

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION

Plaintiff,

v.

ARTHUR LAMAR ADAMS AND
MADISON TIMBER PROPERTIES, LLC

Defendants.

Case No. 3:18-cv-252

Hon. Carlton W. Reeves, District Judge

Hon. F. Keith Ball, Magistrate Judge

MOTION FOR APPROVAL OF PROPOSED SETTLEMENT WITH FNBC

Alysson Mills, in her capacity as the court-appointed receiver (the “Receiver”) for Arthur Lamar Adams (“Adams”) and Madison Timber Properties, LLC (“Madison Timber”), through undersigned counsel, respectfully files this Motion for Approval of Proposed Settlement with First Valley National Corp. and its wholly owned subsidiary First National Bank of Clarksdale (“FNBC”) and states as follows:

1.

In exchange for the Receiver’s release of any claims against FNBC arising from FNBC’s alleged role in the Madison Timber Ponzi scheme (which FNBC denies) and a channeling injunction, FNBC agrees to make a cash payment of \$4,000,000.00 to the Receiver and to provide the Receiver with a 60 day “Tender Period” from the “Effective Date” of the Settlement Agreement during which the Receiver may satisfy all outstanding loans by FNBC to Oxford

Springs, LLC (“Oxford Springs”), on which \$4,552,113 is currently owed, by making a lump sum payment of \$4,000,000.00 to FNBC.

2.

The value of the proposed settlement to the Receivership Estate is far greater than the \$4,000,000.00 cash payment by FNBC and the 60 day “Tender Period” within which the Receiver may satisfy all outstanding loans by FNBC to Oxford Springs, on which \$4,552,113 is currently owed, by making a \$4,000,000.00 payment to FNBC, as it will result in the Receivership Estate’s owning a 100% interest in Oxford Springs and retaining all of the proceeds from the future sale of Oxford Springs’s property.

3.

The Receiver takes seriously her obligation to maximize the value of the Receivership Estate’s claims against third parties, and if she does not finalize a settlement with FNBC on the proposed terms, she will file a lawsuit to pursue the Receivership Estate’s claims. But the Receiver believes the proposed settlement is preferable to a lawsuit under the circumstances. Settlement now avoids the likelihood of drawn-out litigation and the risk of adverse rulings and guarantees immediate benefit to the Receivership Estate.

4.

The Receiver is also mindful that the proposed settlement with FNBC is the first with a party who was not a recruiter for Madison Timber. The Receivership Estate has many claims, filed and to-be-filed, against third parties. The Receiver appreciates FNBC’s cooperation in reaching an early resolution that results in a substantial benefit to the Receivership Estate.

5.

The proposed Settlement Agreement [**Exhibit A**] provides that FNBC's cash payment of \$4,000,000.00 to the Receiver, together with the 60 day "Tender Period" in which the Receiver will have the option to satisfy all outstanding loans from FNBC to Oxford Springs, on which \$4,552,113 is currently owed, will allow the Receivership Estate to satisfy all outstanding debt of Oxford Springs and achieve 100% ownership of Oxford Springs. The accompanying memorandum summarizes the Settlement Agreement's terms.

6.

The proposed Order Approving Settlement [**Exhibit B**] includes a channeling injunction, sometimes called a "bar order," which would bar any person or non-regulatory entity¹ from separately asserting claims against FNBC arising out of, in connection with, or relating to FNBC's banking relationship with Adams and/or Madison Timber and any role that FNBC may be alleged to have had in the Madison Timber Ponzi scheme (which FNBC denies). Those claims instead would be "channeled" through the Receivership Estate.

7.

The Receiver is mindful that victims of the Madison Timber Ponzi scheme, as the ultimate beneficiaries of the Receivership Estate, have a substantial interest in the Receivership Estate's claim against FNBC and the proposed resolution of it. The Receiver believes it appropriate to allow interested parties an opportunity to be heard before the proposed settlement is approved. The Receiver thus proposes notice and hearing as described in the accompanying memorandum and set forth in the proposed Order Setting Hearing [**Exhibit C**] to give victims

¹ To be clear, the U.S. Attorney's Office, the F.B.I., the S.E.C., and the Mississippi Secretary of State, among other law enforcement bodies, are not affected by the proposed settlement. The Receiver does not purport to recommend any settlement that would interfere with their separate work.

and interested parties a full and fair opportunity to be heard. The Receiver believes the proposed notice and hearing is efficient and desirable under the circumstances, given the particular interests at stake.

WHEREFORE, for the reasons stated here and in the accompanying memorandum, the Receiver respectfully requests that the Court enter the proposed Order Setting Hearing so that the proposed settlement may be presented and, if the Court agrees after notice and hearing, approved.

August 20, 2019

Respectfully submitted,

/s/ Lilli Evans Bass

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/s/ Brent B. Barriere

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Receiver's counsel

CERTIFICATE OF SERVICE

I certify that I electronically filed the foregoing with the Clerk of Court using the ECF system which sent notification of filing to all counsel of record.

In addition, I have separately emailed a copy of the foregoing to:

Cliston V. "Doc" Bodine, III
Gerrish Smith Tuck
700 Colonial Road, Suite 200
Memphis, Tennessee 38117
dbodine@gerrish.com

Counsel for First Valley National Corp. and First National Bank of Clarksdale

Date: August 20, 2019

/s/ Brent B. Barriere
Admitted pro hac vice

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made this 19th day of August 2019 by and between Alysson Mills in her capacity as the Receiver of the estates of Arthur Lamar Adams and Madison Timber Properties, LLC (the “Receiver”), First Valley National Corp. (the “Corporation”) and the Corporation’s wholly owned subsidiary, First National Bank of Clarksdale (the “Bank”, together the Corporation and Bank shall constitute the “Institution”) (collectively the “Parties”).

RECITALS

1. By order of the United States District Court for the Southern District of Mississippi (the “Court”) dated June 22, 2018, entered in the federal civil action styled *Securities & Exchange Commission vs. Arthur Lamar Adams, et al.*, No. 3:18-cv-252 (S.D. Miss), the Receiver has a duty “to take custody, control, and possession of all Receivership Property, Receivership Records, and any assets traceable to assets owned by the Receivership Estate” and to investigate and “bring such legal actions based on law or equity in any state, federal or foreign court as the Receiver deems necessary or appropriate in discharging her duties as Receiver.”¹

2. Arthur Lamar Adams (“Adams”) was an owner and the managing member of Oxford Springs, LLC (“Oxford Springs”), a Delaware limited liability company. “Receivership Property” and “assets owned by the Receivership Estate” include Adams’s, and now the Receivership Estate’s, interests in Oxford Springs.

3. The Bank holds a promissory note in the original principal amount of \$4,224,612.69 dated May 14, 2015, executed by Oxford Springs and payable to the Bank (the “First Note”). Payment of the First Note is secured by (i) a deed of trust granted by Oxford Springs to Russell Fava, Trustee, for the benefit of the Bank, dated May 11, 2015 and filed of record on May 18, 2015 as Instrument Number 2015-4177 in the Chancery Clerk’s Office of Lafayette County, Mississippi (the “2015 Deed of Trust”) and (ii) personal guarantees of payment of the First Note and performance of other obligations owed to the Bank granted by Adams and Patrick Brian Sands (“Sands”) (hereinafter referred to as the “First Guarantees”). The 2015 Deed of Trust encumbers title to approximately 2,372 acres of real estate and improvements thereon located in Lafayette County, Mississippi (the “Original Tract”).

4. The Bank also holds a promissory note in the original principal amount of \$983,964 dated September 22, 2016, executed by Oxford Springs and payable to the Bank (the “Second Note”). Payment of the Second Note is secured by (i) a deed of trust granted by Oxford Springs to Russell Fava, Trustee, for the benefit of the Bank, dated September 22, 2016 and filed of record on November 21, 2018 as Instrument Number 2016-11478 in the Chancery Clerk’s Office of Lafayette County, Mississippi (the “2016 Deed of Trust”) and (ii) personal guarantees of payment of the Second Note and performance of other obligations owed to the Bank granted by Adams and Sands (hereinafter referred to as the “Second Guarantees”). The 2016 Deed of

¹ Docket No. 33, *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-00252 (S.D. Miss).

Trust encumbers title to approximately 100 acres of real estate and improvements thereon located in Lafayette County, Mississippi (the “Secondary Tract”).

5. The Receiver has advised the Institution that she has determined that the Receivership Estate has or may have legal claims against the Institution arising from the Institution’s banking relationship with Adams and Madison Timber Properties, LLC (“Madison Timber”). Although the Institution expressly denies any wrongdoing and denies any liability as a result of the legal claims which the Receivership Estate may have against the Institution, the Institution and Receiver have agreed to resolve those legal claims without the Receivership Estate’s filing of a legal action by entering into this Agreement. This Agreement is not and shall not be construed as evidence of an admission of liability on the part of any of the Parties.

NOW, THEREFORE, in consideration of the terms and conditions stated herein, the Parties hereby agree as follows:

DEFINITIONS

In addition to the defined terms appearing in the Recitals, the following terms shall have the definition stated below:

1. The “Approval Order” shall mean an order of the Court entered in the federal civil action styled *Securities & Exchange Commission vs. Arthur Lamar Adams, et al.*, No. 3:18-cv-252 (S.D. Miss), in form and substance reasonably acceptable to the Institution and Receiver approving this Settlement Agreement. Without limiting the generality of the foregoing, the Approval Order shall contain the Channeling Injunction, as hereafter defined.

2. The “Effective Date” shall mean a date mutually agreeable to the Receiver and the Institution which occurs within seven (7) days of the entry of the Approval Order and expiration of all applicable appeal periods, unless such Approval Order is stayed. If the Approval Order is stayed, the Effective Date shall occur within seven (7) days of termination of such stay and expiration of all applicable appeal periods. Notwithstanding the foregoing, the Institution and Receiver may, in their respective discretion, elect to set the Effective Date prior to the expiration of the applicable appeal period if no party in interest files an objection to entry of the Approval Order by the District Court.

3. The “Settlement Payment” shall mean the sum of \$4,000,000.00.

AGREEMENT

1. Settlement Payment. On the Effective Date, the Institution shall deliver to the Receiver a payment in immediately available funds in the amount of \$4,000,000.00, representing the entire Settlement Payment.

2. Filing and prosecution of motion. Following execution of this Agreement, the Receiver shall promptly file an appropriate motion that requests the Court's entry of an Approval Order. The Receiver will request that the Approval Order contain a channeling injunction enjoining any person or non-regulatory entity from commencing or continuing any judicial, administrative, arbitration, or other proceeding, and/or asserting or prosecuting any causes of action or claims against the Institution arising out of, in connection with, or relating in any way to Adams or Madison Timber including but not limited to any cause of action arising out of or relating to any investment in Madison Timber, and provide that any such claims by any person or non-regulatory entity shall instead be pursued against the Receivership Estate (the "Channeling Injunction"). The specific language, terms, and conditions of the Channeling Injunction shall be reasonably acceptable to the Receiver and the Institution. The Institution may terminate this Agreement without further obligation or liability if the Approval Order does not contain a Channeling Injunction that is reasonably acceptable to the Receiver and the Institution.

3. Tender by the Receiver. At any time within the period of sixty (60) days commencing on the Effective Date (the "Tender Period") the Receiver may deliver to the Bank the sum of \$4,000,000.00 in full and complete satisfaction of the First Note and the Second Note and any and all other obligations and indebtedness of any type owed or allegedly owed by Oxford Springs, Adams, Madison Timber, or the Receivership Estate to the Bank (the "Tender Payment"). Upon the Bank's receipt of the Tender Payment, the Bank shall mark the First Note and the Second Note as "Satisfied in Full" and deliver those notes to the Receiver. The Bank shall also execute such additional documents as may be necessary to cause the release of the 2015 Deed of Trust and 2016 Deed of Trust. During the Tender Period, Oxford Springs shall be relieved of the obligation to pay the installments due on the First Note and the Second Note.

4. Release by the Bank. Upon the Bank's Receipt of the Tender Payment, the Bank shall terminate and release the First Guarantees and Second Guarantees as to both Adams and Sands and return the original, executed guarantees to the Receiver and Sands, respectively. The Bank acknowledges that upon termination of the First Guarantees and Second Guarantees, Sands shall owe no further indebtedness, liability or other obligations to the Bank related to the First Note or the Second Note.

5. Release by the Receiver. On the Effective Date, and without further act or document, the Receiver shall release, acquit and forever discharge any and all claims, demands and causes of action, whether known or unknown, arising in contract, tort, equity or any other theory of legal liability, liquidated or unliquidated, which the Receiver has or may have against any one or more of the Institution, its officers, directors, employees, agents, representatives, insurers, accountants and attorneys, and all other persons for whom the Institution might be liable or responsible (collectively the "Institution Released Persons"), whether now or formerly employed or associated with the Institution. Without in any way limiting the generality of the foregoing, the Receiver releases the Institution Released Persons, individually and collectively, of any and all claims, demands, obligations and causes of action in any way arising out of or in any way relating to the Institution's banking relationship with Adams and Madison Timber. The

release granted hereby shall become immediately effective upon the Receiver's receipt of the Settlement Payment and without further act by or instrument executed by the Receiver.

6. Release of the Receiver and Receivership Estate by the Institution. Upon the Bank's receipt of the Tender Payment, the Institution shall, without further act of or instrument executed by the Institution, release, acquit and forever discharge the Receiver, Receivership Estate and any and all of the Receiver's agents, employees, attorneys, accountants, insurers, and all other persons for whom the Receiver or Receivership Estate might be liable or responsible (the "Receiver Released Persons") of any and all claims, demands, obligations and causes of action, of any type or description, whether known or unknown, liquidated or unliquidated, arising in contract tort, equity or any other theory of liability. The release granted hereby shall become immediately effective upon the Institution's receipt of the Tender Payment without further act by or instrument executed by the Institution.

7. Further Acts of the Institution. Following the receipt of the Tender Payment by the Receiver of \$4,000,000.00 the Institution shall execute such further and additional documents as the Receiver may reasonably request confirming that any and all indebtedness owed by Oxford Springs to the Bank has been satisfied and the Institution retains no further claim of any type or description against Oxford Springs, Sands, Adams, Madison Timber, or the Receivership Estate. Without limiting the generality of the foregoing, the Institution shall acknowledge that it has no claim which has been or could be asserted against the Receiver or the Receivership Estate. The Institution shall also take such acts, execute such instruments, and provide such documents as the Receiver may reasonably request to investigate and obtain the release of liens, encumbrances and adverse claims effecting title to the Original Tract or Secondary Tract.

8. Event of Default by the Institution: Any of the following shall constitute an "Event of Default" by the Institution:

- a. The Institution fails to timely deliver the Settlement Payment to the Receiver.
- b. The Institution breaches or otherwise fails perform any of the covenants, representations and warranties made by them in or other obligations imposed upon them by this Agreement.

9. Remedies Upon Occurrence of an Event of Default. Upon the occurrence of an Event of Default, the Receiver shall give not less than seven (7) days written notice to the Institution. The Institution shall have seven (7) days from the date of issuance of such notice to cure the Event of Default. Should the Institution fail to cure timely, the Receiver may either (i) employ all remedies and procedures to collect the balance due on the Settlement Payment, including attorneys' fees and interest in the amount of five (5%) percent from the Effective Date or (ii) declare the Agreement terminated and pursue any and all claims, demands and causes of action the Receiver may have against the Institution.

10. Entire Agreement; Amendments; Waivers. This Agreement, including all agreements referenced herein, constitutes the entire agreement of the Parties solely with regard to the subject matter hereof. This Agreement may only be modified or amended by an instrument in writing signed by all Parties. No waiver of any condition hereunder shall be effective unless effected by an instrument in writing signed by all Parties. No Party to this Agreement has relied upon any representations of any other Party not expressly contained in this Agreement.

11. Governing Law. This Agreement, as well as all matters in dispute between the Parties, whether arising from or relating to this Agreement or arising from or relating to alleged extra-contractual facts prior to, during or subsequent to this Agreement, including fraud, misrepresentation, negligence, or any other alleged tort or violation of this Agreement, regardless of the legal theory upon which such matter is asserted, is to be governed by, construed under, and enforced in accordance with the laws of the United States and the State of Mississippi without regard to any conflicts of laws principles that would require the application of any other laws. The Parties agree the Court is the sole venue to enforce the terms of this Agreement and to adjudicate any disputes arising in relation thereto.

12. Binding Effect. This Agreement shall inure to the benefit of the Parties hereto and shall be binding upon each of them, and their heirs, estates, assigns, representatives and successors.

13. Further Assurances. Each of the Parties, without further consideration, agrees to execute and deliver such other documents and take such other action as may be necessary to consummate more effectively the subject matter hereof.

14. Rules of Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties and no presumption or burden of proof is to arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

15. Counterparts; Execution of Agreement. The Parties are permitted to execute this Agreement in one or more counterparts, each of such counterparts is to be deemed to be an original copy of this Agreement, and all of which, when taken together, are to be deemed to constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile, electronic mail, or other electronic transmission constitutes effective execution and delivery of this Agreement as to the Parties. Signatures of the Parties transmitted by facsimile, electronic mail, or other electronic transmission are to be deemed to be their original signatures for all purposes.

16. Notices. Notices hereunder or in connection with the Agreement shall be sent by electronic mail or overnight courier and addressed as follows:

a. If to the Receiver:

Alysson Mills
Fishman Haygood, LLP
201 St. Charles Avenue, Suite 4600
New Orleans, Louisiana 70170
amills@fishmanhaygood.com

With a copy to:

Brent B. Barriere
Fishman Haygood, LLP
201 St. Charles Avenue, Suite 4600
New Orleans, Louisiana 70170
bbarriere@fishmanhaygood.com

b. If to the Institution:

Russell S. Bennett, President & CEO
First National Bank of Clarksdale
Post Office Box 220
402 East Second Street
Clarksdale, Mississippi 38614
rbennett@fnbclarksdale.com

With a copy to:

Cliston V. "Doc" Bodine, III
Gerrish Smith Tuck
700 Colonial Road, Suite 200
Memphis, Tennessee 38117
dbodine@gerrish.com

[Signatures on Following Page]

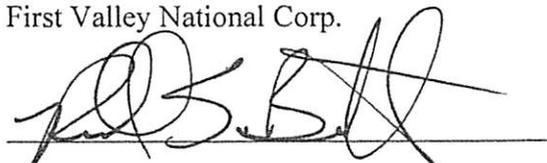
Dated the day first above written.



Alysson Mills, in her capacity as
Receiver for the estate of Arthur Lamar
Adams and Madison Timber Properties, LLC.



Russell S. Bennett, President & CEO
First Valley National Corp.



Russell S. Bennett, President & CEO
First National Bank of Clarksdale

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION

Plaintiff,

v.

ARTHUR LAMAR ADAMS AND
MADISON TIMBER PROPERTIES, LLC

Defendants.

Case No. 3:18-cv-252

Hon. Carlton W. Reeves, District Judge

Hon. F. Keith Ball, Magistrate Judge

PROPOSED ORDER APPROVING SETTLEMENT

Before the Court is the Motion for Approval of Proposed Settlement with First Valley National Corp. and its wholly owned subsidiary First National Bank of Clarksdale (“FNBC”) filed by Alysson Mills, in her capacity as the court-appointed receiver (the “Receiver”) for Arthur Lamar Adams (“Adams”) and Madison Timber Properties, LLC (“Madison Timber”).

The motion asks the Court to approve the Receiver’s proposed settlement with FNBC. In exchange for the Receiver’s and Receivership Estate’s release of any claims against FNBC arising from FNBC’s banking relationship with Adams and Madison Timber and any role that FNBC may be alleged to have had in the Madison Timber Ponzi scheme (which FNBC denies) and a channeling injunction, FNBC agrees to make a cash payment of \$4,000,000.00 to the Receiver and provide the Receiver with a 60 day “Tender Period” from the “Effective Date” of the Settlement Agreement within which the Receiver may satisfy all outstanding loans by FNBC to Oxford Springs, LLC (“Oxford Springs”), on which \$4,552,113 is currently owed, by making a lump sum payment of \$4,000,000.00 to FNBC.

After notice and hearing, and after having considered the filings and arguments of counsel, the Court **GRANTS** the motion.

BACKGROUND

The Receiver’s duties

The Receiver has a duty “to take custody, control, and possession of all Receivership Property, Receivership Records, and any assets traceable to assets owned by the Receivership Estate” and to investigate and “bring such legal actions based on law or equity in any state, federal or foreign court as the Receiver deems necessary or appropriate in discharging her duties as Receiver.”¹

¹ Docket No. 33, *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-252 (S.D. Miss).

Oxford Springs

“Receivership Property” and “assets owned by the Receivership Estate” include Adams’s, and now the Receivership Estate’s, interest in Oxford Springs.

Oxford Springs is a Delaware limited liability company formed in 2014. Its sole asset is approximately 2,400 acres of undeveloped land in Lafayette County, Mississippi. It purchased the property with the intent to develop an upscale neighborhood with an equestrian park and golf course near Oxford, Mississippi. There has been no actual development on the property.

The Receivership Estate owns Adams’s 47.5% interest in Oxford Springs. Of the remaining interests, Patrick Sands owns 47.5% and Mike Billings owns 5%.

FNBC

FNBC holds two deeds of trust over Oxford Springs’s property. Oxford Springs purchased the property in two separate transactions and for each obtained a loan from FNBC:

Oxford Springs purchased the first approximately 2,300 acres (“Parcel 1”) on April 29, 2015 for \$5,158,031.54. In connection with that purchase, it borrowed \$4,224,812 from FNBC, and FNBC obtained a deed of trust over the approximately 2,300 acres as well as personal guarantees from Adams and Sands.

Oxford Springs purchased the additional approximately 100 acres (“Parcel 2”) on September 23, 2016 for \$1,000,000. In connection with that purchase, it borrowed \$1,000,000 from FNBC, and FNBC obtained a deed of trust over the approximately 100 acres as well as personal guarantees from Adams and Sands.

FNBC’s loans to Oxford Springs are cross-collateralized, and the current total balance is \$4,552,113.

Attempted sale

Oxford Springs entered a contract to sell Parcels 1 and 2 earlier this year. That sale failed after the buyer declined to purchase Parcel 2 and sought to adjust the purchase price accordingly. Oxford Springs could have sold only Parcel 1 to the buyer, but after paying off FNBC's loans and other debts and dividing what remained among Oxford Springs's members, the Receivership Estate would have received little, if any, proceeds from the sale. The Receiver refused to sell under those circumstances.

The failed sale caused the Receiver's counsel to reassess the Receivership Estate's options. Oxford Springs's property is valuable and can be sold for several millions of dollars, but no sale will meaningfully benefit the Receivership Estate so long as it must first pay off FNBC and Oxford Springs's other members. To maximize Oxford Springs's value to the Receivership Estate, the Receiver's counsel devised a plan to own 100% of Oxford Springs and to sell its property free and clear of Oxford Springs's debt to FNBC.

The Receiver's negotiations—FNBC

Oxford Springs owes FNBC \$4,552,113.

Separately, FNBC was one of Madison Timber's multiple banks and is a likely defendant in a lawsuit by the Receivership Estate. The Receiver presented FNBC with a draft complaint asserting claims arising from FNBC's banking relationship with Adams and Madison Timber and any role that FNBC may be alleged to have had in the Madison Timber Ponzi scheme (which FNBC denies).

After thoughtful negotiation, FNBC agreed to make a cash payment of \$4,000,000.00 to the Receiver and provide the Receiver with a 60 day "Tender Period" from the "Effective Date" of the Settlement Agreement within which the Receiver may satisfy all outstanding loans by

FNBC to Oxford Springs, on which \$4,552,113 is currently owed, by making a lump sum payment of \$4,000,000.00 to FNBC in exchange for the Receiver's release of any claims against FNBC arising from FNBC's banking relationship with Adams and Madison Timber and any role that FNBC may be alleged to have had in the Madison Timber Ponzi scheme (which FNBC denies) and a channeling injunction.

The Receiver's negotiations—Sands

Sands owns a 47.5% interest in Oxford Springs and is a guarantor of FNBC's two loans to Oxford Springs.

Separately, Sands was a Madison Timber investor and is a likely claimant of the Receivership Estate to the extent he still holds outstanding Madison Timber promissory notes.

Sands agreed to convey to the Receivership Estate his 47.5% interest in Oxford Springs and also release the Receivership Estate of any claim by him to amounts due under his outstanding Madison Timber promissory notes in exchange for the Receiver's obtaining from FNBC a release of his guarantees of FNBC's loans to Oxford Springs. Simultaneously with the filing of her motion to approve her proposed settlement with FNBC, the Receiver filed a motion to approve the Receiver's proposed settlement with Sands.

The Receiver's negotiations—Billings

Billings owns a 5% interest in Oxford Springs.

Billings is a defendant in the lawsuit styled *Alysson Mills v. Michael D. Billings, et al.*, No. 3:18-cv-679 (S.D. Miss.), in which the Receiver alleges he received millions of dollars in "commissions" in exchange for his recruitment of new investors to Madison Timber. On July 9,

2019, the Receiver filed a motion for approval of a proposed settlement with Billings.² As part of that proposed settlement, Billings agreed to convey to the Receivership Estate his 5% interest in Oxford Springs. As of this filing, the Court has not approved the proposed settlement.

Intended result

Through the proposed settlements with FNBC, Sands, and Billings, the Receivership Estate will own 100% of Oxford Springs and can sell its property free and clear of Oxford Springs's debt to FNBC. The proceeds of a future sale will go entirely to the Receivership Estate.

The proposed settlement with FNBC

The Receiver and FNBC have undertaken thoughtful negotiations and the Receiver believes that settlement with FNBC is in the Receivership Estate's best interest.

The Receiver advises the Court that FNBC was one of Madison Timber's multiple banks therefore the Receivership Estate has potentially substantial claims against FNBC arising from FNBC's banking relationship with Adams and Timber and any role that FNBC may be alleged to have had in the Madison Timber Ponzi scheme (which FNBC denies). But the Receiver believes the proposed settlement is preferable to a lawsuit under the circumstances. A lawsuit's result is never guaranteed. A lawsuit can take a long time to litigate to final judgment, and often a final judgment is appealed. Settlement now avoids the likelihood of drawn-out litigation and the risk of adverse rulings.

The Receiver also advises the Court that settlement now gives the Receivership Estate the opportunity to sell a valuable piece of property and retain all of its proceeds. In exchange for a release of the Receivership Estate's claims against it and a channeling injunction, FNBC will make a cash payment of \$4,000,000.00 to the Receiver and provide the Receiver with a 60 day

² Docket No. 59, *Alysson Mills v. Michael D. Billings, et al.*, No. 3:18-cv-679 (S.D. Miss).

“Tender Period” from the “Effective Date” of the Settlement Agreement within which the Receiver may satisfy all outstanding loans by FNBC to Oxford Springs, on which \$4,552,113 is currently owed, by making a lump sum payment of \$4,000,000.00 to FNBC, but the value of the proposed settlement to the Receivership Estate is far greater. The proposed settlement with FNBC will result in Sands conveying his 47.5% interest in Oxford Springs to the Receivership Estate; that conveyance, coupled with the anticipated conveyance of Billings’s 5% interest, will ensure the Receivership Estate owns 100% of Oxford Springs. By allowing the Receivership Estate to retain all of the proceeds of from the future sale of Oxford Springs’s property, the proposed settlement represents a value to the Receivership Estate that far exceeds \$4,552,113.

For all these reasons, the Receiver recommends settlement with FNBC on the proposed terms now, and the Court accepts her recommendation.

The public’s interest

The Settlement Agreement [**Exhibit A**] includes a channeling injunction, sometimes called a “bar order,” which would bar any person or non-regulatory entity³ from separately asserting claims against FNBC arising out of, in connection with, or relating to Adams and/or Madison Timber. Those claims instead would be “channeled” through the Receivership Estate.

The Court, mindful that victims of the Madison Timber Ponzi scheme have a substantial interest in the Receiver’s claims against FNBC and the proposed resolution of it, allowed interested parties an opportunity to be heard before the proposed settlement was approved. The Court entered an Order Setting Hearing, filed in the Court’s public record for the case styled *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-252 (S.D. Miss). The Order

³ To be clear, the U.S. Attorney’s Office, the F.B.I., the S.E.C., and the Mississippi Secretary of State, among other law enforcement bodies, are not affected by the proposed settlement. The Receiver does not purport to recommend any settlement that would interfere with their separate work.

Setting Hearing instructed the Receiver to publicize the Order Setting Hearing, the proposed Settlement Agreement, the proposed Order Approving Settlement, and instructions for submitting comments or objections on her website and in any forthcoming Receiver's Report.

Victims or other interested parties who wished to submit comments or objections were advised to do so at least five days prior to the Court's hearing, either by submitting the comments or objections to the Court or to the Receiver, who submitted them to the Court. Victims or other interested parties who wished to address the proposed settlement at the hearing were given an opportunity to be speak.

The Court is satisfied that the notice and hearing provided gave victims and interested parties a full and fair opportunity to be heard and gave the Court the benefit of their opinions as the Court assessed the proposed settlement's merits. The notice and hearing provided was efficient and desirable under the circumstances, given the particular interests at stake.⁴

ORDER

After notice and hearing, and after having considered the filings and arguments of counsel, the Court finds that the terms of the Settlement Agreement are adequate, fair, reasonable, and equitable; and that a bar order is appropriate. The Settlement Agreement should be and is hereby **APPROVED**.

Accordingly, the Court hereby **ORDERS** as follows:

1. The terms used in this Order Approving Settlement that are defined in the Settlement Agreement between the Receiver and FNBC, unless expressly otherwise defined herein, shall have the same meaning as in the Settlement Agreement.

⁴ The Court takes no position on whether notice or hearing is appropriate prior to the Court's approval of possible future settlement with other parties.

2. This Court has “broad powers and wide discretion to determine the appropriate relief in an equity receivership,” including the “inherent equitable authority to issue a variety of ‘ancillary relief’ measures in actions brought by the SEC to enforce the federal securities laws.” *S.E.C. v. Kaleta*, 530 Fed. App’x 360, 362 (5th Cir. 2013) (*Kaleta I*) (quoting *S.E.C. v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980)). These “ancillary relief” measures include “injunctions to stay proceedings by nonparties against the receivership” and “bar orders to secure settlements in receivership proceedings and to ‘preserve the property placed in receivership pursuant to SEC actions.’” *S.E.C. v. Stanford Int’l Bank, Ltd.*, No. 3:09-cv-00298-N, 2017 WL 9989250, at *2 (N.D. Tex. Aug. 23, 2017) (quoting *Kaleta I*, 530 Fed. App’x at 362). *See also Zacarias v. Stanford Int’l Bank, Ltd.*, No. 17-11073, 2019 WL 3281687, at *9 (5th Cir. July 22, 2019) (“Again, the receivership solves a collective-action problem among the Stanford entities’ defrauded creditors, all suffering losses in the same Ponzi scheme. It maximizes assets available to them and facilitates an orderly and equitable distribution of those assets. . . . It was no abuse of discretion for the district court to enter the bar orders to effectuate and preserve the coordinating function of the receivership.”); *see also id.* at *8 (“The bar order functioned to channel investors’ recovery into the receivership distribution process and ‘did not interfere with or improperly extinguish the [investors’] rights.’”) (quoting *S.E.C. v. Stanford Int’l Bank, Ltd.*, 927 F.3d 830, 851 (5th Cir. 2019)).

3. This Court has jurisdiction over the subject matter of this action, and the Receiver is a proper party to seek entry of this Order Approving Settlement.

4. The notice provided by this Court in the Order Setting Hearing and by the Receiver through her website and her Receiver’s Report was reasonably calculated, under the circumstances, to apprise all interested parties, and in particular, victims of the Madison Timber

Ponzi scheme, of the Settlement Agreement and the releases and bar order provided therein. The notice was also reasonably calculated, under the circumstances, to apprise all interested parties, and in particular, victims of the Madison Timber Ponzi scheme, of their right to object to the Settlement Agreement and the releases and bar order provided therein and to appear at the hearing on the motion. The notice was adequate, sufficient, and the best notice practicable and met all applicable requirements of law.

5. The Settlement Agreement was reached after a full investigation of the facts by the Receiver. The Settlement Agreement was negotiated, proposed, and entered into between the Receiver and FNBC in good faith and at arm's length. The parties were well-represented and competent to evaluate the strengths and weaknesses of all claims and defenses.

6. The value of the Settlement Agreement to the Receivership Estate is far greater than the \$4,000,000.00 cash payment that FNBC will make to the Receiver and the 60 day "Tender Period" from the "Effective Date" of the Settlement Agreement within which the Receiver may satisfy all outstanding loans by FNBC to Oxford Springs, on which \$4,552,113 is currently owed, by making a lump sum payment of \$4,000,000.00 to FNBC Settlement Agreement will result in the Receivership Estate's owning a 100% interest in Oxford Springs and retaining all of the proceeds from the future sale of Oxford Springs's property.

7. The bar order enjoining any person or non-regulatory entity⁵ from commencing or continuing any judicial, administrative, arbitration, or other proceeding, and/or asserting or prosecuting any causes of action against FNBC arising out of, in connection with, or relating in any way arising out of or relating to FNBC's banking relationship with Adams or Madison

⁵ To be clear, the U.S. Attorney's Office, the F.B.I., the S.E.C., and the Mississippi Secretary of State, among other law enforcement bodies, are not affected by the Settlement Agreement or Bar Order. The Court does not purport to approve any settlement that would interfere with their separate work.

Timber of any investment in the Madison Timber Ponzi scheme is necessary and appropriate ancillary relief to this settlement. *See Kaleta I*, 530 Fed. App'x at 362.

8. The parties and their counsel have at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

9. The Court finds that the Settlement Agreement is, in all respects, fair, reasonable, and adequate, and in the best interests of all parties claiming an interest in or asserting any claim against FNBC or the Receivership Estate. The Court further finds that a bar order is a necessary component to achieve the Settlement Agreement and to ensure maximum recovery to the Receivership Estate.

10. The Settlement Agreement, the terms of which are fully set forth in the document itself, is hereby fully and finally approved. The parties are directed to implement and consummate the Settlement Agreement in accordance with its terms and with this Order Approving Settlement.

11. The Court hereby permanently bars, restrains, and enjoins any person or non-regulatory entity from commencing or continuing any judicial, administrative, arbitration, or other proceeding, and/or asserting or prosecuting any claims or causes of action against FNBC arising out of, in connection with, or relating in any way arising out of or relating to FNBC's banking relationship with Adams and/or Madison Timber, or any investment in the Madison Timber Ponzi scheme. Such causes of action are instead channeled "into the receivership distribution process." *Zacarias*, 2019 WL 3281687, at *9.

12. Nothing in this Order Approving Settlement or the Settlement Agreement and no aspect of the Settlement Agreement or negotiation thereof is or shall be construed to be an admission or concession of any violation of any statute or law, of any fault, liability, or

wrongdoing, or of any infirmity in the claims or defenses of any party in any other proceeding by the Receiver or FNBC.

13. FNBC shall deliver or cause to be delivered the Settlement Payment in accordance with the terms of the Settlement Agreement.

14. Without in any way affecting the finality of this Order Approving Settlement, the Court retains continuing and exclusive jurisdiction over the parties for the purposes of, among other things, the administration, interpretation, consummation, and enforcement of the Settlement Agreement, including, without limitation, the releases and bar order described in the Settlement Agreement and set forth in this Order.

15. The Court expressly finds and determines, pursuant to Federal Rule of Civil Procedure 54(b), that there is no just reason for any delay in the entry of this Order Approving Settlement, which is both final and appealable, and immediate entry by the Clerk of the Court is expressly directed.

16. This Order Approving Settlement shall be filed in the Court's public record and shall be served by counsel for the Receiver, via email, first class mail or international delivery service, on any person or entity that filed an objection to approval of the Settlement Agreement.

DATED: _____

Honorable Carlton W. Reeves
United States District Judge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION

Plaintiff,

v.

ARTHUR LAMAR ADAMS AND
MADISON TIMBER PROPERTIES, LLC

Defendants.

Case No. 3:18-cv-252

Hon. Carlton W. Reeves, District Judge

Hon. F. Keith Ball, Magistrate Judge

PROPOSED ORDER SETTING HEARING

EXHIBIT C

Before the Court is the Motion for Approval of Proposed Settlement with First Valley National Corp. and its wholly owned subsidiary First National Bank of Clarksdale (“FNBC”) filed by Alysson Mills, in her capacity as the court-appointed receiver (the “Receiver”) for Arthur Lamar Adams (“Adams”) and Madison Timber Properties, LLC (“Madison Timber”).

The motion asks the Court to approve the Receiver’s proposed settlement with FNBC.

The proposed Settlement Agreement [**Exhibit A**] includes a channeling injunction, sometimes called a “bar order,” which would bar any person or non-regulatory entity¹ from separately asserting claims against FNBC arising out of, in connection with, or relating to Adams and/or Madison Timber. Those claims instead would be “channeled” through the Receivership Estate.

The Court, mindful that victims of the Madison Timber Ponzi scheme have a substantial interest in the Receiver’s claim against FNBC and the proposed resolution of it, agrees with the Receiver that interested parties should have an opportunity to be heard before the proposed settlement is approved. The Court therefore **ORDERS** as follows:

1. The Court shall hold a hearing on the Motion for Approval of Proposed Settlement on **[Date]** at **[Time]** in Courtroom 5B.
2. Victims or other interested parties who wish to submit comments or objections shall do so at least five days prior to the Court’s hearing, either by submitting the comments or objections to the Court or to the Receiver, who shall submit them to the Court.
3. Victims or other interested parties who wish to address the proposed settlement at the hearing shall be given an opportunity to be speak.

¹ To be clear, the U.S. Attorney’s Office, the F.B.I., the S.E.C., and the Mississippi Secretary of State, among other law enforcement bodies, are not affected by the proposed settlement. The Receiver does not purport to recommend any settlement that would interfere with their separate work.

4. The Receiver shall publicize this Order Setting Hearing, the proposed Settlement Agreement, the proposed Order Approving Settlement, and instructions for submitting comments or objections on her website and in any forthcoming Receiver's Report.

The notice and hearing contemplated by this order shall give victims and interested parties a full and fair opportunity to be heard and shall give the Court the benefit of their opinions as the Court assesses the proposed settlement's merits. The notice and hearing contemplated by this order is efficient and desirable under the circumstances, given the particular interests at stake.²

DATED: _____

Honorable Carlton W. Reeves
United States District Judge

² The Court takes no position at this time on whether notice or hearing is appropriate prior to the Court's approval of possible future settlement with other parties.

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made this 19th day of August 2019 by and between Alysson Mills in her capacity as the Receiver of the estates of Arthur Lamar Adams and Madison Timber Properties, LLC (the “Receiver”), First Valley National Corp. (the “Corporation”) and the Corporation’s wholly owned subsidiary, First National Bank of Clarksdale (the “Bank”, together the Corporation and Bank shall constitute the “Institution”) (collectively the “Parties”).

RECITALS

1. By order of the United States District Court for the Southern District of Mississippi (the “Court”) dated June 22, 2018, entered in the federal civil action styled *Securities & Exchange Commission vs. Arthur Lamar Adams, et al.*, No. 3:18-cv-252 (S.D. Miss), the Receiver has a duty “to take custody, control, and possession of all Receivership Property, Receivership Records, and any assets traceable to assets owned by the Receivership Estate” and to investigate and “bring such legal actions based on law or equity in any state, federal or foreign court as the Receiver deems necessary or appropriate in discharging her duties as Receiver.”¹

2. Arthur Lamar Adams (“Adams”) was an owner and the managing member of Oxford Springs, LLC (“Oxford Springs”), a Delaware limited liability company. “Receivership Property” and “assets owned by the Receivership Estate” include Adams’s, and now the Receivership Estate’s, interests in Oxford Springs.

3. The Bank holds a promissory note in the original principal amount of \$4,224,612.69 dated May 14, 2015, executed by Oxford Springs and payable to the Bank (the “First Note”). Payment of the First Note is secured by (i) a deed of trust granted by Oxford Springs to Russell Fava, Trustee, for the benefit of the Bank, dated May 11, 2015 and filed of record on May 18, 2015 as Instrument Number 2015-4177 in the Chancery Clerk’s Office of Lafayette County, Mississippi (the “2015 Deed of Trust”) and (ii) personal guarantees of payment of the First Note and performance of other obligations owed to the Bank granted by Adams and Patrick Brian Sands (“Sands”) (hereinafter referred to as the “First Guarantees”). The 2015 Deed of Trust encumbers title to approximately 2,372 acres of real estate and improvements thereon located in Lafayette County, Mississippi (the “Original Tract”).

4. The Bank also holds a promissory note in the original principal amount of \$983,964 dated September 22, 2016, executed by Oxford Springs and payable to the Bank (the “Second Note”). Payment of the Second Note is secured by (i) a deed of trust granted by Oxford Springs to Russell Fava, Trustee, for the benefit of the Bank, dated September 22, 2016 and filed of record on November 21, 2018 as Instrument Number 2016-11478 in the Chancery Clerk’s Office of Lafayette County, Mississippi (the “2016 Deed of Trust”) and (ii) personal guarantees of payment of the Second Note and performance of other obligations owed to the Bank granted by Adams and Sands (hereinafter referred to as the “Second Guarantees”). The 2016 Deed of

¹ Docket No. 33, *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-00252 (S.D. Miss).

Trust encumbers title to approximately 100 acres of real estate and improvements thereon located in Lafayette County, Mississippi (the “Secondary Tract”).

5. The Receiver has advised the Institution that she has determined that the Receivership Estate has or may have legal claims against the Institution arising from the Institution’s banking relationship with Adams and Madison Timber Properties, LLC (“Madison Timber”). Although the Institution expressly denies any wrongdoing and denies any liability as a result of the legal claims which the Receivership Estate may have against the Institution, the Institution and Receiver have agreed to resolve those legal claims without the Receivership Estate’s filing of a legal action by entering into this Agreement. This Agreement is not and shall not be construed as evidence of an admission of liability on the part of any of the Parties.

NOW, THEREFORE, in consideration of the terms and conditions stated herein, the Parties hereby agree as follows:

DEFINITIONS

In addition to the defined terms appearing in the Recitals, the following terms shall have the definition stated below:

1. The “Approval Order” shall mean an order of the Court entered in the federal civil action styled *Securities & Exchange Commission vs. Arthur Lamar Adams, et al.*, No. 3:18-cv-252 (S.D. Miss), in form and substance reasonably acceptable to the Institution and Receiver approving this Settlement Agreement. Without limiting the generality of the foregoing, the Approval Order shall contain the Channeling Injunction, as hereafter defined.

2. The “Effective Date” shall mean a date mutually agreeable to the Receiver and the Institution which occurs within seven (7) days of the entry of the Approval Order and expiration of all applicable appeal periods, unless such Approval Order is stayed. If the Approval Order is stayed, the Effective Date shall occur within seven (7) days of termination of such stay and expiration of all applicable appeal periods. Notwithstanding the foregoing, the Institution and Receiver may, in their respective discretion, elect to set the Effective Date prior to the expiration of the applicable appeal period if no party in interest files an objection to entry of the Approval Order by the District Court.

3. The “Settlement Payment” shall mean the sum of \$4,000,000.00.

AGREEMENT

1. Settlement Payment. On the Effective Date, the Institution shall deliver to the Receiver a payment in immediately available funds in the amount of \$4,000,000.00, representing the entire Settlement Payment.

2. Filing and prosecution of motion. Following execution of this Agreement, the Receiver shall promptly file an appropriate motion that requests the Court's entry of an Approval Order. The Receiver will request that the Approval Order contain a channeling injunction enjoining any person or non-regulatory entity from commencing or continuing any judicial, administrative, arbitration, or other proceeding, and/or asserting or prosecuting any causes of action or claims against the Institution arising out of, in connection with, or relating in any way to Adams or Madison Timber including but not limited to any cause of action arising out of or relating to any investment in Madison Timber, and provide that any such claims by any person or non-regulatory entity shall instead be pursued against the Receivership Estate (the "Channeling Injunction"). The specific language, terms, and conditions of the Channeling Injunction shall be reasonably acceptable to the Receiver and the Institution. The Institution may terminate this Agreement without further obligation or liability if the Approval Order does not contain a Channeling Injunction that is reasonably acceptable to the Receiver and the Institution.

3. Tender by the Receiver. At any time within the period of sixty (60) days commencing on the Effective Date (the "Tender Period") the Receiver may deliver to the Bank the sum of \$4,000,000.00 in full and complete satisfaction of the First Note and the Second Note and any and all other obligations and indebtedness of any type owed or allegedly owed by Oxford Springs, Adams, Madison Timber, or the Receivership Estate to the Bank (the "Tender Payment"). Upon the Bank's receipt of the Tender Payment, the Bank shall mark the First Note and the Second Note as "Satisfied in Full" and deliver those notes to the Receiver. The Bank shall also execute such additional documents as may be necessary to cause the release of the 2015 Deed of Trust and 2016 Deed of Trust. During the Tender Period, Oxford Springs shall be relieved of the obligation to pay the installments due on the First Note and the Second Note.

4. Release by the Bank. Upon the Bank's Receipt of the Tender Payment, the Bank shall terminate and release the First Guarantees and Second Guarantees as to both Adams and Sands and return the original, executed guarantees to the Receiver and Sands, respectively. The Bank acknowledges that upon termination of the First Guarantees and Second Guarantees, Sands shall owe no further indebtedness, liability or other obligations to the Bank related to the First Note or the Second Note.

5. Release by the Receiver. On the Effective Date, and without further act or document, the Receiver shall release, acquit and forever discharge any and all claims, demands and causes of action, whether known or unknown, arising in contract, tort, equity or any other theory of legal liability, liquidated or unliquidated, which the Receiver has or may have against any one or more of the Institution, its officers, directors, employees, agents, representatives, insurers, accountants and attorneys, and all other persons for whom the Institution might be liable or responsible (collectively the "Institution Released Persons"), whether now or formerly employed or associated with the Institution. Without in any way limiting the generality of the foregoing, the Receiver releases the Institution Released Persons, individually and collectively, of any and all claims, demands, obligations and causes of action in any way arising out of or in any way relating to the Institution's banking relationship with Adams and Madison Timber. The

release granted hereby shall become immediately effective upon the Receiver's receipt of the Settlement Payment and without further act by or instrument executed by the Receiver.

6. Release of the Receiver and Receivership Estate by the Institution. Upon the Bank's receipt of the Tender Payment, the Institution shall, without further act of or instrument executed by the Institution, release, acquit and forever discharge the Receiver, Receivership Estate and any and all of the Receiver's agents, employees, attorneys, accountants, insurers, and all other persons for whom the Receiver or Receivership Estate might be liable or responsible (the "Receiver Released Persons") of any and all claims, demands, obligations and causes of action, of any type or description, whether known or unknown, liquidated or unliquidated, arising in contract tort, equity or any other theory of liability. The release granted hereby shall become immediately effective upon the Institution's receipt of the Tender Payment without further act by or instrument executed by the Institution.

7. Further Acts of the Institution. Following the receipt of the Tender Payment by the Receiver of \$4,000,000.00 the Institution shall execute such further and additional documents as the Receiver may reasonably request confirming that any and all indebtedness owed by Oxford Springs to the Bank has been satisfied and the Institution retains no further claim of any type or description against Oxford Springs, Sands, Adams, Madison Timber, or the Receivership Estate. Without limiting the generality of the foregoing, the Institution shall acknowledge that it has no claim which has been or could be asserted against the Receiver or the Receivership Estate. The Institution shall also take such acts, execute such instruments, and provide such documents as the Receiver may reasonably request to investigate and obtain the release of liens, encumbrances and adverse claims effecting title to the Original Tract or Secondary Tract.

8. Event of Default by the Institution: Any of the following shall constitute an "Event of Default" by the Institution:

- a. The Institution fails to timely deliver the Settlement Payment to the Receiver.
- b. The Institution breaches or otherwise fails perform any of the covenants, representations and warranties made by them in or other obligations imposed upon them by this Agreement.

9. Remedies Upon Occurrence of an Event of Default. Upon the occurrence of an Event of Default, the Receiver shall give not less than seven (7) days written notice to the Institution. The Institution shall have seven (7) days from the date of issuance of such notice to cure the Event of Default. Should the Institution fail to cure timely, the Receiver may either (i) employ all remedies and procedures to collect the balance due on the Settlement Payment, including attorneys' fees and interest in the amount of five (5%) percent from the Effective Date or (ii) declare the Agreement terminated and pursue any and all claims, demands and causes of action the Receiver may have against the Institution.

10. Entire Agreement; Amendments; Waivers. This Agreement, including all agreements referenced herein, constitutes the entire agreement of the Parties solely with regard to the subject matter hereof. This Agreement may only be modified or amended by an instrument in writing signed by all Parties. No waiver of any condition hereunder shall be effective unless effected by an instrument in writing signed by all Parties. No Party to this Agreement has relied upon any representations of any other Party not expressly contained in this Agreement.

11. Governing Law. This Agreement, as well as all matters in dispute between the Parties, whether arising from or relating to this Agreement or arising from or relating to alleged extra-contractual facts prior to, during or subsequent to this Agreement, including fraud, misrepresentation, negligence, or any other alleged tort or violation of this Agreement, regardless of the legal theory upon which such matter is asserted, is to be governed by, construed under, and enforced in accordance with the laws of the United States and the State of Mississippi without regard to any conflicts of laws principles that would require the application of any other laws. The Parties agree the Court is the sole venue to enforce the terms of this Agreement and to adjudicate any disputes arising in relation thereto.

12. Binding Effect. This Agreement shall inure to the benefit of the Parties hereto and shall be binding upon each of them, and their heirs, estates, assigns, representatives and successors.

13. Further Assurances. Each of the Parties, without further consideration, agrees to execute and deliver such other documents and take such other action as may be necessary to consummate more effectively the subject matter hereof.

14. Rules of Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties and no presumption or burden of proof is to arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

15. Counterparts; Execution of Agreement. The Parties are permitted to execute this Agreement in one or more counterparts, each of such counterparts is to be deemed to be an original copy of this Agreement, and all of which, when taken together, are to be deemed to constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile, electronic mail, or other electronic transmission constitutes effective execution and delivery of this Agreement as to the Parties. Signatures of the Parties transmitted by facsimile, electronic mail, or other electronic transmission are to be deemed to be their original signatures for all purposes.

16. Notices. Notices hereunder or in connection with the Agreement shall be sent by electronic mail or overnight courier and addressed as follows:

a. If to the Receiver:

Alysson Mills
Fishman Haygood, LLP
201 St. Charles Avenue, Suite 4600
New Orleans, Louisiana 70170
amills@fishmanhaygood.com

With a copy to:

Brent B. Barriere
Fishman Haygood, LLP
201 St. Charles Avenue, Suite 4600
New Orleans, Louisiana 70170
bbarriere@fishmanhaygood.com

b. If to the Institution:

Russell S. Bennett, President & CEO
First National Bank of Clarksdale
Post Office Box 220
402 East Second Street
Clarksdale, Mississippi 38614
rbennett@fnbclarksdale.com

With a copy to:

Cliston V. "Doc" Bodine, III
Gerrish Smith Tuck
700 Colonial Road, Suite 200
Memphis, Tennessee 38117
dbodine@gerrish.com

[Signatures on Following Page]

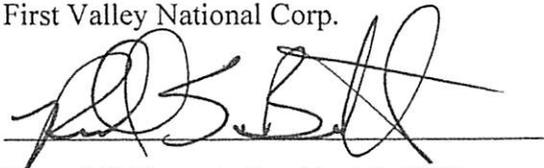
Dated the day first above written.



Alysson Mills, in her capacity as
Receiver for the estate of Arthur Lamar
Adams and Madison Timber Properties, LLC.



Russell S. Bennett, President & CEO
First Valley National Corp.



Russell S. Bennett, President & CEO
First National Bank of Clarksdale

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION

Plaintiff,

v.

ARTHUR LAMAR ADAMS AND
MADISON TIMBER PROPERTIES, LLC

Defendants.

Case No. 3:18-cv-252

Hon. Carlton W. Reeves, District Judge

Hon. F. Keith Ball, Magistrate Judge

**MEMORANDUM IN SUPPORT OF
MOTION FOR APPROVAL OF PROPOSED SETTLEMENT WITH FNBC**

Alysson Mills, in her capacity as the court-appointed receiver (the “Receiver”) for Arthur Lamar Adams (“Adams”) and Madison Timber Properties, LLC (“Madison Timber”), through undersigned counsel, respectfully submits this memorandum in support of her Motion for Approval of Proposed Settlement with First Valley National Corp. and its wholly owned subsidiary First National Bank of Clarksdale (“FNBC”).

INTRODUCTION

This motion asks the Court to approve the Receiver’s proposed settlement with FNBC. In exchange for the Receiver’s release of any claims against FNBC arising from FNBC’s alleged role in the Madison Timber Ponzi scheme (which FNBC denies) and a channeling injunction, FNBC agrees to make a cash payment of \$4,000,000.00 to the Receiver and provide the Receiver with a 60 day “Tender Period” from the “Effective Date” of the Settlement Agreement within which the

Receiver may satisfy all outstanding loans by FNBC to Oxford Springs, LLC (“Oxford Springs”), on which \$4,552,113 is currently owed, by making a lump sum payment of \$4,000,000.00 to FNBC.

The value of the proposed settlement to the Receivership Estate is far greater than the \$4,000,000.00 cash payment from FNBC to the Receiver and the 60 day “Tender Period” in which the Receiver may satisfy all outstanding loans from FNBC to Oxford Springs, on which \$4,552,113 is currently owed, by making a lump sum cash payment of \$4,000,000.00 to FNBC, as the proposed settlement will result in the Receivership Estate’s owning a 100% interest in Oxford Springs and retaining all of the proceeds from the future sale of Oxford Springs’s property.

The Receiver takes seriously her obligation to maximize the value of the Receivership Estate’s claims against third parties, and if she does not finalize a settlement with FNBC on the proposed terms, she will file a lawsuit to pursue the Receivership Estate’s claims. But the Receiver believes the proposed settlement is preferable to a lawsuit under the circumstances. Settlement now avoids the likelihood of drawn-out litigation and the risk of adverse rulings and guarantees immediate benefit to the Receivership Estate.

The Receiver is also mindful that the proposed settlement with FNBC is the first with a party who was not a recruiter for Madison Timber. The Receivership Estate has many claims, filed and to-be-filed, against third parties. The Receiver appreciates FNBC’s cooperation in reaching an early resolution that results in a substantial benefit to the Receivership Estate.

BACKGROUND

The Receiver’s duties

The Receiver has a duty “to take custody, control, and possession of all Receivership Property, Receivership Records, and any assets traceable to assets owned by the Receivership

Estate” and to investigate and “bring such legal actions based on law or equity in any state, federal or foreign court as the Receiver deems necessary or appropriate in discharging her duties as Receiver.”¹

Oxford Springs

“Receivership Property” and “assets owned by the Receivership Estate” include Adams’s, and now the Receivership Estate’s, interest in Oxford Springs.

Oxford Springs is a Delaware limited liability company formed in 2014. Its sole asset is approximately 2,400 acres of undeveloped land in Lafayette County, Mississippi. Oxford Springs purchased the property with the intent to develop an upscale neighborhood with an equestrian park and golf course near Oxford, Mississippi. There has been no actual development on the property.

The Receivership Estate owns Adams’s 47.5% interest in Oxford Springs. As of this filing, of the remaining interests, Patrick Sands owns 47.5% and Mike Billings owns 5%.

FNBC

FNBC holds two deeds of trust over Oxford Springs’s property. Oxford Springs purchased the property in two separate transactions and for each obtained a loan from FNBC:

Oxford Springs purchased the first approximately 2,300 acres (“Parcel 1”) on April 29, 2015 for \$5,158,031.54. In connection with that purchase, it borrowed \$4,224,812 from FNBC, and FNBC obtained a deed of trust over the approximately 2,300 acres as well as personal guarantees from Adams and Sands.

Oxford Springs purchased the additional approximately 100 acres (“Parcel 2”) on September 23, 2016 for \$1,000,000. In connection with that purchase, it borrowed \$1,000,000

¹ Docket No. 33, *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-252 (S.D. Miss).

from FNBC, and FNBC obtained a deed of trust over the approximately 100 acres as well as personal guarantees from Adams and Sands.

FNBC's loans to Oxford Springs are cross-collateralized, and the current total balance is \$4,552,113.

Attempted sale

Oxford Springs entered a contract to sell Parcels 1 and 2 earlier this year. That sale failed after the buyer declined to purchase Parcel 2 and sought to adjust the purchase price accordingly. Oxford Springs could have sold only Parcel 1 to the buyer, but after paying off FNBC's loans and other debts and dividing what remained among Oxford Springs's members, the Receivership Estate would have received little, if any, proceeds from the sale. The Receiver refused to sell under those circumstances.

The failed sale caused the Receiver's counsel to reassess the Receivership Estate's options. Oxford Springs's property is valuable and can be sold for several millions of dollars, but no sale will meaningfully benefit the Receivership Estate so long as it must first pay off FNBC and Oxford Springs's other members. To maximize Oxford Springs's value to the Receivership Estate, the Receiver's counsel devised a plan to own 100% of Oxford Springs and to sell its property free and clear of Oxford Springs's debt to FNBC.

The Receiver's negotiations—FNBC

As of this filing, Oxford Springs owes FNBC \$4,552,113.

Separately, FNBC was one of Madison Timber's multiple banks and is a likely defendant in a lawsuit by the Receivership Estate. The Receiver presented FNBC with a draft complaint asserting claims arising from FNBC's banking relationship with Adams and Madison Timber and

any role it may have been alleged to have played in the Madison Timber Ponzi scheme (which FNBC denies).

After thoughtful negotiation, FNBC agreed to make a cash payment of \$4,000,000.00 to the Receiver and to provide a 60 day “Tender Period” in which the Receiver may satisfy all outstanding loans by FNBC to Oxford Springs, upon which \$4,552,113 is currently owed, by making a lump sum cash payment of \$4,000,000.00 to FNBC, in exchange for the Receiver’s release of any claims against FNBC arising from FNBC’s banking relationship with Adams and/or Madison Timber and any role FNBC may be alleged to have played in the Madison Timber Ponzi scheme (which FNBC denies) and a channeling injunction. The instant motion asks the Court to approve the Receiver’s proposed settlement with FNBC.

The Receiver’s negotiations—Sands

As of this filing, Sands owns a 47.5% interest in Oxford Springs and is a guarantor of FNBC’s two loans to Oxford Springs.

Separately, Sands was a Madison Timber investor and is a likely claimant of the Receivership Estate to the extent he still holds outstanding Madison Timber promissory notes.

Sands agreed to convey to the Receivership Estate his 47.5% interest in Oxford Springs and also release the Receivership Estate of any claim by him to amounts due under his outstanding Madison Timber promissory notes in exchange for the Receiver’s obtaining from FNBC a release of his guarantees of FNBC’s loans to Oxford Springs. Simultaneously with the filing of this motion, the Receiver is filing a motion that asks the Court to approve the Receiver’s proposed settlement with Sands.

The Receiver’s negotiations—Billings

As of this filing, Billings owns a 5% interest in Oxford Springs.

Billings is a defendant in the lawsuit styled *Alysson Mills v. Michael D. Billings, et al.*, No. 3:18-cv-679 (S.D. Miss.), in which the Receiver alleges he received millions of dollars in “commissions” in exchange for his recruitment of new investors to Madison Timber. On July 9, 2019, the Receiver filed a motion for approval of a proposed settlement with Billings.² As part of that proposed settlement, Billings agreed to convey to the Receivership Estate his 5% interest in Oxford Springs. As of this filing, the Court had not approved the proposed settlement.

Intended result

If the Court grants the motions for approval of proposed settlements with FNBC, Sands, and Billings, the Receivership Estate will own 100% of Oxford Springs and can sell its property free and clear of Oxford Springs’s debt to FNBC. The proceeds of a future sale will go entirely to the Receivership Estate.

PROPOSED SETTLEMENT WITH FNBC

The Receiver and FNBC have undertaken thoughtful negotiations and the Receiver believes that settlement with FNBC is in the Receivership Estate’s best interest.

The proposed settlement avoids risk

FNBC was one of Madison Timber’s multiple banks therefore the Receivership Estate has potentially substantial claims against FNBC arising from FNBC’s banking relationship with Adams and/or Madison Timber and any role FNBC may be alleged to have played in the Madison Timber Ponzi scheme (which FNBC denies). If the Receiver does not finalize a settlement with FNBC on the proposed terms, she will file a lawsuit against FNBC to pursue the Receivership Estate’s claims.

² Docket No. 59, *Alysson Mills v. Michael D. Billings, et al.*, No. 3:18-cv-679 (S.D. Miss).

But the Receiver believes the proposed settlement is preferable to a lawsuit under the circumstances. A lawsuit's result is never guaranteed. A lawsuit can take a long time to litigate to final judgment, and often a final judgment is appealed. Settlement now avoids the likelihood of drawn-out litigation and the risk of adverse rulings.

The proposed settlement guarantees immediate value

Settlement now also gives the Receivership Estate the opportunity to sell a valuable piece of property and retain all of its proceeds. In exchange for a release of the Receivership Estate's claims against it and a channeling injunction, FNBC will make a cash payment of \$4,000,000.00 to the Receiver and provide the Receiver with a 60 day "Tender Period" in which the Receiver may satisfy all loans by FNBC to Oxford Springs, upon which \$4,552,113 is currently owed, by making a lump sum cash payment of \$4,000,000.00 to FNBC, but the value of the proposed settlement to the Receivership Estate is far greater. The proposed settlement with FNBC will result in Sands conveying his 47.5% interest in Oxford Springs to the Receivership Estate; that conveyance, coupled with the anticipated conveyance of Billings's 5% interest, will ensure the Receivership Estate owns 100% of Oxford Springs. By allowing the Receivership Estate to retain all of the proceeds of from the future sale of Oxford Springs's property, the proposed settlement represents a value to the Receivership Estate that far exceeds \$4,552,113.

The public's interest

The proposed Order Approving Settlement [**Exhibit B**] includes a channeling injunction, sometimes called a "bar order," which would bar any person or non-regulatory entity³ from separately asserting claims against FNBC arising out of, in connection with, or relating to FNBC's

³ To be clear, the U.S. Attorney's Office, the F.B.I., the S.E.C., and the Mississippi Secretary of State, among other law enforcement bodies, are not affected by the proposed settlement. The Receiver does not purport to recommend any settlement that would interfere with their separate work.

banking relationship with Adams and/or Madison Timber or any role that FNBC may be alleged to have played in the Madison Timber Ponzi scheme (which FNBC denies). Those claims instead would be “channeled” through the Receivership Estate.

The Receiver is mindful that victims of the Madison Timber Ponzi scheme, as the ultimate beneficiaries of the Receivership Estate, have a substantial interest in the Receivership Estate’s claim against FNBC and the proposed resolution of it. The Receiver believes it appropriate to allow interested parties an opportunity to be heard before the proposed settlement is approved. The Receiver thus proposes notice and hearing as described below to give victims and interested parties a full and fair opportunity to be heard. The Receiver believes the proposed notice and hearing is efficient and desirable under the circumstances, given the particular interests at stake.

PROPOSED SETTLEMENT’S TERMS

In exchange for the Receiver’s release of any claims against FNBC and a channeling injunction, FNBC agrees to make a \$4,000,000.00 cash payment to the Receiver and to provide a 60 day “Tender Period” in which the Receiver may satisfy all loans by FNBC to Madison Timber, upon which \$4,552,113 is currently owed, by making a lump sum cash payment of \$4,000,000.00 to FNBC. In substance, the Receiver and FNBC have agreed to the following terms:

1. The Receiver shall move the Court to approve the proposed Settlement Agreement **[Exhibit A]**.
2. Within seven days of the “Effective Date” of the Settlement Agreement, FNBC shall deliver to the Receiver a payment in the amount of \$4,000,000.00, representing the entire Settlement Payment.
3. Upon the receipt of the Settlement Payment, the Receiver shall release FNBC of any and all claims the Receivership Estate has against FNBC.
4. Within 60 days of the Receiver’s receipt of the Settlement Payment, the Receiver may deliver to FNBC the sum of \$4,000,000.00 in full and complete satisfaction of any and all obligations and indebtedness of any type owed or allegedly owed by Oxford Springs, Adams, Madison Timber, or the Receivership Estate to FNBC.

5. Upon the receipt of the sum of \$4,000,000.00 from the Receiver, FNBC shall terminate and release the personal guarantees of Adams and Sands of FNBC's loans to Oxford Springs.
6. FNBC shall further assist the Receiver by executing additional documents as she may require to confirm that any and all indebtedness of Oxford Springs to FNBC has been satisfied and by assisting her as necessary to obtain the release of liens, encumbrances, and adverse claims affecting title to Oxford Springs's property.

The foregoing is intended solely as a summary of the terms of the Settlement Agreement; in all events, the specific terms of the Settlement Agreement shall control.

PROPOSED BAR ORDER

The proposed Order Approving Settlement [**Exhibit B**] includes a channeling injunction, sometimes called a "bar order," which would bar any person or non-regulatory entity⁴ from asserting claims against FNBC arising out of, in connection with, or relating to FNBC's banking relationship with Adams and/or Madison Timber or any role that FNBC may be alleged to have played in the Madison Timber Ponzi scheme (which FNBC denies). Those claims instead would be "channeled" through the Receivership Estate.

This Court has "broad powers and wide discretion to determine the appropriate relief in an equity receivership," including the "inherent equitable authority to issue a variety of 'ancillary relief' measures in actions brought by the SEC to enforce the federal securities laws." *S.E.C. v. Kaleta*, 530 Fed. App'x 360, 362 (5th Cir. 2013) (*Kaleta I*) (quoting *S.E.C. v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980)). These "ancillary relief" measures include "bar orders to secure settlements in receivership proceedings and to 'preserve the property placed in receivership

⁴ Again, to be clear, the U.S. Attorney's Office, the F.B.I., the S.E.C., and the Mississippi Secretary of State, among other law enforcement bodies, are not affected by the proposed settlement. The Receiver does not purport to recommend any settlement that would interfere with their separate work.

pursuant to SEC actions.” *S.E.C. v. Stanford Int’l Bank, Ltd.*, No. 3:09-cv-00298-N, 2017 WL 9989250, at *2 (N.D. Tex. Aug. 23, 2017) (quoting *Kaleta I*, 530 Fed. App’x at 362).

“Courts utilize bar orders if they are both necessary to effectuate a settlement and ‘fair, equitable, reasonable, and in the best interest of the Receivership Estate.’” *Stanford*, 2017 WL 9989250, at *3 (quoting *S.E.C. v. Kaleta*, No. H-09-3674, 2013 WL 2408017, at *6 (S.D. Tex. May 31, 2013) (*Kaleta II*)). The Fifth Circuit recently expressly approved bar orders in the *Stanford* receivership that channeled investors’ claims against third-party defendants “into the receivership distribution process.” *Zacarias v. Stanford Int’l Bank, Ltd.*, No. 17-11073, 2019 WL 3281687, at *9 (5th Cir. July 22, 2019) (“Again, the receivership solves a collective-action problem among the Stanford entities’ defrauded creditors, all suffering losses in the same Ponzi scheme. It maximizes assets available to them and facilitates an orderly and equitable distribution of those assets. . . . It was no abuse of discretion for the district court to enter the bar orders to effectuate and preserve the coordinating function of the receivership.”); *see also id.* at *8 (“The bar order functioned to channel investors’ recovery into the receivership distribution process and ‘did not interfere with or improperly extinguish the [investors’] rights.’”) (quoting *S.E.C. v. Stanford Int’l Bank, Ltd.*, 927 F.3d 830, 851 (5th Cir. 2019)).

The Receiver believes the bar order is an effective way to obtain a settlement with FNBC that guarantees a greater value to the Receivership Estate, in the form of proceeds from the sale of Oxford Springs’s property that can be distributed equitably to investors through the Receivership Estate.

PROPOSED NOTICE AND HEARING

Victims of the Madison Timber Ponzi scheme have a substantial interest in the Receiver’s claims against FNBC and the proposed resolution of it. The Receiver believes that any proposed

settlement should be transparent and that victims should have an opportunity to evaluate it and, if they choose, be heard by the Court before the Court makes any decision to approve it.

The Receiver thus proposes the following:

- The Court shall hold a hearing on the proposed settlement within 21 days, or as the Court's calendar allows.
- The Court shall enter an Order Setting Hearing [**Exhibit C**] that shall be filed in the Court's public record of the case styled *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-00252 (S.D. Miss).
- Victims or other interested parties who wish to submit comments or objections shall do so at least five days prior to the Court's hearing, either by submitting the comments or objections to the Court or to the Receiver, who shall submit them to the Court.
- Victims or other interested parties who wish to address the proposed settlement at the hearing shall be given an opportunity to be speak.
- The Receiver shall publicize the Order Setting Hearing, the proposed Settlement Agreement, the proposed Order Approving Settlement, and instructions for submitting comments or objections on her website and in any forthcoming Receiver's Report.

The proposed notice and hearing will give victims and interested parties a full and fair opportunity to be heard and will give the Court the benefit of their opinions as the Court assesses the proposed settlement's merits. The Receiver believes the proposed notice and hearing is efficient and desirable under the circumstances, given the particular interests at stake.⁵

THE RECEIVER'S REPRESENTATIONS

In support of the proposed settlement, the Receiver represents:

1. The Receiver and FNBC's negotiations were extensive, thoughtful, and at arm's length.
2. The Receiver and FNBC were independently represented by highly competent counsel having experience with litigation of this type.

⁵ The Receiver takes no position at this time on whether notice or hearing is appropriate prior to the Court's approval of possible future settlement with other parties.

3. The Receiver and FNBC had more than adequate information to make an informed decision whether to settle.
4. The Receiver's counsel researched the law applicable to the Receiver's claim against FNBC and made informed assessments of the strengths and weaknesses of her case.
5. The Receiver believes the proposed settlement is in the Receivership Estate's best interest. In recommending proposed settlement, the Receiver has weighed the following:
 - a. It is the Receiver's duty to recover assets for the Receivership Estate efficiently. The Receiver believes that the proposed settlement is preferable to litigation. Settlement now avoids the likelihood of drawn-out litigation and the risk of adverse rulings.
 - b. The value of the proposed settlement to the Receivership Estate is far greater than the \$4,000,000.00 cash payment that FNBC will make to the Receiver and the 60 day "Tender Period" during which the Receiver will be able to resolve all outstanding loans by FNBC to Oxford Springs, upon which \$4,552,113 is currently owed, by making a lump sum cash payment of \$4,000,000.00 to FNBC, as the proposed settlement will result in the Receivership Estate's owning a 100% interest in Oxford Springs and retaining all of the proceeds from the future sale of Oxford Springs's property.
 - c. The proposed Bar Order incentivizes FNBC to settle and therefore makes the proposed settlement possible.

CONCLUSION

Based on the foregoing, the Receiver respectfully requests that the Court enter the proposed Order Setting Hearing so that the proposed settlement may be presented and, if the Court agrees after notice and hearing, approved.

August 20, 2019

Respectfully submitted,

/s/ Lilli Evans Bass

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CERTIFICATE OF SERVICE

I certify that I electronically filed the foregoing with the Clerk of Court using the ECF system which sent notification of filing to all counsel of record.

In addition, I have separately emailed a copy of the foregoing to:

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Date: August 20, 2019

/s/ Brent B. Barriere
Admitted pro hac vice