and represented the school to recruit
22 students and also to help raise funding for
23 their dormitories.

24 Q. And how big of a school is Fairhaven
25 College?

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1 A. The church itself runs around 3100
2 in attendance, the college about 150 to 200
3 students.

4 Q. And is it an accredited four-year
5 college?

6 A. No, sir. It's not accredited. It's
7 a private religious college.

8 Q. How long did you work for Fairhaven
9 College?

10 A. I was there for 11 years.

11 Q. So that would have been until about
12 1988?

13 A. Yes, sir, that's right.

14 Q. And during that time, you got your
15 Ph.D. from Trinity College?

16 A. Yes.

17 Q. And tell me about that. Did you
18 attend classes?

19 A. On site was just minimal, but it was
20 mainly doing correspondence.

21 Q. How many years did that take you to
22 accomplish?

23 A. Five years.

24 Q. And how much time basically was it
25 on site?

0012

1 A. A summer program where you would do
2 it for a month or -- about a month.

3 Q. Are you married?

4 A. I'm married, yes, sir.

5 Q. Got kids?

6 A. I do.

7 Q. How old are they?

8 A. I have four children. I'm in my
9 second marriage. And I have a boy Stephen
10 that was from my wife. He was two years old,
11 and I adopted him when we got married.
12 Stephen is a sophomore. My other three
13 children, Joshua is also a sophomore in
14 college. They room together at Clearwater
15 Christian College in Clearwater, Florida. My
16 oldest boy, Daniel, is getting his master's at
17 Trinity College in Jacksonville. And my
18 daughter, Rachel, is getting married in
19 December, December 17.

20 Q. After you left Fairhaven College,
21 what did you do for employment?

22 A. Went to Pittsburgh, Pennsylvania.
23 And I in 1989 started with Prudential
24 Securities and Prudential Insurance selling
25 insurance and securities and variable

0013

1 annuities.

2 Q. Kind of a dramatic career change.

3 Can you explain it to me, please.

4 A. I can. I traveled full time for the
5 college every week to present the college to
6 students and Christian schools trying to
7 recruit them to come -- I was on the road full
8 time and lost my family having been on the
9 road full time. And I moved to Pittsburgh,
10 Pennsylvania, to an associate that was on the
11 staff with me at Fairhaven who went to start a
12 church in Pennsylvania.

13 He introduced me to my wife that I'm
14 married to now. We had our anniversary this
15 weekend. We've been married 15 years.

16 And when I went to Pennsylvania, he
17 knew I was in the area of helping with raising
18 capital for the college, the money for the
19 college and things, and introduced me to a man
20 that was with Prudential Securities in his
21 church. And I went and interviewed and took
22 the job with them.

23 Q. Now, when you worked for Prudential
24 Securities, what was your job title?

25 A. I was an agent.

0014

1 Q. Registered rep?

2 A. Yes, sir.

3 Q. Did you take some training to get
4 your securities license?

5 A. Yes, sir.

6 Q. Can you tell me about that, please.

7 A. I went to classes in the evening and
8 studied the books for the Series 6 and for the
9 Series 63 and for Blue Sky and took the test.

10 Q. And passed the first time?

11 A. Yes, sir. And then had continued
12 training courses with Prudential Securities.

13 Q. So you worked for Prudential
14 Securities from 1989 --

15 A. To 1992.

16 Q. -- until 1992? And all of that time
17 was with Prudential?

18 A. Yes, sir.

19 Q. In the Pittsburgh area?

20 A. That's right.

21 Q. Who was your branch manager there
22 during that time?

23 A. His name was Joe Belmondo. The man
24 that I -- and I knew Joe Belmondo very little
25 because he traveled a lot. My main advisor

0015

1 was Jim Crooks.

2 Q. Now, while you were at Prudential
3 Securities, did you have any customer
4 complaints against you?

5 A. No, sir.

6 Q. Did you have any disciplinary
7 actions by the firm?

8 A. No, sir.

9 Q. Or by any regulator?

10 A. No, sir.

11 Q. What sorts of products did you sell
12 when you were at Prudential?

13 A. Life insurance, a lot of what they
14 called variable life, which was variable
15 appreciable life where a person would buy a
16 life insurance policy, and the money went into
17 mutual funds that were sponsored by
18 Prudential, and the money would grow in the
19 mutual funds inside the life insurance
20 product. That was what was really pushed at
21 that time.

22 The man that was the president of
23 Prudential came out with a product called
24 Living Needs Benefit, and they were the first
25 company to have that product on their life

0016

1 insurance product where if a person had cancer
2 or had a terminal disease, they would be able
3 to get money out of their contract before they
4 died to help pay for medical expenses.

5 Q. Did you sell mutual funds?

6 A. Yes, sir.

7 Q. What families? Prudential families?

8 A. Mainly Prudential families and
9 Putnam mutual funds. Prudential did a lot
10 with Putnam.

11 Q. How did you do financially with
12 Prudential?

13 A. Very well. I was the rookie of the
14 year for them in our area my first year and
15 then had a very good career with them those
16 years I was there.

17 Q. Can you give me a ballpark figure of
18 how much income you were earning a year.

19 A. \$100,000 to \$150,000.

20 Q. Now, when did you leave Prudential?

21 A. I left there in '92.

22 Q. And can you explain why you left
23 there and where you went.

24 A. Yes. I left Prudential Securities
25 to come to North Carolina. There is a

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1 Christian school and a large church that I had
2 been very well acquainted with in North
3 Carolina, and I wanted to put my boy in that
4 Christian school. And the pastor and his son,
5 co-pastors, were very close friends; and I
6 went and had a meeting with them and decided
7 to make the move to have my family move to
8 North Carolina and put him in the Christian
9 school there.

10 Q. And the Christian school is in
11 Kernersville?

12 A. Walkertown, which is a suburb of
13 Kernersville. Gospel Light Christian School
14 is the name of the school and the church.

15 Q. And what did you do for a living
16 when you got to --

17 A. When I got there, I was with a
18 company called Hege & Associates, which is an
19 independent agency that sold insurance
20 products and mutual funds. And a man that was
21 a deacon at a Gospel Light asked me to have an
22 interview with them; and I made the decision
23 to, instead of moving with Prudential and
24 being an agent with Prudential, to go to
25 Hege & Associates and work with them.

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1 Q. And how long were you with
2 Hege & Associates?

3 A. I was with them until 1995.

4 Q. And then where did you go?

5 A. And then I went with The
6 Webb-Elledge Group, which is Jack Elledge.
7 It's called The Webb-Elledge Group. And the
8 way I was introduced to that group, I was in
9 what's called the inner circle for Integon
10 Insurance Company and was asked to speak at a
11 convention for them. Jack Elledge was their
12 number one producer at Integon, and he asked
13 me to consider coming to Statesville and
14 working in his firm with him and eventually
15 possibly taking over the firm where he could
16 retire eventually.

17 Q. And so when you moved from
18 Hege & Associates to The Webb-Elledge Group,
19 you moved from Kernersville to Statesville?

20 A. Statesville is only 37 miles from
21 Kernersville. So I commuted back and forth,
22 with the intention that he wanted me to move
23 to Statesville. After I had been with them
24 for two years, I realized I loved the
25 Kernersville area. I didn't want to leave the

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1 church I was in. And so I then made the
2 decision to be on my own and stay in
3 Kernersville and not pursue taking over the
4 Elledge firm.

5 Q. So you were with Webb-Elledge from
6 '95 --

7 A. -- to about '97, '98, something like
8 that.

9 Q. And you then went out on our own?

10 A. Yes, sir.

11 Q. And what business name did you
12 operate under?

13 A. Under Webb Group. I still did
14 business with Jack Elledge and them during
15 that time and then ended up having just Webb
16 Group instead of Webb-Elledge. I was still
17 with The Webb-Elledge Group during the time I
18 was in Kernersville.

19 Q. And is Webb Group a corporation?

20 A. I have my own company. It was d/b/a
21 Webb Group because that's what my clients knew
22 from my affiliation before. But I have an
23 incorporation.

24 Q. When did you form that?

25 A. That was in 2000, I think.

0020

1 Q. And what's the name of that
2 corporation?

3 A. The Webb Financial Group,
4 Incorporated.

5 Q. And is that the business name that
6 you operate under today?

7 A. Yes, sir.

8 Q. Who was your supervisor at
9 Hege & Associates?

10 A. Ed Hege is the owner of
11 Hege & Associates, and he was my supervisor.
12 We all were associates pretty much and each
13 had our own office, and we did not get
14 a W-2. We all were self-employed at
15 Hege & Associates.

16 Q. So you didn't go to work every day
17 at an office that was Hege & Associates'
18 office?

19 A. Well, he had a building, and all of
20 us had separate -- we paid rent for our office
21 space, but we were not employed by Hege &
22 Associates. In other words, we received 1099
23 forms from the different companies that we
24 worked with.

25 Q. And your office was inside of an

0021

1 office?

2 A. My office was inside his office
3 building, yes, sir.

4 Q. Was it inside his offices?

5 A. The office was a lot like this, I
6 think, in the fact that you had a reception
7 area. And I had an office upstairs on the
8 second floor. He had an office. And there
9 were about eight agents.

10 Q. So you-all shared the same
11 receptionist?

12 A. Yes, sir. And then I paid rent on a
13 monthly basis for my space.

14 Q. And the products you sold while you
15 were at Hege & Associates were the same sorts
16 of insurance and mutual fund products that you
17 sold when you were with Prudential?

18 A. Yes, sir.

19 Q. And you moved your securities
20 license to Hege & Associates; is that correct?

21 A. To a company called FSC Securities.
22 That was the company that was sponsored by
23 Hege & Associates.

24 Q. So that was the broker-dealer --

25 A. -- that they used.

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1 Q. Whose products did you sell at
2 Hege & Associates?

3 A. Several insurance companies'.

4 Q. One would be Integon?

5 A. Would be Integon, which their home
6 office was there in Winston-Salem;
7 Presidential Life -- there are like six
8 different companies -- Clarica Life; and then
9 we sold mutual funds with AIM and Putnam and
10 the different mutual fund companies.

11 Q. Through FSC?

12 A. Through FSC Securities, yes, sir.

13 Q. Any customer complaints while you
14 were with Hege & Associates?

15 A. No, sir.

16 Q. Disciplinary action?

17 A. No, sir.

18 Q. I guess FSC had a compliance
19 program?

20 A. Yes, sir. We went there yearly to
21 go through their -- they had a convention each
22 year.

23 Q. Was Hege & Associates what they call
24 an office of supervisory jurisdiction for --

25 A. An OSJ. And when I moved from

0023

1 Hege & Associates to Webb-Elledge,
2 Jack Elledge was then the OSJ, and
3 Jim Staples. Jim Staples was the securities
4 end of our firm there.

5 Q. At The Webb-Elledge Group?

6 A. Yes, sir.

7 Q. And you were still affiliated and
8 your license was still with FSC Securities?

9 A. Yes, sir.

10 Q. Did your product mix change when you
11 moved to The Webb-Elledge Group?

12 A. No, sir. Just a few more insurance
13 companies, Lamar Life being one of them.
14 Lamar Life had a product that worked on having
15 a supplemental retirement grow in their
16 subaccount with the life insurance and the
17 product being together, and so we sponsored
18 that product with Lamar Life.

19 Q. So going back to the beginning of
20 your career with Prudential, we talked about
21 you getting a securities license. It would
22 also be fair to say that you got an insurance
23 license?

24 A. Yes, sir.

25 Q. First in Pennsylvania and then in

0024

1 North Carolina?

2 A. Yes, sir.

3 Q. And did you take training for that?

4 A. Yes, sir.

5 Q. And any complaints against you with
6 your insurance license?

7 A. No, sir.

8 Q. No disciplinary action with regard
9 to that?

10 A. No, sir.

11 Q. Then in '97 you moved effectively to
12 your own business, The Webb Group?

13 A. Yes, sir.

14 Q. And you still kept your securities
15 license with FSC?

16 A. With FSC Securities.

17 Q. And your supervisor was then --

18 A. -- Jim Staples, which was still
19 under the roof of The Webb-Elledge Group.

20 Q. And you essentially do business
21 under the name of The Webb Group today?

22 A. Yes, sir.

23 Q. Except The Webb Group is Webb
24 Financial, Inc., doing business as The Webb
25 Group?

0025

1 A. Yes, sir.

2 Q. Now, when did your relationship with
3 FSC terminate?

4 A. That terminated in 2002. I received
5 a notice from FSC Securities telling me that I
6 was selling a product that was not approved by
7 them, being Mobile Billboards. And I
8 immediately said to them that I disagreed with
9 their assumption because Mobile Billboards was
10 not a security and it was a fixed income
11 product. And selling fixed annuities with
12 USG, I didn't feel I was in conflict of doing
13 anything. They said I was selling away
14 because I was selling a product that was not
15 approved by them.

16 I, of course, gave them the examples
17 of selling USG annuities and Presidential Life
18 fixed annuities, that that does not go through
19 the umbrella of FSC Securities, and this was a
20 fixed income product, the same as that type of
21 product. They then wanted to fine me \$5,000
22 for selling away, and the NASD suspended me
23 for 30 days and said I could come back to the
24 securities market if I paid the \$5,000 fine.

25 I chose not to pay the \$5,000 fine

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1 because I felt I did not do wrong on selling
2 the product that was not a security and asked
3 at that time to be terminated by FSC
4 Securities.

5 Q. When was the NASD disciplinary
6 action? Was that in 2003?

7 A. 2002 is when I got the notice from
8 FSC Securities. And through that process,
9 then I got the notice from the NASD.

10 Q. Sometime later?

11 A. I think that was 2003, probably six
12 to eight months later.

13 Q. As I understand it, it is your
14 testimony that -- when did you actually quit
15 working for FSC, quit selling mutual funds and
16 those products?

17 A. I went through the process to try to
18 convince them of my position. And when I
19 realized that was not going to happen, then I
20 terminated.

21 Q. And about when --

22 A. That would have been 2002, 2003, in
23 that period.

24 Q. And then since that time, you
25 haven't sold securities products?

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1 A. No, sir.

2 Q. You haven't sold mutual funds and
3 you haven't sold --

4 A. No, sir, variable annuities.

5 Q. Or any of that?

6 A. No, sir.

7 Q. But you may well have sold mobile
8 billboards?

9 A. Yes, sir.

10 Q. And it's your testimony, as I
11 understand it, that you voluntarily left FSC?

12 A. I asked them -- I sent a letter
13 wanting to resign. They at that time were
14 upset and said, no, we're going to terminate
15 you. So they have with NASD that I was
16 terminated, whereas I asked to be -- I asked
17 to resign from that firm.

18 Q. And at that point you lost your
19 Series 6 license?

20 A. Yes, sir.

21 Q. And your 63?

22 A. Yes, sir.

23 Q. Did you ever have any securities
24 licenses other than the 6 and 63?

25 A. No, sir.

0028

1 Q. And you were never registered to
2 sell in any state other than Pennsylvania and
3 North Carolina?

4 A. I had securities licenses in
5 Tennessee and in Virginia because it was a
6 borderline of North Carolina.

7 Q. Was the same true when you were in
8 Pennsylvania? You had Ohio and West Virginia?

9 A. Right, yes, sir, bordering states.

10 Q. Other than this disciplinary action
11 that we've talked about with the NASD and the
12 selling-away problem, so characterized, with
13 FSC, have you ever been the subject of a
14 disciplinary complaint in the brokerage
15 business?

16 A. No, sir; except for my surprise with
17 the Secretary of State when they knocked on my
18 door concerning the cease and desist with
19 Mobile Billboards.

20 Q. So as I understand that, sometime in
21 late April of this year, you were served with
22 a cease and desist order by the State of North
23 Carolina ordering you to cease and desist
24 selling mobile billboards?

25 A. Yes, sir. And that was personally

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1 delivered to me, just so you know that. It
2 was a big surprise.

3 Q. Where was it delivered to you?

4 A. To my office.

5 Q. Do you recall who delivered it?

6 A. Yes, sir. I came to the office and
7 was just preparing to go on another call and
8 got a knock on the door, and they walked in,
9 and it was John Curry and Cheryl Young.

10 Q. Now, you would think I ought to be,
11 but I'm not versed in cease and desist
12 proceedings, including North Carolina cease
13 and desist proceedings. But my understanding
14 is after they file a C&D on you in North
15 Carolina, there is some process that you can
16 go through to challenge the validity of that;
17 is that correct? Is that your understanding
18 also?

19 A. I don't know that for sure. I did
20 not do that.

21 Q. That's the question I wanted
22 answered anyway.

23 A. As soon as the cease and desist took
24 place, I stopped selling immediately, and I
25 immediately sought counsel. And I asked

0030

1 associates if they knew a securities attorney,
2 somebody that I could get to help me
3 understand. This was all brand-new to me. I
4 was shocked when I got the visit at my door.

5 Needless to say, it was a day that
6 I'll never forget. I had no idea until that
7 day that Mobile Billboards was a scam. I had
8 never had one inkling of information to tell
9 me otherwise. Every experience I'd had with
10 them had been positive, and I was in shock
11 when I got the delivery.

12 Q. Well, I want to come back to a
13 little bit of that in a minute, but first I
14 want to follow up on your earlier answer that
15 you did nothing to challenge this.

16 A. Yes, sir.

17 Q. So as far as you know, that cease
18 and desist order is final against you?

19 A. Yes, sir.

20 Q. And when was that date? Do you
21 remember the date?

22 A. It was April 26. I might be wrong
23 on the day, but it was the end of April.

24 Q. It was my understanding it was
25 somewhere near the end of April. Do you

0031

1 remember what day of the week it was that they
2 came to your office door?

3 A. I don't. I just know I was shocked.
4 I don't. I'm sorry. I don't remember the
5 date.

6 Q. You said, when you were describing
7 that, that was the first day that -- you said
8 something about that was the first time you
9 realized or you learned that Mobile Billboards
10 of America was a scam. What did you learn
11 when they served the C&D on you that let you
12 know it was a scam?

13 A. Nothing that they said to me then
14 let me know it was a scam. What I'm saying to
15 you is it's the first piece of information I
16 had that these people were being attacked by
17 the SEC and by the Secretary of State and by
18 everybody.

19 Q. Now, did you learn in April that
20 Mobile Billboards had anything to do with the
21 United States Securities and Exchange
22 Commission?

23 A. I didn't know anything about that,
24 no, sir. I'm talking about the Secretary of
25 State.

0032

1 Q. You're talking about the North
2 Carolina regulators?

3 A. Yes, sir.

4 Q. And that was the first that you
5 learned that they had any problems with those
6 folks?

7 A. Yes, sir.

8 Do you mind if I comment on your
9 question on why I didn't challenge?

10 Q. No, I don't mind. Go ahead and tell
11 me.

12 A. The reason I did not challenge the
13 situation is because of the meeting that I had
14 that day.

15 Q. And who did you have a meeting with
16 that day?

17 A. The meeting was with John Curry and
18 with Cheryl Young.

19 Q. And that meeting took place at or
20 about the time they delivered the cease and
21 desist order to you?

22 A. It was that day. They delivered
23 that and asked me to sign it on that day.

24 Q. And then you sat down with them and
25 had a meeting?

0033

1 A. Right. They just said to me, do you
2 mind if we ask you some questions? And we sat
3 down, and they proceeded to ask me about FSC
4 Securities and my situation with being
5 terminated from FSC Securities because of
6 Mobile Billboards and asked me if I had made
7 that known to every person I had talked to
8 from that point on.

9 Q. And your answer to that question
10 was?

11 A. And I said, no, sir. I didn't know
12 I was supposed to do that.

13 And Mr. Curry then said, we are
14 going to arrange a hearing, and we're going to
15 do what we can to have you put in prison.

16 And so I was shocked. I was scared.
17 And so it never entered my mind to try to
18 challenge the cease and desist. All I was at
19 that time doing was trying to -- I've never
20 been in trouble with the law before, and I was
21 scared to death.

22 Q. I guess I'm supposed to ask you
23 those questions. You've never been charged
24 with a crime?

25 A. No, sir.

0034

1 Q. Nothing beyond traffic tickets?

2 A. No, sir.

3 Q. Have you ever been a defendant in a
4 lawsuit in connection with any of your
5 business activities?

6 A. No, sir.

7 Q. So it would be fair to say that the
8 only lawsuit that you've been a participant in
9 had to do with your matrimonial affairs?

10 A. Yes, sir.

11 Q. Have you ever sued anybody?

12 A. No, sir.

13 Q. Have you ever been deposed before?

14 A. No, sir.

15 Q. What else did Mr. Curry and
16 Ms. Young tell you during that meeting?

17 A. That I was going to be investigated
18 because of my involvement with Mobile
19 Billboards and that they were going to try to
20 show that I had committed fraud by the fact
21 that I had not relayed the information to my
22 clients of what's going on with Mobile
23 Billboards. The first indication I had that
24 things were going awry with Mobile Billboards
25 was that day.

0035

1 Q. Had you ever learned that Mobile
2 Billboards had been the subject of cease and
3 desist orders in other states?

4 A. No, sir. And, in fact, I'll say
5 this about that: We had been informed that
6 they were proud of the fact they had not had
7 cease and desist orders in other states.

8 Q. Now, the cease and desist order that
9 was served on you at the end of April 2004,
10 did that come after the cease and desist order
11 was entered against Mobile Billboards?

12 A. I don't know that for sure. My
13 first indication of any problem at all was

14 when I got my cease and desist. I don't know
15 if they were on the same day that the cease
16 and desist by the State was done or not for
17 the whole state. I don't know if mine was
18 delivered to me personally the same time
19 everybody got their cease and desist. I'm not
20 positive.

21 Q. Have you subsequently learned that
22 Mobile Billboards and some of its principals
23 were the subject of a cease and desist order
24 in North Carolina?

25 A. Yes, sir.

0036

1 Q. And have you had any participation

2 in that ongoing litigation?

3 A. No, sir.

4 Q. Did you have any deal or any
5 arrangements made with you -- did Mobile
6 Billboards commit to pay any legal expenses or
7 to indemnify you for any legal expenses that
8 you incurred as a result of selling their
9 product?

10 A. No, sir.

11 Q. Well, after the entry of the C&D
12 against you, how have you been sustaining
13 yourself and your family?

14 A. I do consulting by going and
15 traveling to churches and do seminars on
16 Biblical principles of finance and help them
17 to raise capital for building projects. And
18 from my experience I had in the past with
19 Fairhaven College, I help them with raising
20 capital by stewardship programs and things and
21 get consulting fees through that.

22 Q. Are you selling any sort of a
23 financial product at this time?

24 A. Yes, sir.

25 Q. And what is that?

0037

1 A. It's a private equity fund that has
2 a fixed rate that you -- it rolls every 12
3 months and can be used to get a quarterly
4 distribution or let the money accumulate, and
5 it is not a security.

6 Q. Is that a product that you put
7 together yourself?

8 A. No, sir. It was put together by
9 John Colvin.

10 Q. Who is Mr. Colvin?

11 A. Mr. Colvin is a man that I met
12 through Merchant Capital. He was a compliance
13 officer and met me and told me that he could
14 help us with a product. He knew I did the
15 work with the churches. And he then formed
16 this product that could be used to help them
17 with their loans and their money to raise
18 capital for their building projects.

19 Q. Did Mr. Colvin come to you as the
20 compliance officer for Merchant Capital and
21 explain this product to you?

22 A. No. What happened was I went to a
23 compliance meeting at Merchant Capital in
24 Brentwood, Tennessee, and met Mr. Colvin
25 there, and he knew of my involvement of

0038

1 consulting with churches. And I asked him if
2 he knew of something that would be a
3 possibility -- at that time Mobile Billboards
4 as a seven-year product is not something that
5 would work at all to help the situation
6 because of the seven-year time frame. And I
7 asked if he knew of something that would work
8 that would be a fixed product, not involved in
9 the market where it would go up and down, that
10 they could set a set rate and a set payment.
11 And he said, yes, he could help with that.

12 Q. Did Mr. Colvin say he could help you
13 with that on behalf of Merchant Capital, or
14 was that separate?

15 A. It was separate.

16 Q. I wanted to make that clear.

17 A. It had nothing to do with Merchant
18 Capital. Merchant Capital was helping me with
19 that need at the time by the fact that
20 Merchant Capital was a three-year product and
21 was giving quarterly distributions. And
22 Mobile Billboards I mainly used to help people
23 with needing monthly income where they were
24 set for a seven-year period and would get a
25 check every month.

0039

1 Q. I guess it would be fair to say that
2 in the process of training for and obtaining
3 your Series 6 and in the continuing education
4 that you have taken or you took every year, as
5 I understand it, after that, you learned
6 something about financial products?

7 A. Yes, sir.

8 Q. And you learned something about the
9 concept of suitability?

10 A. Yes, sir.

11 Q. And what does "suitability" mean to
12 you?

13 A. Making sure that the monies that are
14 invested are in a safe vehicle so that a
15 person does not have their life ruined because
16 they have put all their eggs in a basket that
17 is going to be destroyed.

18 Q. And I guess also in your training as
19 a securities rep, you were taught something
20 about making an assessment about the risk
21 tolerance of your various customers?

22 A. Yes, sir.

23 Q. And so you studied things like
24 senior citizens tended to be less
25 risk-tolerant and were looking for products

0040

1 that were stable and safe and that other
2 investors were looking for more aggressive
3 growth, and some people were actually willing
4 to speculate?

5 A. Yes, sir.

6 Q. And I guess as a part of your
7 training as a securities broker and I guess as
8 a part of your practice as you engaged in that
9 business, you helped your clients fill out new
10 account forms if they became new clients with
11 your firm?

12 A. Yes, sir.

13 Q. And in filling those new account
14 forms out, there was always something on them
15 that had to do with their risk tolerance?

16 A. Yes, sir.

17 Q. And there were other facts on those
18 new account forms or there were requests for
19 other facts on those new account forms from
20 which the compliance officers of the various
21 firms that you worked for could make a
22 determination and you could make a
23 determination as to whether the products being
24 sold were suitable for the investors?

25 A. Yes, sir.

0041

1 Q. And I guess one of the things that
2 you had to consider with your clients when
3 they were looking at new investments would be
4 whether they could afford to suffer the loss
5 that could take place in connection with the
6 investment?

7 A. Yes, sir.

8 Q. And I guess you knew that some
9 people, because of their financial situation
10 and their age and their need for income and
11 stuff, just simply couldn't afford to take --

12 A. A risk.

13 Q. -- the same kinds of risks that
14 perhaps someone younger could afford to take
15 with a small portion of their money?

16 A. Yes, sir.

17 Q. When you were working in the
18 securities business or afterwards, did you
19 help your clients with any estate planning
20 kinds of issues?

21 A. I have an attorney by the name of
22 Mark Ingersoll that went to Bob Jones
23 University. So we had some background that
24 was common. And I would refer estate planning
25 issues to Mark, and he would help with the

0042

1 estate planning of things, and I would provide
2 the insurance products to meet those needs
3 after he had done the estate planning.

4 Q. In an effort to market the products
5 you were selling either when you were a
6 registered rep or subsequently, did you ever
7 put on seminars for people that had to do with
8 estate planning issues?

9 A. Mark Ingersoll and I did several
10 seminars ourselves for several of the banks in
11 the area to talk about investments and estate
12 planning, and we both talked in those. He
13 talked on the estate planning part of the
14 seminar.

15 (Exhibit 18 was marked for
16 identification.)

17 Q. (By Mr. Rue) I'm going to show you
18 a document that's been marked as Exhibit 18 to
19 your deposition, Mr. Hollenbeck. Are you
20 familiar with this document?

21 A. Yes, sir.

22 Q. If you look at the last page of the
23 document, is it true that this was delivered
24 to you personally on November 3 at about
25 12:39 p.m. --

0043

1 A. Yes, sir.

2 Q. -- by whoever this process server
3 was?

4 A. Yes, sir.

5 Q. And the address that it was
6 delivered to is 935-N East Mountain Street in
7 Kernersville?

8 A. Yes, sir.

9 Q. What is that address?

10 A. That's my office.

11 Q. This is the subpoena pursuant to
12 which you're here today, isn't it?

13 A. Yes, sir.

14 Q. And if you look at the third and
15 following pages in there, there is a subpoena
16 attachment that requests you to produce
17 certain documents.

18 A. Yes, sir.

19 Q. Are you familiar with that?

20 A. Yes, sir.

21 Q. And did you produce the documents in
22 your possession, custody, or control that you
23 had that fit into the various categories of
24 the subpoena attachment?

25 A. Yes, sir.

0044

1 Q. Are you aware of any documents that
2 you have in your possession or in your custody
3 or control that would be responsive to this
4 subpoena you did not produce?

5 A. No, sir.

6 Q. Have you withheld any documents as a
7 result of a claim of privilege of any sort?

8 A. No, sir.

9 Q. Let's look at Category 1 there, any
10 and all documents that refer or relate or
11 pertain to the receiver entities.

12 You know what the "receiver
13 entities" means, don't you?

14 A. Mobile Billboards.

15 Q. I believe it's defined on the next
16 page here. On the last page, near the bottom
17 of page 3, it says "'Receiver entities' shall
18 mean Mobile Billboards of America,
19 International Payphone Company, itself and
20 doing business as Outdoor Media Industries,
21 Reserve Guaranty Trust, and Tiger Media."

22 Is that what you meant by "MBA"?

23 A. Yes, sir.

24 Q. So it's not only anything that
25 you've got that pertains to Mobile Billboards

0045

1 but any of the companies that operated under

2 it?

3 A. Yes, sir.

4 Q. And you've produced all the files
5 that you've maintained in connection with any
6 of the people that you offered or sold the
7 mobile billboard investment to?

8 A. Yes.

9 Q. And including any correspondence
10 you've gotten from those folks?

11 A. Yes, sir.

12 Q. And any electronic correspondence
13 that you've gotten from those folks?

14 A. Yes, sir.

15 Q. Do you have a Web site?

16 A. I don't.

17 Q. Do you use e-mail?

18 A. No, sir.

19 Q. Do you have an e-mail address?

20 A. I have an e-mail address. I've got
21 to look because I don't use it. My e-mail
22 address is not on here.

23 Q. Do you get any e-mail at that e-mail
24 address?

25 A. I do, but very minimal e-mail, and

0046

1 my wife gets it for me.

2 I apologize. I don't have that.

3 It's very minimal.

4 Q. Before we go to the rest of the
5 items on the subpoena, was it your practice to
6 destroy any documents in the regular course of
7 business --

8 A. No, sir.

9 Q. -- in connection with Mobile
10 Billboards or any of the other products that
11 you sold?

12 A. No, sir.

13 Q. Did you produce any and all the
14 documents that refer to any communication
15 between you and Barry Maloney?

16 A. Yes, sir. I had very little contact
17 with Barry Maloney. I've never met him. I
18 talked to him one time for probably two
19 minutes on the phone asking, when I was with a
20 CPA, a tax question on how the income that the
21 clients received should be treated on their
22 1040 form for income. The second conversation
23 I had with Barry, I got my cease and desist
24 from John Curry and Cheryl Young, and I
25 immediately sought counsel.

0047

1 Q. I'm not going to ask you any
2 questions about what counsel you got. I'd
3 just like to know the name of the counsel that
4 you sought counsel with.

5 A. I sought counsel with Greg Bartko,
6 and he introduced me to Wes Covington.

7 I immediately told them what had
8 happened, that I received this cease and
9 desist from Mobile Billboards, and I wanted to
10 know if it was something we needed to worry
11 about concerning the company. They
12 immediately said, we will start research and
13 look into the company and also said, we're
14 going to work on trying to meet the principals
15 in person.

16 We arranged to have a meeting with
17 Mike Young in St. Louis, and Wes Covington and
18 I were to fly to St. Louis. The night before
19 we were supposed to meet with Mike Young, I
20 received the second phone call I've ever had
21 with Barry Maloney saying, you're not allowed
22 to go to that meeting. It's been cancelled.

23 And that's when I knew we had a
24 problem, if they didn't want me to meet with
25 Mike Young.

0048

1 Q. And when was that?

2 A. That was probably in August.

3 Q. Of 2004?

4 A. Yes, sir; beginning of August, end
5 of July.

6 THE WITNESS: Am I right about that,
7 Wes? In that time frame?

8 MR. COVINGTON: Do the best you can.

9 Q. (By Mr. Rue) Also in response to
10 No. 2 here, all of your communications with
11 regard to Barry Maloney have been produced
12 because there weren't any?

13 A. Yes, sir.

14 Q. And with regard to Mr. Russell, do
15 you know Mr. Russell?

16 A. I don't know who that is.

17 Q. Mr. Russell is the president or head
18 of TCA TrustAmerica, which serves as the
19 property trustee for Reserve Guaranty Trust.
20 You knew that?

21 A. I did not know who Mr. Russell was
22 at all; but I know TCA, who they are.

23 Q. And you knew who Reserve Guaranty
24 Trust was?

25 A. Yes.

1 Q. How about any documents that
2 evidence or refer or pertain to any
3 communication between you and Michael Lomas,
4 Michael Young, Laurinda Holohan, Sue Knight,
5 Allison Lomas, Christina Stoudt, or any other
6 employee of the companies?

7 A. I have no communication at all from
8 them in writing. There is a secretary by the
9 name of Diane Lenz that worked for Mobile
10 Billboards who was very good at taking care of
11 details concerning checks and making sure
12 things got in the mail. I dealt mainly with
13 Diane Lenz on the phone, and she would send
14 things that I needed if I did not have a copy
15 of something or whatever.

16 I talked briefly twice to
17 Laurinda Holohan. Both of those conversations
18 had to do with logistics on when a check was
19 going to start coming to a client, basically
20 secretarial stuff. So I've had no
21 communication with them. I've never met them
22 either.

23 Q. What this seeks is documents that
24 pertain to any communication like letters,
25 memos, faxes, e-mails.

0050

1 A. And I did none of that. In other
2 words, when I called, like, Diane Lenz, I'd
3 call her on the phone and say, can you let me
4 know when this check is coming.

5 And she'd say, it's coming a month
6 from now, on the 15th or whatever.

7 I had no communications back and
8 forth with Laurinda Holohan, Michael Young,
9 Michael Lomas, any of them.

10 Q. And any written evidence of the
11 communications you had with Ms. Lenz or others
12 have been produced?

13 A. Yes, sir. In other words, I did
14 that on the phone, and it was secretarial
15 procedures where she took care of checks and
16 things.

17 Q. So as I understand what you've just
18 told me, you produced everything that you had
19 in writing or electronic form that reflects
20 your communications back and forth with
21 Ms. Lenz or anybody else at Mobile Billboards?

22 A. Yes, sir.

23 Q. Now, we've noticed some handwritten
24 notes in various of your customer files --

25 A. Right.

0051

1 Q. -- that seem to indicate the results
2 of communications with people at Mobile
3 Billboards, probably Ms. Lenz.

4 A. Ms. Lenz, right.

5 Q. And it's fair to say that your
6 practice with regard to those kinds of
7 communications about practical matters with
8 Ms. Lenz was to make the appropriate notation
9 in a customer file?

10 A. That's right. In other words, when
11 a check was going to come; it would be coming
12 on the 15th of the month. My contact with
13 Mr. Lomas and Mr. Young was minimal.

14 Q. Let me just stick for a minute,
15 Mr. Hollenbeck, with making sure that we
16 understand what the subpoena called for and
17 understand whether you've given us everything.

18 No. 4 is any and all bank or other
19 financial records that evidence, refer, or
20 pertain to any commission or bonus payments
21 you received from the receiver entities.

22 I noticed you produced for us some
23 materials that reference commissions that
24 you've received.

25 A. Right.

0052

1 Q. Has your production of the materials
2 that have to do with the commission and bonus
3 payments you received been produced in its
4 entirety?

5 A. I asked Mr. Jim Gibson to give those
6 to me, and that's what you received is my
7 commissions and stuff that came through his
8 office. That's where all of my commissions
9 came from. Those that did not come from there
10 came directly from Mobile Billboards. I gave
11 you the list of all of my clients for you to
12 see my amount that was invested and what I was
13 paid on so you'd have that.

14 Q. But this requests bank and other
15 financial records. I don't see any bank
16 records that you've produced. And I am
17 assuming that when you got commission checks
18 either through Mr. Gibson or whether you got
19 commission checks directly from Mobile
20 Billboards, you plunked them down in some bank
21 account somewhere.

22 A. Yes, sir.

23 Q. And you probably have copies of
24 those bank records somewhere, don't you?

25 A. And I can do that. I can produce --

0053

1 I just was in -- I thought all you needed was
2 the commission amounts.

3 MR. COVINGTON: We'll produce those
4 immediately.

5 Q. (By Mr. Rue) While I'm on that
6 particular item, were all your commission
7 checks put into the same bank account?

8 A. That is why I had my production
9 given to you from Jim Gibson, because some of
10 them went to The Webb Group account and others
11 went to the Franklin Asset account. The
12 reason I had the Franklin Asset account is I
13 had clients that knew the term "Franklin Asset
14 Exchange." That was the company that was the
15 marketing company for Mobile Billboards with
16 Jim Gibson and Steve Wire.

17 When Steve Wire started producing
18 his product called Merchant Capital, he
19 dissolved Franklin Asset Exchange, and he went
20 his way with Merchant Capital, and Jim Gibson
21 went his way with Freedom Capital. And so I
22 asked to have my commissions continue with
23 Franklin Asset Exchange. And so Mobile
24 Billboards sent the commission checks to
25 Franklin Asset Exchange.

0054

1 Q. Is Franklin Asset Exchange some
2 North Carolina corporation that you set up?

3 A. Yes, sir; to take the place of
4 Franklin Asset that was in Brentwood,
5 Tennessee.

6 Q. And it is a company that is owned
7 exclusively by you or by you and your wife?

8 A. Yes, sir.

9 Q. Is Webb Group or Webb Financial also
10 owned by you?

11 A. Yes, sir.

12 Q. And is your wife an owner?

13 A. No, sir.

14 Q. Do you have any other business
15 entities that you own and control?

16 A. I have a company that's called SBH
17 Enterprises to be able to do the consulting
18 with the churches.

19 Q. And that's how you segregate your
20 income?

21 A. Yes, sir.

22 Q. You just do it under those three
23 different names?

24 A. Yes, sir.

25 Q. Now, No. 6 calls for any and all

0055

1 documents that evidence or refer or pertain to

2 any legal opinion concerning the receiver
3 entities.

4 Have you produced everything in that
5 regard that you have?

6 A. Yes, sir.

7 Q. I don't remember specifically from
8 looking at the documents. Did you have a copy
9 of the opinion letter from Mr. Barry Maloney?

10 A. No, sir, I didn't. I was told that
11 he's the one that produced all of the
12 documents and the UFOC and things, but I did
13 not personally have a legal opinion letter
14 from him at all. His name was mentioned in
15 the training meetings that he's the one that
16 developed all of their material.

17 (Discussion ensued off the record.)

18 Q. (By Mr. Rue) Looking at Item 7, any
19 and all documents that evidence, refer, or
20 pertain to any advertisements, solicitations,
21 or presentations that you made or directed to
22 any prospective customers of the investment
23 opportunity offered by Mobile Billboards.

24 A. And I used that folder that had the
25 brochures in it from Mobile Billboards, and I

0056

1 gave that to you.

2 Q. From your testimony, I assume what
3 you're telling me is the only marketing
4 materials that you used and, hence, produced
5 was the package of marketing materials that
6 Mobile Billboards gave to people that would
7 have included a brochure and the UFOC or the
8 current version of the UFOC and a couple of
9 other documents like that?

10 A. Yes, sir.

11 Q. Did you send out any mailings to
12 people in connection with the Mobile
13 Billboards investment?

14 A. No, sir.

15 Q. Did you put in place any
16 advertisements in connection with it?

17 A. No, sir.

18 Q. Did you use any PowerPoint
19 presentations?

20 A. No, sir.

21 Q. Use any flip charts with your
22 clients?

23 A. No, sir.

24 Q. Any and all documents that evidence,
25 refer, or pertain to any sales or promotional

0057

1 materials, including videos, that you used or
2 acquired in connection with the investment
3 opportunity offered by the receiver entities,
4 including any communications regarding the
5 approval, legality, or expense of such
6 materials.

7 Do you know what is being referred
8 to there?

9 A. I don't.

10 Q. Did you produce any promotional
11 materials that you used in connection with
12 your business that referred to Mobile
13 Billboards of America in any way?

14 A. No, sir. Now, let me clarify that
15 by saying I had the sheets that they had in
16 their file that introduced the product, and
17 then I gave them a folder. But, no, I had
18 nothing that I advertised at all.

19 Q. Nothing that you used that referred
20 to Mobile Billboards?

21 A. No, sir.

22 Q. And you don't have anything with
23 regard to the last sentence, communications
24 with anybody regarding the approval, legality,
25 or expense of producing any promotional

0058

1 materials on your part?

2 A. No, sir.

3 Q. So you never sent anything to
4 Mr. Maloney or Mobile Billboards to get
5 approved?

6 A. No, sir, I didn't.

7 Q. And they never talked to you or sent
8 you any such communications about that kind of
9 thing?

10 A. No, sir.

11 Q. 9, any and all documents that refer
12 or relate to any bank account, brokerage
13 account, savings account, or other account of
14 any nature maintained by or on behalf of
15 Reserve Guaranty Trust or any of the other
16 receiver entities.

17 A. No, sir. We received -- and I threw
18 those away. We received a newsletter now and
19 then from Mobile Billboards that would refer
20 in it that so much money is now in the Reserve
21 Guaranty Trust, that it's grown from 10
22 million to 13 million. And that would be a
23 paragraph in the newsletter, but I have
24 nothing else concerning Reserve Guaranty
25 Trust.

0059

1 Q. And those newsletters, you just
2 read and --

3 A. Read and threw them away.

4 Q. Did you ever forward any of them to
5 your clients?

6 A. No, sir.

7 Q. Are you aware of whether your
8 clients got any newsletters from Mobile
9 Billboards?

10 A. I don't think they did.

11 Q. And I guess 9 specifically looks to
12 any communications you might have sent to TCA
13 TrustAmerica or Reserve Guaranty Trust asking
14 about their bank accounts or anything you
15 might have gotten back from them in response
16 to a question like that. Any such documents
17 like that?

18 A. No, sir. The only thing that
19 possibly would be, would be from Wes and Greg
20 when we started the investigation.

21 Q. I'm obviously not interested in any
22 communications between you and your lawyers
23 about any of this.

24 A. I understand that, but I did not.

25 Q. 10 is any and all documents that

0060

1 evidence, relate, or pertain to any
2 communications between you and any person who
3 has purchased the investment offered by the
4 receiver entities.

5 Now, that would include, I would
6 assume, or was intended to include any
7 correspondence or notes or faxes or other
8 communications between you and any of your
9 customers concerning Mobile Billboards and the
10 receiver entities.

11 A. And I didn't do that. I would just
12 send them a copy of their application, and
13 they would then get their check when it came.
14 I made sure that -- most of these people were
15 on a monthly basis, and so it would take 60
16 days usually for them to place the Mobile
17 Billboards into an entity and get their first
18 check. And so I would send the first two
19 months from me a check to the client to make
20 sure that they had payments immediately, and
21 then they got their first check from Mobile
22 Billboards the third month.

23 Q. And how did you make up the payments
24 that you made?

25 A. From my commissions that came from

0061

1 Mobile Billboards.

2 Q. So I think what you're telling me in
3 response to Item 10 is that if you did have
4 any correspondence from any of your clients,
5 it's in your customer files for that client,
6 and you produced those in response to the
7 subpoena in their entirety?

8 A. Yes. I think you would have copies
9 of those checks that were sent to them, yes,
10 sir.

11 Q. And if one of your customers
12 perchance had written you a letter about their
13 Mobile Billboards investment, that would be
14 filed in the ordinary course in their customer
15 file?

16 A. Yes, sir.

17 Q. And you're not aware of any
18 communications like that that have been
19 removed or destroyed?

20 A. No, sir.

21 Q. Is any and all documents that
22 evidence, relate, or pertain to any
23 communications between you and any state or
24 federal agency where any aspect of the
25 business of the receiver entities was the

0062

1 subject of the communication.

2 Have you produced all that stuff? I
3 guess that's any correspondence that you've
4 got with the State of North Carolina or any
5 other regulator concerning the Mobile
6 Billboards investment.

7 A. Maybe what you're needing on this,
8 and I didn't even think about this -- I
9 received no communication from the State of
10 North Carolina except for my cease and desist.

11 And I didn't put that in the --

12 Q. I've got a copy of it anyway. We
13 don't need to produce that.

14 MR. BARTKO: We assumed as much.

15 Q. (By Mr. Rue) And you don't have any
16 other communications with any regulator other
17 than perhaps a letter from me?

18 A. No, sir.

19 Q. And then 12 is any and all documents
20 between you and any of the receiver entities
21 or a master recruiter or sales organization
22 with which you've been affiliated.

23 Is there an agreement between you
24 and Mobile Billboards?

25 A. I produced that.

0063

1 Q. You produced all of them?

2 A. There was an agreement with Franklin
3 Asset Exchange that I never had a copy of, and
4 we need to see if Jim Gibson would have a copy
5 of that. I have a copy with Franklin Asset
6 Exchange that I sent you that when they
7 dissolved Franklin Asset Exchange, I asked to
8 have the checks sent to us. And I sent that
9 to you.

10 Q. And any agreements or communications
11 concerning agreements that you had with
12 Mr. Gibson have been produced?

13 A. Yes, sir. And we were all on the
14 phone, talking on the phone.

15 Q. And any and all the documents you've
16 got from Mobile Billboards concerning your
17 commission agreement with them --

18 A. Yes, sir.

19 Q. -- have been produced?

20 A. Yes, sir.

21 Q. It's my understanding that you sold
22 Mobile Billboards through Mr. Gibson as a
23 master recruiter.

24 A. I don't understand that term,
25 "master recruiter."

0064

1 Q. You had an agent that was above you?

2 A. Yes, sir.

3 Q. And who got an override on your
4 commissions?

5 A. I would guess Jim Gibson did that.
6 He was the one that recruited me, and my
7 checks came through Jim Gibson and Steve Wire,
8 of course, when they were Franklin Asset and
9 then Jim Gibson.

10 Q. But you've produced everything that
11 you've got?

12 A. Yes, sir.

13 Q. You're not aware of documents that
14 would fit into this category that have been
15 destroyed for any reason?

16 A. No, sir.

17 Q. So 13 concerns travel and travel
18 expenses you've incurred in connection with
19 the receiver entities or the subject
20 individuals. Did you go to any sales meetings
21 for these people?

22 A. I was involved in two meetings: A
23 meeting in Chicago that was to talk about
24 Mobile Billboards and the product, and that
25 was with Jim Gibson and Steve Wire; and I was

0065

1 involved in a sales meeting in Winston-Salem
2 at Legacy Resource Management, which is an
3 office in Winston-Salem. Michael Lomas was
4 the one that ran that sales meeting, and
5 that's when I met Michael Lomas the first
6 time.

7 Q. And you paid your own travel
8 expenses to that?

9 A. It's only 8 miles from -- to
10 Chicago, yes, I paid my own expenses to go to
11 that.

12 Q. And that took place somewhere in --

13 A. In Jim Gibson's office.

14 Q. When did it take place?

15 A. It would have been probably six
16 months after I met Jim Gibson and Steve Wire.
17 I went to Brentwood, Tennessee, to meet them
18 at Steve's office first and then went to --
19 what they did is they made the sales meeting a
20 combination where they asked people to come
21 and go to a Christmas dinner and had a
22 Christmas celebration and had a sales meeting
23 at the same time, and I went to that meeting.

24 Q. Nobody sent you to Palm Springs or
25 to any other place for Mobile Billboards

0066

1 compliance training or anything like that?

2 A. No, sir.

3 Q. Mr. Lomas didn't take you to the
4 theater or the Super Bowl or anything like
5 that?

6 A. No, sir. I was asked to go to Lake
7 Placid to a meeting and they would take care
8 of the motel and those things. And it was
9 supposed to be, I think, at Barry Maloney's, a
10 place he knew about anyway. And it didn't
11 work out with my schedule, so I didn't go.

12 Q. And then 14 is any and all documents
13 that evidence communications between you and
14 any of the following.

15 Before I ask you if you've given me
16 any and all the documents, do you know --
17 well, do you know Mr. Barreca?

18 A. I know he's on some of the documents
19 as president.

20 Q. Of Mobile Billboards?

21 A. Of Mobile Billboards, yes, sir.

22 Q. Have you ever met him?

23 A. One time. And when I say I met him,
24 I met him just for a minute when he came
25 through North Carolina. And I don't know if

0067

1 he was doing a seminar or what he was doing.
2 But he asked if we could meet, and I didn't
3 have time to meet but wanted to just say hi
4 and shake his hand, and we saw each other five
5 minutes.

6 Q. Do you know Jay Castro?

7 A. Jay Castro is a man that is with --
8 I don't know the name of the company. But
9 he's in California and has an Internet kiosk
10 business. And Jim Gibson was considering
11 pursuing to see about doing business with
12 Jay Castro and decided not to do that.

13 Q. Have you ever spoken with
14 Mr. Castro?

15 A. I have, yes.

16 Q. Where?

17 A. I talked to him on the phone. I
18 went to California with Jim Gibson to see his
19 office and things and just to look at his
20 operation. And when I came back, we decided
21 not to do anything at all with it.

22 Q. So you and Mr. Gibson went to
23 Castro's office in California to evaluate the
24 Internet kiosk business?

25 A. Right.

0068

1 Q. You did that, and it's over?

2 A. Yes, sir.

3 Q. And you don't have any paper left
4 from it?

5 A. No. And I didn't do anything with
6 it.

7 Q. You didn't have any paper with it,
8 to begin with?

9 A. No.

10 Q. How about Gloria Butterfield?

11 A. I don't know who that is.

12 Q. Well, you know Michael Allan Lomas?

13 A. Yes, sir.

14 Q. Do you know Mick Spitalnick?

15 A. No.

16 Q. Keri Miller?

17 A. No, sir.

18 Q. Do you know Tiger Truck Media?

19 A. That they are the company that
20 Mobile Billboards was using to advertise their
21 mobile billboard signs.

22 Q. Did you have any communications with
23 them?

24 A. No, sir.

25 Q. Did you ever talk to anybody from

0069

1 Tiger Media?

2 A. No, sir.

3 Q. How about California Mobile
4 Billboards, Inc.?

5 A. I don't know who that is.

6 Q. You have no communications from
7 them?

8 A. No, sir.

9 Q. Outdoor Technology Resources?

10 A. No, sir.

11 Q. Outdoor Media, Inc.?

12 A. I just know that the checks that
13 went to my clients came from Outdoor Media,
14 Inc., and I think that's just a subentity of
15 Mobile Billboards.

16 Q. Did you ever speak with anybody that
17 worked directly for Outdoor Media?

18 A. No, sir.

19 Q. How about Direct Marketing, Inc.?

20 A. No, sir.

21 I'm hesitating on Outdoor Media. I
22 thought that was Mobile Billboards. In other
23 words, I thought they were --

24 Q. I'm not supposed to answer
25 questions, but I will. I believe Outdoor

0070

1 Media is a subsidiary of some sort of
2 International Payphone Company. I think
3 there's common ownership.

4 You don't know Direct Marketing,
5 Inc.?

6 A. No, sir.

7 Q. How about US Scooter Corporation?

8 A. No, sir.

9 Q. Have you ever heard of DMI?

10 A. No, sir.

11 Q. You don't have any communications
12 with Direct Marketing, Inc., or DMI?

13 A. No, sir.

14 Q. How about Satellite Audited Media?

15 A. No, sir.

16 Q. No, sir, you don't have any
17 communications and, no, sir, you don't know
18 who they are?

19 A. I don't.

20 Q. California Ground Company?

21 A. No, sir.

22 Q. My first question to you as I go
23 down these names, Mr. Hollenbeck, is: Do you
24 know what this group is? And if you don't
25 know what the group is, then I'll assume you

0071

1 don't have any communications with them.

2 A. Right.

3 Q. We understand each other?

4 A. Yes, sir.

5 Q. So you don't know California Ground
6 Company?

7 A. No, sir.

8 Q. Do you know Oregon Retail
9 Management?

10 A. No, sir.

11 Q. How about Valet and City Parking
12 Services?

13 A. No, sir.

14 Q. How about F/S Worldwide Media &
15 Communications, LLC?

16 A. No, sir.

17 Q. How about The Walker's Experience?

18 A. No, sir.

19 Q. How about P&P Steel?

20 A. No, sir.

21 Q. Pike Amusement & Entertainment?

22 A. No, sir.

23 Q. California Retail Management?

24 A. No, sir.

25 Q. Walker's By The Cup?

0072

1 A. No, sir.

2 Q. So all of these when you say "no,
3 sir," you mean you don't know what these
4 entities are?

5 A. I have no idea.

6 Q. Is that also true for Spa W?

7 A. Yes, sir.

8 Q. KP Iron?

9 A. Yes, sir.

10 Q. New York Retail Management?

11 A. Yes, sir.

12 Q. Walker Retail?

13 A. Yes, sir.

14 Q. National Payphone Corporation?

15 A. I thought that was a subentity just
16 like Outdoor Media.

17 Q. Do you have any communications with
18 National Payphone Company?

19 A. No, sir.

20 Q. How about Cocoon International?

21 A. No, sir.

22 Q. American Guaranty Trust?

23 A. I thought American Guaranty Trust
24 was the same as RGT.

25 Q. And how about Western Reserve

0073

1 Guaranty Trust?

2 A. No, sir.

3 Q. First Century Trust?

4 A. No, sir.

5 Q. First Century Complex Trust?

6 A. No, sir.

7 Q. 10-26-84 Charitable Remainder

8 UniTrust?

9 A. No, sir.

10 Q. Do you know anything about anything
11 called the 10-84 Charitable Trust?

12 A. No, sir.

13 Q. Do you know anything about any trust
14 controlled by Mr. Lomas?

15 A. No, sir.

16 Q. How about Heiser & Jesko?

17 A. No, sir.

18 (Whereupon a recess was taken from
19 2:42 p.m. to 2:56 p.m.)

20 Q. (By Mr. Rue) How did you learn
21 about Mobile Billboards of America,
22 Mr. Hollenbeck?

23 A. I was involved working with a fixed
24 income product that went into receivership and
25 was making payments to my clients of their

0074

1 monthly income and received a call out of the
2 blue from Jim Gibson. He had my name on a
3 list that he had received. I don't know if it
4 was a list from insurance agents or financial
5 advisors.

6 I'd never met him before, but he
7 called me at the house. My wife took the
8 phone call, and I was on my way to do a
9 seminar at a church in Chicago. He is in
10 Chicago and asked if he could meet me in
11 Chicago. And so I went and met him for the
12 first time.

13 And he told me that he could be a
14 real help to me with Mobile Billboards to help
15 with my income needed for clients and that
16 this was a company that was very good, that
17 they had done their due diligence, that it was
18 a company that was very viable and that was
19 somebody that he knew and never had a problem
20 with.

21 So I met him and his dad at a Ramada
22 Inn, and then he proceeded to send me
23 information on Mobile Billboards. Then I had
24 the meeting in Chicago.

25 Q. About when did that take place?

0075

1 A. I probably met him the first time in
2 November and went to the meeting to have the
3 sales meeting in December.

4 Q. Of what year?

5 A. That would be of 2002, I think.
6 2001, I think.

7 And let me think that through. It
8 might have been December of 2000, the end of
9 the year 2000, going into 2001. So November
10 of 2000, December of 2000, going into 2001.

11 Q. Now, you said you had a fixed income
12 product that went into receivership?

13 A. Yes, sir.

14 Q. What product was that?

15 A. ETS Payphones.

16 Q. Had you sold ETS Payphones?

17 A. What happened is I had been
18 introduced by a man by the name of
19 Dave Reisner to a company, and it was my first
20 contact with a fixed income product, called
21 Phoenix Telecom. I went with Dave Reisner to
22 Dallas, Texas, and saw the operation of
23 Phoenix Telecom and heard their presentation.
24 I then got clients involved with Phoenix
25 Telecom.

1 In a matter of just a few months,
2 Phoenix Telecom was closed. I don't know what
3 term to use there, but they were either
4 stopped or went bankrupt. I don't know what
5 the right term to use is. But what happened
6 is ETS came and said, we're going to salvage
7 the people involved with Phoenix Telecom.

8 Q. So this would have been sometime
9 during the summer of 2000?

10 A. Yes, sir, this was 2000.

11 Q. Did you know that Phoenix Telecom
12 was sued by the Securities and Exchange
13 Commission and a temporary restraining order,
14 preliminary and permanent injunctions entered,
15 and a receiver appointed for Phoenix Telecom?

16 A. I did not know that at all at the
17 time, and I had very little contact really
18 with Phoenix Telecom, except for the couple of
19 months when I went down to see their facility.

20 Started to have contracts with
21 Phoenix Telecom, and they were immediately
22 taken over by ETS. ETS said, we're going to
23 come to the rescue of Phoenix Telecom and the
24 people involved there. I went to Atlanta and
25 met with Mr. Charles Edwards and saw his

0077

1 complex, and they said we're taking over --
2 we'll take over your leases with Phoenix
3 Telecom.

4 Q. So at that point what you describe
5 as the Phoenix Telecom fixed income product
6 you had sold to some number of investors?

7 A. Yes, sir. And they got two checks
8 and then were taken over by ETS. I never sold
9 ETS as a product because they were supposed to
10 start getting their monthly check from ETS,
11 and the very first check they got bounced, and
12 they were attacked by the SEC.

13 Q. And you knew that took place
14 somewhere around September 11th, 2000?

15 A. Right. That all happened in a
16 matter of just a few months. That was my
17 fiasco that took place and my introduction of
18 fixed income.

19 Q. Other than Charles Edwards, did you
20 speak with anybody else at ETS?

21 A. No, sir. I met him personally, and
22 I know nobody else there at all.

23 Q. Did you ever talk to Jim Jordan?

24 A. No, sir. I don't know who that is.

25 Q. Had you made arrangements to sign up

0078

1 to sell the ETS product before it got stopped?

2 A. No, sir. They talked to me about
3 that, and I said I wanted to wait until this
4 situation with Phoenix Telecom was rolled to
5 them for us to even talk about that, and I
6 never signed anything with ETS.

7 Q. Can you describe for me the Phoenix
8 fixed income product.

9 A. Yes, sir. It was very much like the
10 mobile billboards. It was a five-year product
11 that was giving a rate of 14.1 percent to
12 investors. The investment, I think, was
13 \$7,000 a unit for the pay phone. And at the
14 end of the five-year period, they would have
15 their money. They could cash in their asset
16 or could roll for another five years and
17 continue at whatever the interest rate was at
18 that time.

19 They received two checks, and then
20 all of a sudden, everything closed down. I
21 was aware of that when I called one time to
22 ask about a check and it said the phones have
23 been disconnected.

24 And then I got a call from ETS
25 saying that we are going to -- from Dave

0079

1 Reisner saying that ETS is going to rescue the
2 people involved with Phoenix Telecom and
3 would I come to Atlanta. And I met with
4 Charles Edwards.

5 I myself was impressed that Charles
6 Edwards was trying to do the right thing. He
7 seemed like a man that was wanting to meet the
8 needs of these people. And the first check
9 bounced.

10 Q. You told me about the Phoenix fixed
11 income program. And we haven't talked about
12 the Mobile Billboards program directly, but
13 you said that Phoenix was quite similar to the
14 Mobile Billboards program. Can you point out
15 for me the differences, as you see them,
16 between the Phoenix program and the Mobile
17 Billboards program.

18 A. The Phoenix product was a five-year
19 product. The Mobile Billboards product was a
20 seven-year product. I was impressed with
21 Mobile Billboards in the fact that they had
22 set up the Reserve Guaranty Trust where monies
23 were supposed to go monthly into the trust to
24 give an assurance to the client that at the
25 end of the seven-year period, their money

0080

1 would come back either from the sale of the
2 asset or from the trust if the sale of the
3 asset was not enough to take care of the
4 amount of their investment.

5 Q. And how was that different from the
6 Phoenix program?

7 A. Phoenix was saying that they were
8 going to just sell the asset at the end of the
9 five years and give the client an option to
10 renew at the rate they declared at that time
11 or to have their money come back to them by
12 selling the asset.

13 Q. And so you were kind of shocked
14 after you sold the Phoenix product for about
15 three months --

16 A. Yes, sir.

17 Q. -- that they got shut down?

18 A. Yes, sir.

19 Q. And then you get contacted by ETS,
20 and the next thing you know, the SEC is after
21 ETS?

22 A. Yes, sir.

23 Q. What steps did you take at that time

24 to determine anything about the facts or the
25 reasons that Phoenix and ETS were shut down?

0081

1 A. I was told that the main reason that

2 ETS and Phoenix were shut down was because
3 they were being attacked by the SEC to try to
4 make them a security and that they indeed
5 themselves said they were not a security.
6 Charles Edwards assured in our meeting that he
7 was sure that his attorneys and everybody had
8 done everything they were supposed to do to
9 show that they are a viable company and that
10 they were not a security.

11 And, of course, I'm still receiving
12 information now and then from ETS saying that
13 they have finished their court proceedings and

14 that they were not a security. And that's
15 still, I guess, in litigation. Jim Gibson and
16 his dad seemed to me, and I still feel this,
17 to be honest people that I felt had done their
18 homework, that understood the debacle with ETS
19 and with Phoenix, and felt that this product
20 was not at all in the same vein as the
21 questions that were addressed by the SEC to
22 Phoenix and ETS.

23 Q. Were you aware that the cases
24 against both Phoenix and ETS not only allege
25 that those fixed income products were

0082

1 securities but also allege that fraud had been
2 committed in connection with the sale of those
3 securities?

4 A. I did not at the time at all.

5 Q. When did you learn that there were
6 allegations of fraud in the ETS?

7 A. I did not know that. I've seen the
8 newspaper articles. I personally in my heart
9 would like to today still believe that
10 Charles Edwards was trying to do the right
11 thing. I don't have anything in any documents
12 at all for me to know that there was fraud. I
13 just know that they were shut down, and the
14 checks bounced.

15 Q. Did any of your clients call you up
16 and ask you what happened here?

17 A. When the checks bounced, of course,
18 my clients called and said, this check has
19 bounced.

20 And I said, we're going to make sure
21 you don't lose your money and that you keep
22 getting your checks.

23 And so I immediately sent them a
24 check and started to proceed with Dave Reisner
25 to check on what's going on with ETS. And his

0083

1 answer to me was, this is all going to be
2 taken care of. We're going to win this case,
3 and ETS has done nothing wrong. That went on
4 for months and never did come to fruition.

5 Q. When your clients asked you what
6 went wrong with ETS or Phoenix, you did not
7 learn through your investigation that there
8 were allegations of fraud against either of
9 those two companies?

10 A. No, sir, I didn't.

11 Q. Now, you said that Mr. Gibson, more
12 or less, out of the blue approached you to
13 provide you with some help concerning the
14 Phoenix product that you sold to your
15 customers. What did you mean by that?

16 A. What I mean by that is this: When
17 he called me, he mentioned that he had a
18 product that was a fixed income product that
19 would give a set rate. And I immediately told
20 him, I am in the middle of a mess that took
21 place with ETS. And he was aware of what was
22 going on with that company.

23 To my knowledge, Jim Gibson and
24 Steve Wire had nothing ever to do with ETS at
25 all, but they said they have a similar product

1 that they know is good and would meet the need
2 of me continuing to make payments to my
3 clients and help make them whole, where this
4 litigation could go on for months with ETS.
5 And so I went to meet him in Chicago and then
6 met them again in December.

7 Q. When you met them in December, where
8 did that meeting take place? Brentwood?

9 A. No, sir. The meeting in Chicago
10 took place -- Brentwood is in Tennessee.
11 That's Steve Wire's office. Jim Gibson's
12 office is in Chicago.

13 Q. You told me that in November of
14 2000, you met with Mr. Gibson in Chicago, and
15 then you went to some other meeting in
16 December of 2000. And my question is: Where
17 did that meeting take place?

18 A. I went back to go to that Christmas
19 dinner and talk about the sales meetings and
20 stuff at Jim Gibson's office.

21 Q. And that was again in Chicago?

22 A. Yes, sir.

23 Q. And that was a meeting?

24 A. Yes, sir.

25 Q. And was there a presentation there?

0085

1 A. Jim Gibson had like a multimedia
2 presentation of the MBA product. Neither
3 Mike Young or Mike Lomas were at that meeting.

4 Q. And who made the presentation about
5 the MBA product?

6 A. Mr. Gibson.

7 Q. And was Mr. Wire at that meeting?

8 A. Mr. Wire wasn't at that meeting. I
9 went then to Brentwood to meet Mr. Wire.

10 Q. And that was in --

11 A. That was probably in January, a
12 couple weeks later.

13 Q. In 2001?

14 A. Yes, sir.

15 Q. And did anybody go to that meeting
16 with you?

17 A. No, sir. I was just there myself.

18 Q. Just there yourself?

19 A. With them.

20 Q. And what was the subject of your
21 conversation with Mr. Wire at that meeting?

22 A. Mr. Wire and Mr. Gibson are cousins,
23 and they were together and had the company
24 called Franklin Asset Exchange, and they were
25 marketing Mobile Billboards. And Mr. Wire

0086

1 wanted to meet me because he basically said,
2 I'm the due diligence part and take care of
3 the paperwork here in our office in Brentwood,
4 and Mr. Gibson is the marketing agent.

5 And so I went to meet Mr. Wire to
6 see about procedures on doing paperwork and
7 everything, and all the paperwork originally
8 went to Brentwood to Franklin Asset Exchange.
9 When Mr. Wire introduced his product of
10 Merchant Capital, he closed down his part of
11 the business in Brentwood and had everything
12 go through Chicago through Jim Gibson.

13 Q. Now, did you ever go to a sales
14 meeting when Mr. Wire made a presentation
15 about Mobile Billboards of America?

16 A. No, sir.

17 Q. And everything you initially learned
18 in late, I guess, 2000 and up until the time
19 you began selling the mobile billboard product
20 came from materials that Mr. Gibson presented
21 to you?

22 A. Yes, sir.

23 Q. When did you first begin selling the
24 Mobile Billboards product?

25 A. Pretty soon. In other words, when I

0087

1 went back up to that meeting with Mr. Gibson,
2 I started selling the product very soon after
3 we had our meeting together.

4 Q. So you would say you began selling
5 for Mobile Billboards as early as January
6 2001?

7 A. Yes, sir.

8 Q. Anytime before that?

9 A. No, sir.

10 MR. DANTZLER: Let me just interject
11 because I'm afraid we're making a record
12 that's a year off. I just want to say
13 something, and you-all can do whatever
14 you want to do about it.

15 I believe that the overwhelming
16 number of records in the receiver's
17 possession indicate that Mobile
18 Billboards was formed in or about
19 November of 2001. National Payphone
20 merged into Mobile Billboards in 2001,
21 and the first sales were made in 2001.
22 I'm not positive about any of that, but
23 I'd rather throw that out there for
24 consumption.

25 MR. RUE: Let's resolve that issue

0088

1 right here with this exhibit.

2 (Exhibit 19 was marked for

3 identification.)

4 THE WITNESS: I think what I'm doing

5 is -- both are the same company, and they

6 converted, and National Payphone became

7 Mobile Billboards. I guess that's what

8 maybe I'm making a mistake on. Is that

9 what I'm doing wrong?

10 Q. (By Mr. Rue) Let me ask you to take

11 a look at the document which we've marked as

12 Exhibit 19 to your deposition.

13 Mr. Hollenbeck, this is a multipage document

14 that is entitled contract by date, total

15 number of accounts. And I believe that it

16 contains the names, dates, and amounts of your

17 sales of products through National Payphone

18 Company --

19 A. Yes, sir.

20 Q. -- and Mobile Billboards of America?

21 A. Yes, sir.

22 Q. Is it generally your understanding

23 looking at this document and the names that

24 are on it that this represents, if not

25 absolutely everybody --

0089

1 A. And I gave you a copy in my stuff I
2 gave you of all my clients and their dates.

3 Q. This shows that the first -- this
4 one is date sorted and shows that the first
5 sales you made of products began in September
6 of 2000 and continued through December of
7 2000. And if you look about two-thirds of the
8 way down the page between Line 34 and Line 35,
9 there seems to be a gap in time of several
10 months and your sales don't resume again until
11 January 3, 2002.

12 Is it fair to say that in September
13 of 2000, you began selling the National
14 Payphone product?

15 A. Yes, sir.

16 Q. And that sometime after October 2001
17 but before January of 2002, you began selling
18 the mobile billboard --

19 A. Let me tell you what I think
20 happened on that. I probably must have had my
21 meeting, then, with Mr. Gibson in August in
22 Chicago, and the sales meeting was in December
23 of 2000.

24 Q. But you began selling the product
25 before you went to the sales meeting?

0090

1 A. Right.

2 Q. And can you describe the National
3 Payphone product for me.

4 A. Yes, sir. It was very much like the
5 Phoenix product.

6 Q. Or the ETS product?

7 A. Or the ETS product, yes, sir. And
8 the National Payphone product, they
9 immediately were planning on having those
10 funds converted into Mobile Billboards and had
11 set up a Reserve Guaranty Trust for the
12 National Payphone product where monies were
13 put into that trust immediately monthly to --
14 and I think it was a five-year product that
15 when all of my people converted from National
16 Payphone went from five years to seven years
17 into the Mobile Billboards product.

18 Q. Let me see if I can clarify a little
19 of that. When you say the National Payphone
20 product was like the ETS or Phoenix product,
21 do you mean that the customers were sold a pay
22 telephone?

23 A. Yes, sir.

24 Q. And then another entity leased that
25 telephone back from them for a five-year

0091

1 period for monthly payments that were around
2 14 percent?

3 A. That's right.

4 Q. And there was a corresponding
5 obligation on the part of the seller to buy
6 that product back at full price at the end of
7 the lease term or roll it over into the next
8 time?

9 A. Yes, sir.

10 Q. And that was the pay phone product
11 that you were selling, looks like here, from
12 September of 2002, for about a year, until
13 August of 2001?

14 A. And those products were going to
15 then convert into Mobile Billboards. And all
16 of my people did that.

17 Q. When you started selling and you
18 made the first presentations of the National
19 Payphone product to your customers, that was
20 at a time that you were working for FSC?

21 A. Right.

22 Q. And when you were selling the
23 Phoenix product, you were working for FSC?

24 A. I sure was.

25 Q. You didn't leave them until probably

0092

1 sometime in 2003?

2 A. Right. And the reason is I did not
3 know I was doing anything wrong.

4 Q. Now, sometime before September 2000,
5 you had problems with Phoenix phones for your
6 customers?

7 A. That's right.

8 Q. And you learned that they had been
9 shut down?

10 A. Yes, sir.

11 Q. And shortly after your first sale
12 here, and I believe the date is September 11,
13 2000, ETS got shut down. And you told me that
14 this product, the National Payphone product,
15 was quite similar to both of those two
16 products.

17 What I'm asking you is to describe
18 for me now what investigation that you
19 conducted to make sure that the new product
20 that you were selling by National Payphone
21 Company wasn't subject to the same infirmities
22 as Phoenix and ETS.

23 A. My meeting with Jim Gibson and his
24 dad assured me that this was not the same
25 situation as the ETS and Phoenix debacle, that

0093

1 this was going to be a savior for me to help
2 me. And indeed I feel it was, not at the time
3 knowing that Mobile Billboards had a problem.

4 During the whole time that I dealt
5 with -- my investigation into this product was
6 on the investigation of Jim Gibson, his dad,
7 and Steve Wire. I talked to Steve Wire
8 several times on the phone. I did not meet
9 him until I went to Brentwood and met him
10 there.

11 Q. So as I understand your testimony,
12 basically other than talking to Mr. Gibson and
13 Mr. Wire and receiving their assurances --

14 A. And seeing the material.

15 Q. -- and seeing the promotional
16 material and the sales materials of this
17 product, receiving that assurance that these
18 weren't the same problems, that's what you
19 did?

20 A. Yes, sir.

21 Q. Did you consult with a lawyer and
22 ask a lawyer if the -- since the National
23 Payphone product and the ETS and the Phoenix
24 product were structured the same way, did you
25 talk to a lawyer and ask, is there any chance

0094

1 this could be a security?

2 A. I did not, in the realm of seeking
3 an attorney outside -- Mr. Gibson's dad is an
4 attorney and had himself done his research to
5 say that this is not going to have the same
6 problems as ETS and Phoenix. And they also,
7 of course, emphasized the trust that had been
8 set up as a safety feature to help the clients
9 at the end of the contract.

10 Q. Did you call up the people at
11 National Payphone at the time and ask them any
12 questions separately from what Mr. Gibson told
13 you?

14 A. No, sir.

15 Q. Did Mr. Gibson or Mr. Wire or
16 Mr. Gibson's father show you any legal opinion
17 concerning -- and I'm not asking you whether
18 they told you. I'm asking you whether they
19 showed you any legal opinion concerning
20 National Payphone Company.

21 A. I don't remember that.

22 Q. Does that mean you don't remember
23 them showing you such a legal opinion?

24 A. No, sir, I don't.

25 Q. But you testified just a minute ago

0095

1 that one of the things they told you that gave
2 you some comfort, I guess, was that they had
3 set up Reserve Guaranty Trust to pay out the
4 buy-back obligation?

5 A. Yes, sir.

6 Q. Did you make any telephone calls to
7 Reserve Guaranty Trust?

8 A. No, sir.

9 Q. I guess at the time it was called
10 American Guaranty Trust, wasn't it?

11 A. Yes, sir.

12 Q. Did you call them?

13 A. No, sir.

14 Q. Did you ask anybody to produce any
15 financial statements for you for Reserve
16 Guaranty Trust?

17 A. I was voluntarily given information
18 through Jim Gibson that it had been set up and
19 that it was indeed doing well. But, no, sir,
20 I did not. I did not call American Guaranty
21 Trust.

22 Q. You didn't ask anybody and you
23 didn't get any financial statements to show --

24 A. No, sir. I just got the information
25 from the Gibsons and from Wire, Steve Wire.

1 Q. Now, you keep telling me that
2 Mr. Gibson presented this National Payphone,
3 subsequently mobile billboard, product to you
4 because it was going to be a savior for your
5 customers that were invested in Phoenix.

6 A. What he was telling me is that I had
7 a product that would not blow up like those
8 products and that my continued business would
9 help me be able to make my clients whole that
10 were in the middle of litigation with ETS, to
11 make sure that I could assure that those
12 clients would get their money back and not
13 miss their payments.

14 Q. Did you make payments to those
15 clients after Phoenix, and subsequently ETS,
16 stopped doing that?

17 A. Yes, sir.

18 Q. Can you give me an idea of
19 approximately how much money you paid.

20 A. I started in 2000, and I've made
21 payments of around \$30,000 a month since that
22 time to pay them back.

23 Q. To the people with the Phoenix
24 product?

25 A. Yes, sir.

0097

1 Q. And so when Mr. Gibson told you that
2 this product was going to be your savior, what
3 he meant was or what you understood him to
4 mean was that you were going to have a product
5 here that wouldn't blow up?

6 A. Yes, sir.

7 Q. And I would assume that you would
8 also be able to generate some commission
9 revenue from that product to help you pay
10 off --

11 A. Yes, sir.

12 And I don't mean to be putting words
13 in Jim Gibson's mouth about a savior. That
14 was maybe my term. In other words, he said he
15 could help me by offering me a product that
16 would meet the needs of what I was involved
17 with.

18 Q. Now, a minute ago, looking at
19 Exhibit 19, you said something about the NPC
20 product was going to be converted to the
21 mobile billboard product. What do you mean by
22 that?

23 A. All of my clients, when the mobile
24 billboard product was finalized, were then
25 going to be converted from National Payphone

0098

1 to a seven-year contract with Mobile
2 Billboards. Those clients were given the
3 opportunity to go from whatever units they had
4 with National Payphone to subsequent units
5 with Mobile Billboards and receive an increase
6 in their principal at the end of the
7 seven-year period.

8 The pay phone units were \$7,000 a
9 unit. The mobile billboard units were \$15,000
10 a unit. And so if they had \$7,000, they were
11 given a half a unit of Mobile Billboards
12 making them have \$7500. So they received an
13 increase in their monthly amount and an
14 increase of principal at the end of the
15 seven-year period.

16 Q. When you first presented the
17 National Payphone product to these people, did
18 you tell them that conversion was going to
19 take place?

20 A. No, sir.

21 Q. You didn't know it at the time?

22 A. Well, let me say this: Mobile
23 Billboards was in the workings. We didn't
24 know the time frame of when that was going to
25 be finalized. But I was under the assumption

0099

1 myself that it was going to be a help to these
2 clients to have National Payphone where the
3 monies went to their units, they would get
4 their monthly payment, and they would have the
5 opportunity down the road to convert to Mobile
6 Billboards and receive an increase in their
7 monthly payment and an increase in their
8 principal. The only difference would be
9 tacking on two more years to their contract.

10 Q. Did you know that when you first
11 started selling the product?

12 A. When I first started selling the
13 product, they talked about the fact that
14 Mobile Billboards was in the process of having
15 all of this take place, and they didn't know
16 the time frame of when that was going to
17 happen.

18 And let me just say this too: I did
19 not know at that time that the units would be
20 different. I thought that it would just
21 automatically roll. Then they came back and
22 gave the offer of letting the units be
23 increased. So if a person had one unit of
24 National Payphone of \$14,000, they now
25 transferred to one unit at \$15,000 to Mobile

0100

1 Billboards and received a monthly check
2 accordingly.

3 Q. So approximately when did you do
4 this conversion? You said all your clients
5 converted. Was that conversion a
6 commissionable event for you?

7 A. No, sir. What happened is they were
8 all given a notice that they could do that,
9 and then I received for -- it was not a
10 commission, but for my going to all these
11 people, I received a 2 percent fee for taking
12 care of all the paperwork to have these people
13 converted.

14 Q. When they converted, did they pay
15 any money?

16 A. No, sir.

17 Q. The conversion didn't cost anybody
18 anything?

19 A. No, sir.

20 Q. And you got a 2 percent fee on the
21 original pay phone purchase?

22 A. Yes, sir.

23 Q. On the amount of the original pay
24 phone purchase?

25 A. Yes, sir.

0101

1 Q. When you first started working for

2 National Payphone, what rate of commission did
3 you earn?

4 A. Around 18 percent.

5 Q. And who did you negotiate that
6 commission rate with?

7 A. Jim Gibson and Steve Wire. I
8 explained to them my situation with ETS, and
9 they said they would talk to National
10 Payphone, and came back to me and said, we
11 will work the negotiation out for you to have
12 the percentage be 18 percent, to help me with
13 my payments.

14 Q. Did your commission rate or your
15 commission structure with NPC, and
16 subsequently MBA, change over the life of your
17 sales of the product?

18 A. I don't know the timing of when this
19 happened, but I went from 18 percent to 20
20 percent. I would imagine it was like two
21 years after I was selling the product with
22 them.

23 Q. How did that change come about?

24 A. Well, I think a call came from
25 Michael Lomas saying that, we appreciate what

0102

1 you're doing to help us with developing our
2 company and would like you to continue doing
3 so and would like to just reward you for
4 continuing to do good business with us. And I
5 don't ever remember signing anything that gave
6 me that.

7 Q. But at a certain point, they began
8 paying you 20 percent?

9 A. Yes, sir.

10 Q. You have, as far as you can recall,
11 no written documentation of that?

12 A. No. And I asked Jim Gibson if he
13 had any written documentation, and he did not.

14 Q. Now, to get that increased rate of
15 commission or to get your 18 percent rate of
16 commission, were there any terms and
17 conditions attached to that? Did you have to
18 sell a certain amount per month, or did you
19 have to reach a certain level of sales?

20 A. No, sir. They never gave me any
21 pressure on that at all, no, sir; and never
22 gave me an amount, no, sir.

23 Q. Have you ever been told that you
24 were the leading salesman for Mobile
25 Billboards of America?

0103

1 A. I think Mr. Lomas told me that when
2 he said he was going to let me have 20
3 percent.

4 Q. But it's your testimony that you
5 never had a quota?

6 A. No, sir.

7 Q. And you never had to perform to keep
8 getting the higher rate?

9 A. No, sir.

10 Q. The top of this document marked as
11 Exhibit 19 shows a total amount of \$9,791,500.
12 Is that approximately the amount of sales of
13 the mobile billboard investment that you
14 sold --

15 A. Yes, sir.

16 Q. -- plus or minus a couple hundred
17 thousand dollars maybe?

18 A. Yes, sir.

19 Q. Can you approximate for me to a
20 reasonably close number the total amount of
21 commissions you've been paid by Mobile
22 Billboards over this period of time.

23 A. Well, it would be -- if you took
24 20 percent of that 10 million, it would be
25 2 million.

0104

1 Q. Is that consistent with your income
2 tax returns?

3 A. Yes, sir.

4 Q. So over this period of time, you've
5 had at least \$2 million worth of income?

6 A. Yes, sir. I have used that money to
7 help make my people whole with ETS.

8 Q. When you say "ETS," you mean ETS and
9 Phoenix?

10 A. And Phoenix, yes, sir.

11 And so I've been making monthly
12 payments to every one of those clients. When
13 the situation happened with Mobile Billboards,
14 payments stopped in September when the SEC
15 closed Mobile Billboards down. And I have
16 made payments to my clients since then to make
17 sure they don't miss a payment also.

18 (Exhibit 20 was marked for
19 identification.)

20 Q. (By Mr. Rue) Let me show you a
21 document that's been marked as Exhibit 20 to
22 your deposition, Mr. Hollenbeck, and ask you
23 if you can identify that document for me,
24 please.

25 A. Yes, sir.

0105

1 Q. What is it?

2 A. When Franklin Asset closed in
3 Brentwood, Tennessee, and my payments were
4 coming through Jim Gibson, they agreed to have
5 me sign a document and have my commissions
6 come to my Franklin Asset Company in
7 California. And this is the only agreement I
8 know of me signing to Mobile Billboards. Now,
9 what I'm saying is I have no copy of anything
10 else.

11 Q. It is your signature on there?

12 A. Yes, sir, it is.

13 Q. And this is the sales agreement that
14 you had with Mobile Billboards of America?

15 A. Yes, sir.

16 Q. This one took place at or about the
17 time Mr. Wire got out of Mobile Billboards?

18 A. Yes, sir, I think that's right.

19 Q. Mr. Wire was involved in Mobile
20 Billboards up until February 2003?

21 A. He concentrated on Merchant Capital
22 and then totally went to Merchant Capital and
23 had Jim Gibson -- Jim Gibson concentrated on
24 Mobile Billboards at the time. So I don't
25 know if the two of them made an agreement

0106

1 together to go their separate ways.

2 Q. I'm just asking you about Mr. Wire's
3 involvement in Mobile Billboards with or
4 through you and when that terminated or when
5 that stopped.

6 A. It stopped when he started marketing
7 his Merchant Capital product.

8 Q. And that would have been --

9 A. I think right close to before this
10 time. I would imagine he started his Merchant
11 Capital in 2002, the middle of it, and decided
12 to go fully with that product toward the end
13 of 2002.

14 Q. I don't see anything in this
15 agreement, at least the copy of it that I have
16 been produced, that has anything in there at
17 all about your -- just a second.

18 If you look on page 8 of the
19 document, there's a page, I guess, signed by
20 you. It's this page I'm looking at right
21 here.

22 A. Yes, sir.

23 Q. That's your signature?

24 A. It is. I don't see it on mine here.

25 MR. COVINGTON: There's no page in

0107

1 your Exhibit 8 currently.

2 THE WITNESS: But that is my
3 signature, yes, sir.

4 MR. RUE: Let me have that one back.
5 Let's throw this Exhibit 20 away and mark
6 this one as 20 instead. This one is
7 defective.

8 (Exhibit 20 was re-marked for
9 identification.)

10 Q. (By Mr. Rue) Let's go back to page
11 8 of that agreement, then, Mr. Hollenbeck.
12 And it shows that your commission rate was
13 22 percent?

14 A. Yes, sir.

15 Q. Earlier you testified that it was
16 raised to 20 percent. Does this refresh your
17 recollection?

18 A. It does. It might have went from
19 18 to 20 to 22. And this might be when I got
20 the call from Mr. Lomas saying that he wanted
21 me to continue being a help to the company.
22 But I started at 18. I'm not positive when I
23 went to 20, and Mr. Gibson would know probably
24 more of that, when that took place.

25 Q. And then you went to 22?

0108

1 A. Yes, sir.

2 Q. And that was March 15, 2003. Did
3 your commission rate raise after that?

4 A. No, sir. And I didn't reelect the
5 22 myself. So, no, sir, it didn't. I mainly
6 paid attention to 18 and 20.

7 Q. Other than the commission rate
8 spelled out in this agreement and the
9 commissions, the 18, 20, or 22 percent
10 commissions that you testified you received
11 for the sale of the Mobile Billboards product
12 and earlier the National Payphone product, did
13 you receive any other compensation in any form
14 from Mobile Billboards or any of the related
15 companies?

16 A. No, sir; except for that 2 percent
17 to help with the paperwork on the conversions.

18 Q. It's my understanding that sometime
19 in late 2003, running into 2004, Mobile
20 Billboards had some sort of a Christmas sales
21 promotion?

22 A. Like 5 percent. You weren't paid a
23 bonus on that. That went into just whatever
24 your commission was.

25 What I mean by that is this: I

0109

1 don't know -- my production was continual, and
2 I don't know what went into that. I think
3 that Jim Gibson and them would testify that I
4 didn't pay attention to any kind of bonuses
5 they had. I just continued doing my residual

6 business. So what I'm saying is I didn't pay
7 attention to 5 percent bonuses and stuff.

8 Q. So what you're telling me is that if
9 you got any bonus for that special promotion,
10 you didn't notice it in the commissions that
11 you were already receiving?

12 A. I didn't pay attention to it, right.

13 And I think they had a promotion
14 like that a couple of times, like at the year
15 end, and I didn't -- it was something I didn't
16 pay a lot of attention to.

17 Q. Now, going back to 2000 when you
18 first began your National Payphone sales, you
19 were working for FSC. Did you ever ask
20 anybody at FSC to review the National
21 Payphone, or later the Mobile Billboards,
22 package to determine whether it was something
23 that you could sell?

24 A. No, sir, I didn't. And the main
25 reason is I did not realize until I got my

0110

1 notice from FSC about Mobile Billboards that I

2 was doing something wrong. I sold USG
3 annuities. I sold Presidential Life
4 annuities. I sold all of the fixed annuities
5 and felt this was under the same umbrella. So
6 I never did.

7 Q. I guess I'm just trying to
8 understand. In 2000 when you began selling
9 this, you knew that Phoenix had been shut down
10 and that ETS had been shut down by the SEC,
11 and you knew that these deals were structured
12 quite like that. I guess I'm just wondering
13 why you didn't show it to FSC just to get some
14 knowing opinion.

15 A. This is probably going to be a
16 stupid answer. I don't know how else to
17 answer this. I was concerned to make sure I
18 met the needs of making my clients whole. And
19 when I was presented this by Jim Gibson, I
20 felt very good that this was a product that
21 had been scrutinized and that the due
22 diligence had been done and that it was a
23 fixed income product the same as the others.
24 So it didn't cross my mind to talk to FSC
25 about it.

0111

1 Q. Now, this whole time you were
2 working for FSC, your manager was Jim Staples?

3 A. Yes, sir.

4 Q. Did you ever mention to him that you
5 were selling this product?

6 A. I don't think I did, no, sir.

7 Q. Now, you mentioned the words a
8 minute ago "due diligence," and I think we
9 talked about what you did to check out this
10 product with Mr. Gibson.

11 A. Yes, sir.

12 Q. And what you were telling me, I
13 think, earlier was that your due diligence
14 about National Payphone, and later Mobile
15 Billboards, was from reviewing their documents
16 and talking to Mr. Gibson?

17 A. Yes, sir.

18 Q. Did you do any due diligence about
19 Mr. Gibson? What did you know about his
20 character? What did you know about him
21 personally that made you want to rely on what
22 he told you about Mobile Billboards?

23 A. I was impressed with my meeting with
24 he and his father. They were very open and
25 candid with me about the situation I had been

0112

1 involved with with ETS. My assumption of
2 character by appearance and by our talk seemed
3 to show me that they were trying to do the
4 right thing.

5 And I am here today to testify that
6 I still feel the same concerning Jim Gibson
7 and his dad, Keith. I've not had anything to
8 lead me otherwise that they are scoundrels.

9 (Exhibit 21 was marked for
10 identification.)

11 Q. (By Mr. Rue) I've shown you a
12 document that's been marked as Exhibit 21 to
13 your deposition, Mr. Hollenbeck. Can you
14 identify that document for the record, please.

15 A. Yes, sir. This is the UFOC
16 document.

17 Q. And when you say "UFOC document,"
18 what do you mean by that shorthand expression?

19 A. I probably need to read that. That
20 is the term that has always been used by the
21 people at Mobile Billboards, the people that
22 do the sales seminars.

23 Q. Is this the offering circular that
24 you used to present the mobile billboard
25 investment --

0113

1 A. Yes, sir.

2 Q. -- to your customers?

3 A. Yes, sir.

4 Q. And this one has a 2003 date on

5 it --

6 A. Yes, sir.

7 Q. -- if I am correct.

8 A. Yes.

9 Q. And you used versions earlier than
10 this?

11 A. Right.

12 Q. And probably used a version that was
13 dated 2004 at some point in time?

14 A. No, sir. The last UFOC I had was
15 2003.

16 Q. So the 2004 document, as far as you
17 know, may have been released after you were
18 stopped from selling them?

19 A. I was not aware of a 2004 UFOC.

20 Q. You've read this document?

21 A. I'm going to say this: To my
22 discredit, I have learned a big lesson from
23 this whole situation that my major weakness is
24 trusting too many people. And I have not read
25 this document in detail until Wes Covington

0114

1 and Greg Bartko ordered me to in the middle of
2 our investigation to see what was really up
3 with Mobile Billboards. I have trusted the
4 sales meetings and the wisdom of Jim Gibson,
5 Steve Wire, Keith Gibson, and Michael Lomas in
6 the sales meeting. I asked questions in those
7 meetings that I thought were answered to my
8 comfort, but I am remiss on detail.

9 Q. Do I understand you correctly to be
10 telling me that you sold the mobile billboard
11 investment to your clients from sometime
12 around the beginning of 2002 until the end of
13 April 2004 and never read the offering
14 document?

15 A. I read it hurriedly.

16 Q. Is that what --

17 A. Yes, sir.

18 Q. Would you mean to say you skimmed
19 it?

20 A. Yes, sir.

21 Q. But did not read it in any detail?

22 A. Yes, sir.

23 Q. Now, where did you get the
24 information to make the Mobile Billboards
25 presentation to your clients and customers and

0115

1 to answer questions that they might have about
2 this offering document, if you hadn't read it?

3 A. The questions that were ever asked
4 were in the presentation packet that this was
5 in. This was much like, in my mind, a
6 prospectus.

7 When I would in the past sell a
8 Putnam Voyager fund, the client would get a
9 prospectus that was 30 pages long that would
10 have the detailed information of the
11 financials of the Putnam Voyager fund.

12 I felt that the material was very
13 thorough that MBA had of presenting the bullet
14 points of the product. And they had separate
15 brochures on those -- I have in my briefcase a
16 copy of that.

17 Q. Of the original?

18 A. Of the original. And I think they
19 probably made a copy of that from my files
20 that were copied. But that's what I
21 presented.

22 Q. But you never read this thing
23 carefully, the offering circular carefully,
24 until after --

25 A. Not carefully until Wes and Greg

0116

1 told me to.

2 Q. So I assume, by what you've told me,
3 that there were not any issues that you knew
4 about in the offering document that you asked
5 anybody questions about?

6 A. No, sir. I also asked any issues I
7 felt that were of concern in my sales meetings
8 with Gibson and with Lomas, and I felt that
9 the answers were adequate.

10 (Exhibit 22 was marked for
11 identification.)

12 Q. (By Mr. Rue) I'm going to ask you
13 to identify a package of materials,
14 Mr. Hollenbeck, and what I am trying to do
15 with this package of materials, before we
16 start with it, is to identify what was in that
17 sales package that you have just referred to
18 in addition to the document which is the
19 offering circular.

20 So let me go down the items included
21 in Exhibit 22. The first document that makes
22 up Exhibit 22, Mr. Hollenbeck, is called
23 Exhibit A, Purchase Agreement, and it's a
24 multipage document that includes a lease
25 agreement and a purchase agreement and an

0117

1 equipment resale option agreement. It looks
2 like this.

3 MR. COVINGTON: The one you gave him
4 did not have this on it.

5 THE WITNESS: That's not in this
6 packet here.

7 MR. COVINGTON: Why don't we just
8 transfer that stickie to this one.

9 MR. RUE: Thank you.

10 Q. (By Mr. Rue) Is this what you would
11 identify as the purchase agreement?

12 A. Yes.

13 Q. And this is the package of paperwork
14 that you had your clients fill out or you
15 assisted them filling out?

16 A. Yes.

17 Q. And that was in the folder that you
18 gave to your prospective clients?

19 A. That's right.

20 Q. Just to summarize for a minute, when
21 you had a prospective client, the only thing
22 you gave them was this folder that you got
23 from Mobile Billboards that had the offering
24 circular and the purchase agreement in it?

25 A. Yes, sir.

0118

1 Q. And that folder also had this page
2 that's next in the exhibit entitled "New
3 Business Transmittal"?

4 A. Yes, sir.

5 Q. And did it also have a flyer or a
6 brochure in it that was identified as "Monthly
7 Income You Can Count On"?

8 A. This is a green brochure.

9 Q. And then the next page is entitled
10 "Reserve Guaranty Trust"?

11 A. Yes, sir.

12 Q. This is a two-sided page?

13 A. Yes, sir.

14 Q. That was in the folder?

15 A. Yes, sir.

16 Q. And the next page is a document
17 entitled "Mobile Billboards of America,"
18 again, two pages. That was in the folder?

19 A. Yes, sir.

20 Q. And the next page entitled "Outdoor
21 Media Industries" was also in the folder?

22 A. Yes, sir.

23 Q. And then there's a page entitled
24 "Tiger Media, Incorporated"?

25 A. Yes, sir.

0119

1 Q. That was in the folder?

2 A. Yes, sir.

3 Q. The next page here is what looks to
4 be like a reprint from USA Today. That was in
5 the folder?

6 A. These articles here were not all the
7 time in the folders. Some of the folders came
8 with these in it, and some did not come with
9 the newspaper articles.

10 Q. And by "the newspaper articles,"
11 you're referring to the USA Today and The New
12 York Times piece and The New York Times piece
13 and the L.A. Times piece?

14 A. Yes, sir.

15 Q. And the Clear Channel piece there?

16 A. Right.

17 Q. And the next document that I have
18 that looks like it went in the folder is this
19 document entitled "Truck Advertising and
20 Leasing Manual"?

21 A. Yes, sir.

22 Q. And then the last one that I have
23 here is a multipage brochure that describes
24 Tiger Media.

25 A. I recognize that, yes, sir.

0120

1 Q. And that's in the folder also?

2 A. Yes, sir.

3 MR. BARTKO: For clarity, are all of
4 these things part of this Exhibit 22?

5 MR. RUE: Yes.

6 MR. DANTZLER: Okay.

7 MR. COVINGTON: You might want to
8 note that the last Tiger Media
9 brochure --

10 MR. RUE: -- is now in there.

11 Q. (By Mr. Rue) Now, I guess the
12 question is obvious, Mr. Hollenbeck. Did you
13 read all this stuff before you sent it to your
14 clients?

15 A. Yes; skimming, same thing.

16 Q. Skimming?

17 A. Yes, sir.

18 Q. The first portion of Exhibit 22,
19 other than the offering circular itself, is
20 the purchase agreement. And the package
21 starts with "Purchase Agreement" and then has
22 a bill of sale and then a description of the
23 equipment as Attachment A and then an
24 equipment resale option agreement and the form
25 of equipment lease agreement; and then there's

0121

1 some IRA nonqualified transfer request forms
2 and sales and use tax exemption certificates,
3 a designation of beneficiary, and lease
4 payment special request/change of address.

5 Were all these documents executed by
6 your clients at the same time?

7 A. Yes, sir.

8 There's a document that's not here
9 that I would leave the clients. I never did a
10 sale on a first visit at all. I would have
11 them look at things, see if they had any
12 questions, and come back and see them in two
13 weeks. And so there's a document that I had
14 that's the last page that talks about the UFOC
15 and that they had read their material and
16 signed.

17 Q. What you're referring to, which may
18 not be in this package but was, in fact, sent
19 to the customers, was a document that they
20 acknowledged receiving a copy of the UFOC and
21 having read it?

22 A. Yes, sir. And I always had that
23 attached to the last page of this.

24 Q. But there's not any question in your
25 mind that on your second or third visit, the

0122

1 people executed the purchase agreement, the
2 bill of sale, and the lease agreement and
3 related documents all at the same time?

4 A. Yes, sir.

5 Q. Did you ever offer your customers
6 any choice for the lease option besides
7 Outdoor Media Industries?

8 A. No, sir. They had the option. I
9 told them that Mobile Billboards had their own
10 management company and that they would receive
11 notification of the units that they would be
12 purchasing and where the advertisement would
13 be going. In other words, they had the
14 opportunity to manage this themselves, but
15 Mobile Billboards would take care of all the
16 management and would send them their lease
17 payments. And that's the way I presented it.

18 Q. When you say Mobile Billboards would
19 manage it and take care of their lease
20 payments, you explained to them that what you
21 really meant there was Outdoor Media
22 Industries would be leasing it and obligated
23 to make the lease payments?

24 A. Yes, sir.

25 Q. If somebody had asked you for the

0123

1 name of another leasing company, did you have
2 it to provide them?

3 A. I didn't.

4 Q. Did any of your customers display
5 any interest at all in operating this
6 opportunity by themselves?

7 A. No, sir.

8 Q. Have you ever heard of anyone that
9 purchased the mobile billboards opportunity
10 and decided to operate it itself?

11 A. No, sir.

12 Q. Let's look at this page in that
13 document, which is the page that says "Mobile
14 Billboards of America Nonqualified Transfer
15 Request Form." Do you have that in front of
16 you?

17 A. I do.

18 Q. And as I understand it, that is a
19 form that they filled out to transfer money
20 that they had in other investments into the
21 Mobile Billboards opportunity; is that
22 correct?

23 A. Yes, sir.

24 Q. What percentage of the people you
25 sold this to had previously been clients of

0124

1 yours either as insurance or mutual fund or
2 variable annuity clients?

3 A. Mr. Rue, I would say probably 75
4 percent of them.

5 Q. Of that 75 percent who invested in
6 Mobile Billboards, what percentage of them
7 rolled money out of a mutual fund or a life or
8 an annuity contract or some other product that
9 you had sold them and put it into the Mobile
10 Billboards product?

11 A. I never used this form here at all.
12 My clients would call and say, I have a CD
13 that came due that I would like to get a
14 monthly income off of. And I would present
15 the product. Or I'm getting ready to retire,
16 and I have a 401(k) plan that is coming due,
17 and I'll be getting a check in three months.
18 Could you give me some ideas of how I could
19 get a monthly income.

20 So the nonqualified transfer form I
21 hardly ever used at all. I would just receive
22 a check from them.

23 Q. But despite the use of the form, my
24 question is directed to what percentage of
25 your mobile billboard customers rolled over

0125

1 products that you had previously sold to them
2 to purchase mobile billboards.

3 A. Not that many. It was new sales
4 most of the time of things that came due.
5 Now, I had some folks that were in Putnam, a
6 variable annuity, that the market had done
7 very bad, and they had lost money in their
8 contract because of the market declining.

9 And I presented the idea to them of
10 taking a portion of two units to be able to
11 build their account back up by transferring
12 the monies back to their Putnam account on a
13 semiannual basis or quarterly basis into their
14 account.

15 Q. As I understand your answer, while
16 perhaps 70 percent of your sales of mobile
17 billboards were to previous customers of
18 yours, you didn't roll over so many prior
19 products as you took other investments that
20 your previous customers had had --

21 A. Yes.

22 Q. -- that were coming due --

23 A. Yes, sir.

24 Q. -- and rolled those kinds of things
25 over into Mobile Billboards?

1 A. Yes, sir.

2 Q. What percentage of your customers in
3 the mobile billboard opportunity had their
4 money in qualified retirement plans of one
5 sort or another, IRAs, 401(k)s, SEPs,
6 whatever?

7 A. I would say that probably 70 percent
8 of my accounts with Mobile Billboards were
9 qualified accounts because they were people
10 that were looking for a monthly income to live
11 on for a long period of time and not wanting
12 to use the principal to buy a house or buy a
13 car. They were mainly wanting income. I
14 would say probably 70 percent of my accounts
15 were qualified accounts.

16 Q. There's a brochure that you sent as
17 a part of this package that's entitled
18 "Monthly Income You Can Count On."

19 A. Yes, sir.

20 Q. Other than talking to Mr. Gibson and
21 the people at Mobile Billboards, what did you
22 do to satisfy yourself that the lease payments
23 that your clients would get from the Mobile
24 Billboards investment was steady, regular
25 income they could count on?

1 A. I was impressed with the Reserve
2 Guaranty Trust that they had set up to take
3 care of the sale-back of the purchase. I was
4 impressed with the testimony that I heard from
5 Mr. Gibson and Mr. Wire that this company was
6 indeed buying advertisement immediately and
7 the lease was coming from that advertisement.

8 Until I received my cease and desist
9 order, I have never had a client miss a
10 payment and never had a payment that was late.
11 So my experience with Mobile Billboards until
12 I received my cease and desist order was
13 completely positive. When I went to meet with
14 Mr. Covington, he will testify that I --

15 MR. COVINGTON: No, I won't.

16 THE WITNESS: I went to him in mind
17 to the defense of Mobile Billboards
18 because I told him that every experience
19 I've had with them had been pleasant and
20 positive and never one thing negative.
21 So I never had a client miss a payment.
22 I never had a client late on a payment.
23 If there was ever any discrepancy of
24 paperwork, things were taken care of
25 immediately. And so the fact of them

0128

1 being a scam and them stealing our money
2 never crossed my mind.

3 Q. (By Mr. Rue) You knew, I take it,
4 from the presentations you made to investors
5 and your classes that you went to about
6 presenting this product that the revenue
7 Outdoor Media was going to use to pay the
8 lease payments was going to come from
9 advertising that somebody sold and would stick
10 on the sides of the trucks that had the mobile
11 billboard investors' individual frames on
12 them?

13 A. Yes, sir.

14 Q. Did you ever see a truck with a
15 mobile billboard ad on it?

16 A. Yes, sir.

17 Q. When was that and where?

18 A. I saw a truck in Chicago when I went
19 up to do a seminar at Bethany Baptist Church,
20 and it was advertising Pepsi. We then
21 received one of our newsletters where they
22 were featured on Good Morning America with
23 Al Roker and had a truck that was used for
24 Good Morning America and for their
25 advertisement of Good Morning America. I saw

0129

1 one truck, and that was a Pepsi truck in
2 Chicago.

3 Q. When you say Good Morning America,
4 you really mean The Today Show, don't you?

5 A. Right.

6 Q. When did the meeting take place?
7 What were you referring to as the meeting in
8 Chicago? You made a presentation at the
9 Bethany Baptist Church.

10 A. I went up to do a seminar in Chicago
11 other than the time I was with Jim Gibson and
12 happened to see a truck on the street out of
13 the blue and, in fact, called Jim Gibson and
14 said, I saw one of our trucks on the street.

15 Q. How did you know it was one of your
16 trucks?

17 A. It had a little sign -- I think it
18 said "Tiger Truck" on it, I think, in the
19 corner and had Pepsi and had "Tiger Truck
20 Media" in the corner. And I called Jim and he
21 said, indeed that's one of our trucks.

22 Q. Did you ever call anybody at Outdoor
23 Media or Mobile Billboards of America and ask
24 them how many dollars worth of advertising
25 revenue they had sold in 2002, 2003, 2004?

0130

1 A. No, sir. I received back from my
2 applications where the units had been assigned
3 to different companies to do the advertising.
4 So I never felt that they were having the
5 money go elsewhere.

6 Q. Did you ever ask anybody for a
7 financial statement of Outdoor Media
8 Industries?

9 A. I asked Jim Gibson one time for
10 financials, and I don't remember if they were
11 even sent, In other words, the end of the
12 year. And, no, sir, my experience was good
13 with Mobile Billboards. So I really felt they
14 were doing their homework.

15 Q. So you never asked for financial
16 statements for Outdoor Media?

17 A. No, sir.

18 Q. You testified earlier that you never
19 asked for financial statements for Reserve
20 Guaranty Trust?

21 A. Yes, sir.

22 Q. And you never saw financial
23 statements for Outdoor Media?

24 A. I did in that sales meeting. They
25 had multimedia where they talked about the

0131

1 financials and the money was going to Reserve
2 Guaranty Trust and how they were funding.
3 They had slides on that.

4 Q. What meeting? Who presented?

5 A. Lomas.

6 Q. And that was the meeting that took
7 place --

8 A. -- in Winston-Salem.

9 Q. And approximately when?

10 A. I would say that meeting was in
11 2001, the spring of 2001, I would guess.

12 Q. Before you began selling the mobile
13 billboard investment?

14 A. No, right after I sold it. So maybe
15 it was summer of -- I'm hazy on dates.

16 Q. I can see. We don't believe that
17 Mobile Billboards actually was a product until
18 sometime -- Mobile Billboards of America was
19 not formed until November 2001, and I don't
20 believe the first sales of the mobile
21 billboard product took place until after that
22 time. Does that help you refresh your
23 recollection as to --

24 A. It does. So it would probably be
25 spring of 2002, then, I think, that they

0132

1 probably had this meeting at Legacy Resource.

2 Q. Whose business was that?

3 A. Rebecca Plumber and Lavonda Leamon
4 were two agents that were with Mobile
5 Billboards. And they had a large conference
6 room, and there were probably about six or
7 seven agents from North Carolina that came to
8 that meeting.

9 Q. And Mr. Lomas -- and did anybody
10 else make the presentation?

11 A. No, sir, Mr. Lomas.

12 Q. Was that the first time you met
13 Mr. Lomas?

14 A. Yes, sir.

15 Q. Was it the first time you talked to
16 him?

17 A. Yes, sir.

18 Q. And when you say you saw the
19 financial statements of Outdoor Media at that
20 meeting, you don't mean that you saw a balance
21 sheet and income statement, notes to the
22 financial statements? You mean that Mr. Lomas
23 put up some numbers on the board and said,
24 this is the revenue that we've had --

25 A. That's right. And we have this much

0133

1 going to Reserve Guaranty Trust, and our
2 projections are ahead of schedule, and we're
3 doing very well on our placement of
4 advertisement. And I had no experience of
5 being otherwise.

6 Q. Well, you had some experience of
7 being otherwise. You had made an arrangement
8 and talked to Mr. Edwards, and Mr. Edwards
9 couldn't keep his commitment to you.

10 A. Right.

11 Q. And the same would be true with
12 Mr. Beacham and Mr. Clawson for Phoenix
13 Telecom?

14 A. I don't know those names.

15 Q. But the same would be true with
16 regard to Phoenix Telecom?

17 A. Yes, sir.

18 Q. I guess what I'm asking you at this
19 point is: Independently of Mr. Lomas, Mobile
20 Billboards, Reserve Guaranty Trust, Outdoor
21 Media, Mr. Gibson, what did you do to test
22 whether the information those people were
23 giving you was reliable?

24 A. Nothing. I relied on what they had
25 to say.

0134

1 Q. As I understand the way this product
2 was distributed, if you will, many of the
3 salesmen had salesmen underneath them for whom
4 they got commission overrides. Did you have
5 any such people working for you?

6 A. No, sir. That might be what was
7 called a master agent. I don't know that.

8 Q. But my question is directed just
9 exclusively to you. You did not have agents
10 working for you selling this on whom you got
11 an override?

12 A. No, sir.

13 Q. Did you sell this in conjunction
14 with any other sales agents?

15 A. No, sir. The reason I'm hesitating
16 with that answer is I sold Merchant Capital
17 and Mobile Billboards for a period of time,
18 but I did not have anybody working with me or
19 have any connection other than that.

20 Q. Did you receive compliance training
21 when you were selling the mobile billboard
22 investment opportunity?

23 A. They considered the meeting in
24 Chicago as a compliance meeting with
25 Mr. Lomas -- excuse me, the meeting in

0135

1 Winston-Salem with Mr. Lomas as a compliance
2 meeting.

3 Q. And what do you recall about that
4 meeting that was related to compliance?

5 A. He went over bullet points of the
6 UFOC and went over detail of filling out the
7 application. There was a meeting in Lake
8 Placid that was going to be a compliance
9 meeting at this motel that Barry Maloney had
10 lined up, and that motel, I think, was
11 Mr. Maloney's motel. Rebecca and Lavonda both
12 went to that meeting, I know, because they had
13 told me they were going to it, and my schedule
14 did not permit me to go to that meeting.

15 They had sent a notice to Rebecca
16 and Lavonda -- I did not get the notice
17 myself -- and were wanting people to come to
18 compliance meetings. They were going to set
19 several dates up to go. And if you couldn't
20 go to this Lake Placid meeting, they were
21 going to give you several other dates to come
22 to a compliance meeting. After that meeting
23 took place, I received my cease and desist
24 order and --

25 Q. Did you ever go to a compliance

1 meeting put on by Allison Lomas?

2 A. No, sir.

3 Q. Did you ever meet Allison Lomas?

4 A. No, sir.

5 Q. Did you ever go to a compliance
6 training program put on by Mike Young?

7 A. No, sir.

8 Q. What contact did you have with
9 Mike Young in connection with your Mobile
10 Billboards sales?

11 A. Very brief. Mike Young had a
12 meeting in Greensboro that, I think, might
13 have been one of those compliance meetings.

14 Q. When was that?

15 A. That would have been probably 2003,
16 springtime, summertime. And he was meeting in
17 connection, I think, with -- and I don't know
18 these people at all; I've never met them --
19 Brad Bradshaw. There's a group that sold
20 mobile billboards in Greensboro. He asked me
21 to see if I could come to that meeting, and I
22 could not. And so he met me for 15 minutes
23 over a cup of coffee in Greensboro at the
24 Marriott hotel.

25 Q. And what was the substance of your

0137

1 conversations with Mr. Young?

2 A. It was basically social. I met him
3 for the first time, and he told me he was
4 thankful for the work I had done to help
5 Mobile Billboards and wanted to know if I had
6 any questions about the company. And I asked
7 him how the Reserve Guaranty Trust was going
8 and let him know I was happy with the
9 performance of the way things had gone with my
10 clients. I had no complaints at all.

11 Q. Did you ever have a conversation
12 with Mr. Lomas or anyone else where they
13 explained to you how the \$15,000, or later
14 \$20,000, purchase price of the mobile
15 billboard opportunity was broken out and
16 spent?

17 A. That was part of the meeting in
18 Winston-Salem. \$5,000 of that unit was
19 supposed to go immediately to the trust. And
20 then the other was to be used to purchase the
21 frame and to take care of getting the
22 contracts. And that was explained in that
23 meeting.

24 Q. Did Mr. Lomas or anyone else ever
25 tell you that some portion of the purchase

1 price of the billboard frame was to be used to
2 pay the first year's lease payments to
3 investors?

4 A. No, sir.

5 Q. You testified that you had a meeting
6 with Mr. Lomas. And the first meeting was
7 in --

8 A. -- Winston-Salem.

9 Q. And that was the first time you had
10 talked to him?

11 A. Yes, sir.

12 Q. How many other times did you talk to
13 Mr. Lomas?

14 A. I probably talked to Mr. Lomas four
15 or five times. I talked to Mr. Young twice.
16 Once was over coffee, and the second time was
17 when we called to verify that we weren't
18 coming to that meeting in St. Louis.

19 Q. And with Mr. Lomas, the first
20 conversation, the first meeting, was face to
21 face in Winston-Salem?

22 A. Yes, sir.

23 Q. And the next meeting was --

24 A. -- in Chicago when Mr. Gibson had
25 another Christmas party for us to go to. I

0139

1 can't remember what show we went to, but we
2 went to a Christmas show. And I was at a
3 church, and I came over for the Christmas show
4 and sat in an aisle with him and shook his
5 hand at the Christmas show and said good-bye
6 afterward.

7 Q. You said you were in Chicago at one
8 point making a presentation to a church?

9 A. Yes, sir.

10 Q. Did that presentation have anything
11 to do with Mobile Billboards of America?

12 A. No, sir.

13 Q. When you say "presentations to
14 churches," you're not talking about --

15 A. It had nothing to do with Mobile
16 Billboards at all, no, sir.

17 Q. And then the second time you met
18 Lomas was in Chicago?

19 A. Yes, sir.

20 Q. What did you talk to him about
21 there?

22 A. That was just, merry Christmas, good
23 to see you, just two minutes, because there
24 was a group of us. And I shook his hand
25 before the show and shook his hand after to go

0140

1 back to the people I was staying with at the
2 church.

3 Q. When was the next time you spoke to
4 Mr. Lomas?

5 A. Mr. Lomas called me. I called
6 Mr. Young when I received my cease and desist
7 and told him that I was appalled with what was
8 happening and I wanted to do what I needed to
9 do to be right to Mobile Billboards. At the
10 time I thought Mobile Billboards was doing the
11 right thing.

12 And Mr. Lomas called me back and
13 assured me that Mobile Billboards was doing
14 the right thing and that they would do
15 anything they can to be a help to me. I don't
16 know what that means. That never happened.
17 And that was my last conversation with
18 Mr. Lomas.

19 When I received my cease and desist,
20 I made the comment to Mr. Gibson that I had
21 all these sales with Mobile Billboards and all
22 of a sudden, I'm receiving a cease and desist
23 out of the blue, and it seemed like I dropped
24 off the face of the earth, and nobody was
25 there to help. I was in a panic.

0141

1 And about a week after that, I
2 received a call from Mr. Lomas saying, you're
3 not dropping off the face of the earth. We
4 want you to know that we care about you and
5 that we're doing everything we can on our end
6 to make sure that the State of North Carolina
7 is cleared up. But that's all I ever had, a
8 conversation with him.

9 Q. Let me be just sure I understand
10 another couple of things. To the extent that
11 you had conversations with Mobile Billboards
12 of America, other than Mr. Lomas and
13 Mr. Young, which we just talked about, for the
14 most part, your testimony was those
15 conversations were with Diane Lenz?

16 A. Yes, sir.

17 Q. Can you think of anybody else you
18 talked to?

19 A. There is a lady -- I'm not positive
20 if I have the name right.

21 Q. Would it be Laurinda Holohan?

22 A. No. Sue Knight. And she was
23 supposed to send -- she was going to send a
24 document to help us with any clients that
25 needed to display their income on their

0142

1 1040s of how they needed to display that
2 income. I called a couple of times to
3 Diane Lenz because I didn't receive that
4 document from Sue Knight and ended up having a
5 CPA that understood the lease-back program and
6 answered the question. So we never did pursue
7 it any further. So I probably talked to her
8 two minutes on the phone.

9 Q. Anybody else?

10 A. No, sir.

11 Q. Did you speak with anybody or talk
12 to anybody with Outdoor Media Industries?

13 A. No, sir. I thought that was
14 everybody we're talking about.

15 Q. I beg your pardon?

16 A. I thought that was everybody we're
17 talking about: Laurinda Holohan, Diane Lenz,
18 Michael Lomas, and Mike Young.

19 Q. So as far as you're concerned, you
20 didn't distinguish between Mobile Billboards
21 and Outdoor Media Industries?

22 A. No, sir.

23 Q. And how about conversations with
24 Reserve Guaranty Trust?

25 A. No, sir, no conversations.

0143

1 Q. Or to the extent you did, they were
2 with Mr. Lomas and that same group of people?

3 A. Yes, sir.

4 Q. I think you testified earlier that
5 you never spoke with anybody at TCA?

6 A. No, sir.

7 Q. And you never spoke with anybody at
8 Tiger Media?

9 A. No, sir.

10 Q. On your conversations with
11 Mr. Lomas, did you ever have a conversation
12 with Mr. Lomas where you negotiated your
13 commissions?

14 A. No, sir. And I never -- I don't
15 know how to say this. I've never negotiated
16 my commissions with anybody. I think that
17 Mr. Gibson would tell you that, Mr. Wire.
18 They offered commission to help me with my
19 situation, but I never negotiated commission.

20 Q. And you never had a conversation
21 with Mr. Lomas where you negotiated any other
22 kind of agreement with him?

23 A. No, sir. I had Mr. Lomas call me
24 and tell me that he was going to -- he was
25 thankful for the work I had done and told me I

0144

1 was going to get an increase in commission.

2 But there was nothing ever negotiated, and I
3 didn't know anything about it until he talked
4 to me.

5 Q. Did you ever disclose your
6 commission rate to your customers?

7 A. No, sir.

8 Q. Did any of them ever ask you what
9 your commission rate was?

10 A. No, sir.

11 Can I explain something about
12 commission?

13 Q. Yes.

14 A. My feeling about commission was that

15 this was a long-term product that was a
16 one-time commission, that their advertising,
17 their performance of their product was going
18 to completely take care of the product. I was
19 having a commission that was going to be for a
20 seven-year contract. The next time I would
21 get paid would be seven years from now, if the
22 contract was renewed. I was using the
23 commission to help make my payments to make
24 whole my people that had been in the ETS
25 debacle.

0145

1 I've never had in my mind, and I
2 think my clients would -- I've never had in my
3 mind to be greedy, and I have never tried to

4 do something to destroy my clients or take --
5 I've always wanted my clients to never lose a
6 dime and have an assured income that they
7 wouldn't have to lose. And that's why I am
8 today making sure that I meet their needs.

9 Q. Let me ask you this: You knew when
10 you offered this program to your clients that
11 the 13.49 percent return was a pretty high
12 return for an investment of a fixed income
13 product in the marketplace?

14 A. Yes, sir.

15 Q. You've taken enough finance courses,
16 I assume, or training to get your Series 6 or
17 Series 63 licenses that you understood that
18 the higher the rate of return, the higher the
19 level of risk?

20 A. Yes, sir.

21 Q. And you also told me that you sold
22 this product to people that were retired and
23 were looking at this for their income, for
24 monthly income?

25 A. Yes, sir.

1 Q. What steps did you take to satisfy
2 yourself or to investigate or to determine
3 whether that higher rate of risk associated
4 with the higher rate of return was appropriate
5 for one of your clients who was basically
6 living off the income of this investment?

7 A. My feeling of this product was that
8 this was based on a performance of a company
9 that was indeed making contracts of
10 advertisement. It was not based on how the
11 Dow does, not based on how the economy is
12 doing. It was based on contract.

13 By the fact they had the Reserve
14 Guaranty Trust where money was going into that
15 trust, they had a contract for seven years
16 that they said we are going to have the return
17 come back and have a contract that is signed
18 by our advertisers to pay a certain amount, I
19 felt comfortable that I was in a product that
20 was different than a normal investment product
21 that had to do with the economy or how mutual
22 funds were doing or those type things.

23 (Whereupon a recess was taken from
24 4:49 p.m. to 4:58 p.m.)

25 Q. (By Mr. Rue) Mr. Hollenbeck, did

0147

1 you offer your investors in the mobile
2 billboard opportunity anything in connection
3 with the investment outside of what's included
4 in the mobile billboard investment package?

5 A. No, sir. I had a policy with FSC
6 Securities that was a Fidelity Risk Capital
7 Protector Policy for the clients that did not
8 pertain to Mobile Billboards at all. So I
9 emphasized the American Guaranty Trust with
10 them.

11 Until I had that clarified with FSC
12 Securities, I thought that all my products,
13 because I was paying the premium to the
14 insurance company, covered everything, if I
15 had errors and omissions, and found out that
16 was not the case, that it had to be approved
17 products that were under errors and omissions.
18 And that was pointed out to me by these two
19 men.

20 But my Mobile Billboards people had
21 the American Guaranty Trust certificate that
22 they received.

23 (Exhibit 23 was marked for
24 identification.)

25 Q. (By Mr. Rue) Let me ask you to

0148

1 identify a document. Can you identify Exhibit
2 23 for me.

3 A. Yes, sir.

4 Q. What is it?

5 A. When I met with Wes and with Greg
6 and told them I was concerned with the cease
7 and desist, would they please do research into
8 Mobile Billboards, they came back to me
9 saying, we have big concerns. We feel that
10 there are definitely some things that don't
11 seem to add up.

12 And so we proceeded then to try to
13 take a trip to see Mike Young, and that was
14 going to be Wes Covington and myself to go see
15 him. That trip was cancelled by
16 Barry Maloney. We then met and said that I
17 want to protect my clients. I want to get a
18 rescission of all their contracts because
19 things seem to be not as they were said to be.
20 So that's when Wes and Greg filed the class
21 action suit against Mobile Billboards.

22 Q. So the answer to my question is that
23 the document that I've just put in front of
24 you as Exhibit 23 is the class action lawsuit
25 that Mr. Covington and Mr. Bartko filed on

1 your behalf?

2 A. Yes, sir.

3 MR. COVINGTON: That we're going to
4 be thrown right out of court on. It's a
5 class action.

6 THE WITNESS: I used the wrong term.

7 Q. (By Mr. Rue) Let me ask you just a
8 couple of questions about this. You're one of
9 the plaintiffs in this case?

10 A. Yes, sir.

11 Q. How many of the other people listed
12 in this long list of plaintiffs were also
13 salesmen for Mobile Billboards of America that
14 you know of?

15 A. Four.

16 Q. And who would those people be?

17 A. That would be Rebecca Plumber,
18 Lavonda Leamon, Rip Rainey, his partner.

19 Q. Arthur Anderson?

20 A. No, sir. Daniel Dark. I think
21 that's it.

22 Q. Did you pay the legal fees in
23 connection with the preparation of this
24 lawsuit?

25 A. Yes, sir.

0150

1 Q. How much did you pay?

2 A. I paid \$100,000 up-front, and we're
3 going to have -- depending on the hours that
4 have to go in, it could be up to \$225,000.

5 Q. Did any of the other salespeople
6 participate in that?

7 A. No, sir, not so far.

8 (Exhibit 24 was marked for
9 identification.)

10 Q. (By Mr. Rue) Have you seen this
11 document before, Mr. Hollenbeck?

12 A. Yes, sir.

13 Q. To your knowledge, is this the First
14 Amended Complaint that was filed after the
15 document that we looked at previously in this
16 lawsuit?

17 A. Yes, sir.

18 Q. Are you aware of any other
19 Complaints that have been filed in connection
20 with this lawsuit?

21 A. No, sir.

22 Q. Have you been sued by anyone in
23 connection with the Mobile Billboards --

24 A. No, sir.

25 Q. Mr. Hollenbeck, are you making

0151

1 payments to these people, the monthly lease
2 payments to these people that you have sold
3 this investment to?

4 A. Yes, sir.

5 Q. And how much is that a month?

6 A. \$95,218 a month.

7 Q. Where are you getting that money?

8 A. From my residual income from my
9 investments and my consulting. I've got my
10 house credit that -- I made the last payment
11 with my house credit line.

12 Q. Mr. Hollenbeck, does the fact that
13 you're making the payments to your clients on
14 these lease obligations indicate that you feel
15 responsible for the financial problems that
16 your customers are involved in?

17 A. Yes, sir.

18 (Exhibit 25 was marked for
19 identification.)

20 Q. (By Mr. Rue) I've asked you to take
21 a look at a multipage document that has been
22 marked as Exhibit 25 to your deposition
23 transcript.

24 A. Yes, sir.

25 Q. Is this promotional materials that

0152

1 you used in connection with your business?

2 A. Yes, sir.

3 Q. Is this known as the Accumulator
4 product?

5 A. Yes, sir. It's a private equity
6 fund. This document that you have here must
7 have been the first document that was
8 prepared, and that was revamped. This was
9 done through Mr. Colvin. I mentioned to you
10 about the private equity fund, and there have
11 been some changes that are wrong on this
12 document that are not the case now. But this
13 is the private equity fund.

14 Q. Looking at the last page of this,
15 which is "Companies Used For the Accumulator
16 Program," can you tell me how these companies
17 figure into the private equity fund.

18 A. This is the page I'm telling you
19 about that was revamped, and several of these
20 companies were not on there at all. MBA has
21 nothing to do with the private equity fund.
22 IRA Resources has nothing to do with it.
23 Retirement Accounts, Incorporated, have some
24 IRA accounts. Network Services has nothing to
25 do with it. Healthcare Preferred Capital has

0153

1 nothing to do with it. This was the first
2 document that was made, and it was only
3 probably used for a couple of weeks, and then
4 it was completely revamped.

5 Q. Did you send this to Mr. Maloney for
6 his review?

7 A. What happened is we sent this to --
8 what happened is Mr. Maloney called and said
9 that they had seen a document that had their
10 name on it. And the private equity fund
11 originally was going to have the option of
12 putting money in those different companies
13 according to the discretion of Mr. Colvin.

14 MBA was a mistake, and we
15 immediately took that off. Mr. Maloney sent
16 this to us, and we immediately changed that as
17 soon as he -- we addressed that with him.

18 Q. With the exception of MBA and IRA
19 Resources and Network Services here, help me
20 understand. Investors in the private equity
21 fund would then have their money basically put
22 in one of these investments?

23 A. And it could be in a combination
24 thereof.

25 Q. And Mr. Colvin was the guy that made

1 that decision?

2 A. Yes, sir.

3 Q. And the Wells Fargo Mixed Mortgage
4 Program is a part of it?

5 A. Yes, sir.

6 Q. And the Healthcare Preferred Capital
7 is a part of it?

8 A. That company ended up being a longer
9 period of time, and so money was never sent to
10 them. So they're no longer on the list.

11 Q. JENCO Capital Corporation?

12 A. Yes, sir.

13 Q. BMP Investments?

14 A. Yes, sir.

15 Q. NAW Association?

16 A. Yes, sir.

17 Q. And FGS Associates?

18 A. Yes, sir.

19 Q. How about CNA-AIG Insurance?

20 A. What that was talking about there,
21 and it shouldn't have been put there, is the
22 risk capital protector policy with AIG. There
23 is a term of wording on this page here that
24 has not been used at all, is wrong. On the
25 front page it says "Investments are secured by

0155

1 surety bond program registered with AIG
2 Insurance Company." That is wrong. It is a
3 risk capital protector policy that is to cover
4 any mistakes that would be made by the manager
5 of the fund. And that was completely taken
6 off, and they're not on the list.

7 Q. You own Webb Financial Group, Inc.?

8 A. Yes, sir.

9 Q. Is Webb Financial Group, Inc., the
10 issuer of this private equity capital fund?

11 A. The private equity fund is set up as
12 Franklin Asset Fund. It's its own private
13 entity. The monies of distributions and
14 things go from that fund through The Webb
15 Group to pay the clients their quarterly
16 distributions. The name of this fund is
17 called Franklin Asset Exchange Private Equity
18 Fund.

19 Q. And you are the person that runs
20 that fund?

21 A. John Colvin.

22 Q. Do you have an ownership in that
23 fund?

24 A. No, sir.

25 THE WITNESS: Greg, what am I? I

0156

1 don't know what I am.

2 Q. (By Mr. Rue) Why don't you describe
3 for me the role you play with that fund.

4 A. The role I play is to make sure that
5 disbursements go to clients, that they receive
6 their statements, that anybody that needs to
7 get information, I take care of all the
8 paperwork of the fund.

9 Q. Is this fund registered as an
10 investment company?

11 A. I don't know how to answer that.

12 Q. Yes or no.

13 A. I don't know the answer to that.

14 Q. How many clients of yours have you
15 put into this fund?

16 A. Probably a hundred, I would guess.

17 Q. How much money is in the fund now?

18 A. Around 13 million.

19 Q. Does anybody else sell interests in
20 this fund besides you?

21 A. No, sir. Let me tell you this:
22 Legacy Resource Management has some clients
23 that they have passed through the fund,
24 probably a dozen clients.

25 Q. Do you get a commission for putting

0157

1 people in the fund?

2 A. Yes, sir.

3 Q. What is that?

4 A. The commission is 6 percent.

5 Q. Did you sell any of the MBA
6 investment through something called the 10-84
7 Trust after you were subject to the C&D in
8 North Carolina?

9 A. No, sir.

10 (Exhibit 26 was marked for
11 identification.)

12 Q. (By Mr. Rue) Are you familiar with
13 the document that's been marked as Exhibit 26
14 to your deposition?

15 A. Yes, sir.

16 Q. Did you pay for or purchase the
17 surety bond that's referred to in this
18 certificate?

19 A. I'd like to explain this.

20 Q. I'd like you to.

21 A. I would like to let you know that I
22 realize that we were using the wrong term on
23 surety bond. That is a risk capital protector
24 policy that I pay for on a monthly basis. The
25 amount is \$5,236 a month. I pay for that

1 policy. I, under the guidance of Wes and
2 Greg, realized that we had the wrong terms on
3 this policy and that it was not to be a surety
4 bond policy, that it is a risk capital
5 protector policy.

6 Q. The original of this document came
7 directly from AIG?

8 A. No, sir. This is a declaration page
9 that we did to give the client's name and
10 account number and let them know that they
11 were part of our policy.

12 Q. You gave this to Mr. Billings, then?

13 A. Yes.

14 Q. And did you tell Mr. Billings that
15 this protected him up to the amount of \$2
16 million?

17 A. What happened is I realized after we
18 did -- the main surety they had was the
19 American Guaranty Trust. Mr. Billings, he and
20 his wife, I've refunded their money back to
21 them.

22 Q. That's not my question. Did you
23 give this piece of paper or something like it
24 to Mr. Billings?

25 A. I did, yes, sir.

0159

1 Q. And before your attorneys corrected
2 your misunderstanding, did you indicate to
3 Mr. Billings that this provided some
4 additional degree of protection over and above
5 Reserve Guaranty Trust for his mobile
6 billboard investment?

7 A. Yes, sir.

8 Q. Who prepared this page that's marked
9 here as Exhibit 26?

10 A. The declaration page itself is a
11 declaration page we would get from the company
12 showing our coverage. And I revamped that
13 page to put their client name and their
14 account number and the amount they invested on
15 that page.

16 Q. AIG prepared this page as a part of
17 your policy, and then you modified it?

18 A. Yes, sir.

19 Q. Did you send a modified copy of it
20 back to AIG?

21 A. No, sir.

22 Q. But you provided it to your client?

23 A. To let them know that they had this
24 policy, this coverage.

25 Q. Now, Exhibit 26, the one which

0160

1 refers to Mr. Billings, is dated September 5,
2 2003?

3 A. Yes, sir.

4 Q. Was that after you left FSC?

5 A. Yes, sir.

6 Q. I thought you told me that the AIG
7 policy was something that you purchased
8 through FSC.

9 A. I did. And I thought that that
10 policy was covered for the term until
11 Mr. Covington and Mr. Bartko told me
12 otherwise.

13 Q. So are you telling me that until
14 Mr. Covington and Mr. Bartko told you
15 otherwise, you were essentially handing your
16 clients something you've now learned was a
17 false and misleading document?

18 A. Yes, sir.

19 (Exhibit 27 was marked for
20 identification.)

21 Q. (By Mr. Rue) Can you identify the
22 document marked as Exhibit 27 and tell me how
23 it differs from 26.

24 A. It's the wife of Mr. Billings.

25 Q. So you gave this to Mrs. Billings,

0161

1 who was also an MBA investor?

2 A. Yes, sir.

3 Q. To how many of your clients did you
4 give these? Is it fair to say all of them?

5 A. Some I might have missed; but, yes,
6 sir.

7 MR. RUE: I think I'm going to stop
8 and let you guys get to the airport.

9 (Deposition suspended at 5:26 p.m.)

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1 SCOTT HOLLENBECK

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3 INSTRUCTIONS TO THE WITNESS

4

5 PLEASE READ YOUR DEPOSITION OVER

6 CAREFULLY BEFORE YOU SIGN IT. YOU SHOULD MAKE

7 ALL YOUR CHANGES ON THE ATTACHED ERRATA SHEET.

8 PLEASE DO NOT MARK ON THE ORIGINAL DEPOSITION.

9 AFTER MAKING ANY CHANGES WHICH YOU

10 HAVE NOTED ON THE ATTACHED ERRATA SHEET, SIGN

11 YOUR NAME ON THE ERRATA SHEET AND DATE IT.

12 THEN SIGN YOUR DEPOSITION AT THE END

13 OF YOUR TESTIMONY IN THE SPACE PROVIDED. YOU

14 ARE SIGNING IT SUBJECT TO THE CHANGES YOU HAVE

15 MADE ON THE ERRATA SHEET, WHICH WILL BE

16 ATTACHED TO THE DEPOSITION.

17 RETURN THE ORIGINAL ERRATA SHEET AND

18 TRANSCRIPT TO ATLANTA LEGALINK, 1201 PEACHTREE

19 STREET, N.E., 400 COLONY SQUARE, SUITE 200,

20 ATLANTA, GEORGIA 30361.

21 ACCORDING TO THE RULES OF CIVIL

22 PROCEDURE, YOU WILL HAVE THIRTY (30) DAYS FROM

23 THE DATE YOU RECEIVE THIS DEPOSITION IN WHICH

24 TO READ, SIGN AND RETURN YOUR DEPOSITION TO

25 THE ABOVE OFFICE. IF YOU FAIL TO DO SO, YOU

0163

1 AUTOMATICALLY WAIVE YOUR RIGHT TO MAKE ANY
2 CORRECTIONS TO YOUR DEPOSITION.
3 PURSUANT TO RULE 30(E) OF THE
4 FEDERAL RULES OF CIVIL PROCEDURE AND/OR THE
5 OFFICIAL CODE OF GEORGIA ANNOTATED 9-11-30(E),
6 BOTH OF WHICH READ IN PART: ANY CHANGES IN
7 FORM OR SUBSTANCE WHICH YOU DESIRE TO MAKE
8 SHALL BE ENTERED UPON THE DEPOSITION...WITH A
9 STATEMENT OF THE REASONS GIVEN...FOR MAKING
10 THEM. ACCORDINGLY, TO ASSIST YOU IN EFFECTING
11 CORRECTIONS, PLEASE USE THE FORM BELOW:

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PAGE	LINE	EXPLANATION
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0164

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20 DEPONENT'S SIGNATURE

21

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23 DATE

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SIGNATURE PAGE OF WITNESS

4

5

I HEREBY ACKNOWLEDGE THAT I HAVE

6

READ THE FOREGOING DEPOSITION AND THAT THE

7

SAME IS A TRUE AND CORRECT TRANSCRIPTION OF

8

THE ANSWERS GIVEN BY ME TO THE QUESTIONS

9

PROPOUNDED, EXCEPT FOR THE CHANGES, IF ANY,

10

NOTED ON THE ATTACHED ERRATA SHEET.

11

12

SIGNATURE:

13

14

SWORN TO AND SUBSCRIBED BEFORE ME,

15

THIS THE DAY OF 2004.

16

NOTARY PUBLIC

17

MY COMMISSION EXPIRES:

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1 C E R T I F I C A T E

2

3 STATE OF GEORGIA:

4 COUNTY OF COBB:

5

6 I hereby certify that the foregoing
7 transcript was taken down, as stated in the
8 caption, and the questions and answers thereto
9 were reduced to the written page under my
10 direction; that the foregoing pages 1 through
11 166 represent a true, complete, and correct
12 transcript of the evidence given upon said
13 deposition. I further certify that I am not
14 of kin or counsel to the parties in the case;
15 am not in the regular employ of counsel for
16 any of said parties; nor am I in any way
17 financially interested in the result of said
18 case.

19 This, the 15th day of December 2004.

20

21 LISA M. FISCHER, CCR-B-1277

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23

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25