

INVESTIGATION REPORT

GENERAL BACKGROUND - CLAIMANT

The claimant in this matter, Edgar David Franklin, was severely injured on or about June 9, 1993 while in the employ of the Southern Pacific Transportation Company. Soon thereafter, the claimant commenced a civil action for damages pursuant to the Federal Employers' Liability Act (45 U.S.C. 51 et. seq.) by and through his attorneys, the Able and Baker Law Firm, 600 E Street, Sacramento, CA 95814. On December 8, 1994, Mr. Franklin settled the personal injury action with the subject railroad, ultimately receiving net proceeds, after deduction of all attorney's fees, costs and liens, in the amount of \$858,895.75.

For the purposes of the within claim, it is important to set forth that Mr. Franklin has been employed as a blue collar worker for the Southern Pacific Transportation Company all of his adult life; he was and continues to be unfamiliar with investments and up until the receipt of his personal injury settlement as mentioned above, had not possessed or controlled any large sums of money. In fact, the limit of his financial experience was the handling of his own personal salary and household affairs. Franklin is by no means a sophisticated investor as described in California Corporation Code Section 25102(f).

THE FRANKLIN FAMILY LIMITED PARTNERSHIP

During November, 1994, Edgar Franklin, anticipating a large sum personal injury settlement, consulted with James Steen of Steen Financial Insurance Services of Rocklin, California. Mr. Franklin had become acquainted previously with Mr. Steen while convalescing in Roseville Community Hospital as a result of the above referenced injuries. Steen met personally with Franklin to discuss the claimant's financial future and referred Franklin to attorney Steven B. Gerald for the purposes of constructing family trusts.

During the days that followed, Mr. Franklin did in fact meet with attorney Steven B. Gerald for the purposes of forming certain trusts for himself and other members of his family. At about the same time, Gerald induced Franklin to form another entity, a limited partnership to be called the Franklin Family Limited Partnership. At Gerald's direction, an Internal Revenue Service form SS-4 was executed on November 29, 1994 requesting a tax identification number for the limited partnership. A formal limited partnership filing was not attempted by Gerald until February 16, 1995. As the paperwork was incomplete and returned by the California Secretary of State's office, the legal status of the limited partnership is unknown at this time. (See attachment No. 1 for documents relating to the limited partnership.)

PRELUDE TO THE INVESTMENT SCHEME

Edgar Franklin, utilizing the de facto Franklin Family Limited Partnership as a vehicle, entered into a "contract for services" with the law offices of Steven B. Gerald on December 5, 1994, for the purposes of managing the Franklin Family financial affairs. (See attachment No. 2.) Said document was executed on behalf of the law firm by Robert E. Madison, a person identified to

Franklin as the firm's paralegal and further identified as "Robert E. Madison, C.F.O., Trust Department, Law Offices of Steven B. Gerald" as evidenced by his business card (See attachment No. 3.) Said business card was presented to Mr. Franklin while in the presence of Steven Gerald and Gerald had full knowledge of the language printed on the card as well as Madison's capacity in which he was acting.

On December 13, 1994, a check drawn on the Franklin Family Limited Partnership bank account (see attachment No. 4) in the amount of \$1,500.00 was tendered to Steven B. Gerald as "legal fees" relevant to the "contract for services" agreement.

The "contract for services" does not comply with California Business and Professions Code Section 6148 in two (2) respects:

- A) The contract is not signed by the attorney, but instead by his representative;
- B) The contract does not disclose whether the attorney carries errors and omissions insurance coverage or has complied with California Business and Professions Code Section 6148(a)(4)(a), statement of written guarantee.

ROBERT E. MADISON

Robert E. Madison, the chief financial officer of the Law Offices of Steven B. Gerald, is actually Bruce Charles Hampton, date of birth May 24, 1949. Hampton also utilizes the name David Mark Anthony. Mr. Hampton utilizes multiple Social Security Numbers for reasons that will become abundantly clear in the following pages of this report. The two (2) Social Security Numbers are 123-45-6789 and 987-65-4321. On July 16, 1986, Bruce Charles Hampton aka Robert E. Madison aka David Mark Anthony was convicted of violation of 18 USC 474 (counterfeiting obligations or securities) in United States Federal Court for the Eastern District of California, case number CRS 86-104. The defendant pled guilty to counterfeiting \$300,000.00 in United States currency. The court imposed a sentence of five (5) years in federal prison. Hampton aka Madison aka Anthony was released on parole on July 18, 1989. He was returned to custody on October 14, 1993 for parole violations and was finally released from custody on September 6, 1994, scarcely two (2) months before he would embark upon a scheme to defraud Franklin. (See attachment No. 5 for relevant court documents.)

On March 4, 1991, Bruce Charles Hampton petitioned Sacramento Superior Court (file number 366196) for a legal change of name to Robert E. Madison. (See attachment No. 6 for a copy of the petition). Bruce Charles Hampton has also used the name Brice Charles Hampton.

On April 1, 1985, the Superintendent of Banks of the State of California filed suit against Bruce Charles Hampton individually and doing business as First Pan American Bank and First Pan American Bancorporation. The Sacramento Superior Court file number is 321234. The State of

California asked the court for injunctive relief to force Madison to cease operations as a bank as he held no licenses to do so. The enterprise was located at 8421 Auburn Blvd., Citrus Heights, California. Madison's financial statement falsely disclosed a net worth of his "bank" of \$781,803,805.00. A stipulated permanent injunctive order was issued on May 15, 1985.

On January 22, 1987, Bruce Charles Hampton was charged with violation of California Corporation Code section 25540, sale of securities without permission; Corporation Code section 25401, unlawful sale of securities by written or oral communications; Corporation Code section 25541, use of device, scheme or artifice to defraud; and, California Penal Code section 487.1, grand theft. The attached court documents (attachment No. 5) disclose that Hampton is a flight risk as he has a long criminal history and uses as many as eighteen alias names. Hampton's arrest record follows:

DATE	AGENCY/LOCATION	CHARGE/DISPOSITION
10/25/73	FBI, Cleveland, OH	Deserter, U.S. Army
02/24/78	Decatur, GA	Theft, convicted
03/21/78	Atlanta, GA	Theft, dismissed
10/72/82	Phoenix, AZ	Warrant, counterfeiting
03/19/86	Sacramento, CA	Arrested, charge with counterfeiting and convicted, Federal Ct.
01/22/87	Sacramento, CA	Fraud, theft, convicted

Further, these court records reflect that Hampton claims to have been a Green Beret officer, a Vietnam prisoner of war for four (4) years, an agent of the United States Central Intelligence Agency (CIA), a holder of two (2) doctorates from Harvard University (law and philosophy) and an undercover CIA operative involved with the Achille Lauro terrorist highjacking incident.

THE DEFRAUDING OF FRANKLIN

On or about December 13, 1994, Ed Franklin was induced by both Robert E. Madison (Hampton) and Steven B. Geraldts to invest substantial sums in a venture that was represented to Franklin as "securities" that was formally know as American Telephone Digital Service and informally mentioned in conversation by Geraldts and Madison (Hampton) as "AT&D." Said acronym was used as a means of associating American Telephone Digital Service with AT&T to lead Franklin into a false sense of security by Geraldts and Madison (Hampton).

The Franklin Family Limited Partnership advanced the following sums to American Telephone Digital Service:

DATE	CHECK NO.	BANK AND ACCOUNT	AMOUNT
12/13/94	91	FIB 824006701	\$ 84,800.00
04/05/95	1056	FIB 824006702	160,000.00
04/05/95	-	Jones 8260370507	50,000.00
07/27/95	1060	FIB 824006701	10,000.00
07/31/95	1061	FIB 824006701	90,000.00
TOTAL			\$394,000.00

The total amount of the capital moved from the Franklin Family Limited Partnership to AT&D was \$394,000.00. (Copies of all relevant checks can be found under attachment No. 7.)

AMERICAN TELEPHONE DIGITAL SERVICE

American Telephone Digital Service is a general partnership that was formed by written agreement (See attachment No. 8) on December 1, 1994. The forming general partners were Steven B. Gerald and Robert E. Madison (Hampton) and the initial capitalization consisted of equal contributions of merely \$50.00 by each general partner. The address for the partnership is cited as 8455 Sunrise Blvd., Suite 501, Citrus Heights, CA 95610. It should be noted that this is not a business premises, but the address of an apartment complex. Clause five (5) of the partnership agreement declares that the purpose of the partnership is "to engage in the business of investments."

Both Gerald and Madison (Hampton) represented to Franklin that AT&D was heavily involved in the new 900 service industry and promised a phenomenal return on investment. The claimant was coerced and pressured into investing a total of \$394,000.00 in a fraudulent venture that would eventually only profit the general partners, Gerald and Madison (Hampton).

The plaintiff was induced into executing debenture indenture agreements on February 17, 1995, both personally and on behalf of the limited partnership, in favor of American Telephone Digital Service. The reasons why these documents were executed are speculative at this time, but the claimant feels he was being enticed to perceive that he was in a better position of security than the general partners as to the sums he invested in American Telephone Digital Service. These debenture indenture agreements clearly demonstrate that Franklin was never a partner of American Telephone Digital Service and had absolutely no control over the operation of that organization. (The debenture indenture agreements are found under attachment No. 9).

THE (900) VENTURE

American Telephone Digital Service did in fact have a thirty (30) minute 900 psychic line info-commercial professionally produced at Malibu Media, Malibu, California. The central idea of the

AT&D partnership was to develop a series of video info-mercials that other 900 services could lease for the purposes of advertising to other 900 service operators that could not afford to produce high quality, professional television ads. The info-mercial was in fact produced by Malibu Media, Inc., a California corporation. Malibu Media is located at 24565 West Malibu Road, Suite 100, Malibu, California 90265 which is actually a Mail Boxes Etc... location.

An invoice in the amount of \$236,317.00 can be found under attachment No. 10 along with copies of checks made payable to Malibu Media, Inc. and Christi Kemp, Malibu's owner. Said checks total \$84,892.00. It appears highly suspect that the invoice denotes \$150,425.00 of the alleged services rendered were paid in cash. Furthermore, contact directly with Christi Kemp confirms that Malibu Media has only been paid a total of \$84,892.00 from American Telephone and Digital Service. The invoice provided to Mr. Franklin was not the creation of Malibu Media, but one Madison (Hampton) fabricated using desktop publishing. Kemp denies ever receiving cash payments for this particular info-mercial project.

Ultimately, Gerald and Madison (Hampton) tested the market by placing television advertisements through Ad Smart, Inc. and Sunset, Inc. Total advertising expended by American Telephone Digital Service over a ten (10) month period was \$39,304.00. Total 900 calls to the test psychic lines generated gross revenue in the amount of \$44,190.00. Net return on investment relative to the advertising test was \$4,886.00.

During 1995 Gerald and Madison (Hampton), from American Telephone Digital Service funds, purchased a limousine which currently is in the possession of Robert Madison (Hampton) - his whereabouts and that of the vehicle are presently unknown.

CHECKS ISSUED TO PURCHASE PERSONAL PROPERTY AT&D ACCOUNT				
DATE	CK NO.	BANK	ACCOUNT NO.	AMOUNT
06/13/95	1185	US Bank	742-0002-409	\$ 9,500.00
08/30/95	1503	US Bank	742-0003-409	5,000.00
TOTAL				\$ 14,500.00

Commencing December, 1994, once a substantial influx of cash had been received by American Telephone Digital Service, Robert E. Madison (Hampton) began to withdraw considerable sums from the partnership bank accounts. (Copies of all relevant checks can be found under attachment No. 11.) It should be noted that Madison (Hampton) drew checks to himself as well as to "cash". Gerald was the signer on many of the checks made payable to Madison (Hampton).

CHECKS PAYABLE TO ROBERT E. MADISON
From the bank accounts of
AMERICAN TELEPHONE DIGITAL SERVICES

DATE	CK NO.	BANK	ACCOUNT NO.	AMOUNT
12/14/94	T102	US Bank	742-0002-401	6,000.00
12/14/94	T103	US Bank	742-0002-401	8,000.00
12/14/94	T104	US Bank	742-0002-401	4,000.00
12/14/94	T105	US Bank	742-0002-401	4,000.00
12/31/94	1153	US Bank	742-0002-401	500.00
01/06/95	1154	US Bank	742-0002-401	2,417.69
01/31/95	1156	US Bank	742-0002-401	4,000.00
02/17/95	1157	US Bank	742-0002-401	5,000.00
02/23/95	1159	US Bank	742-0002-401	9,000.00
02/27/95	1161	US Bank	742-0002-401	9,000.00
03/08/95	1162	US Bank	742-0002-401	4,300.00
03/16/95	1164	US Bank	742-0002-401	3,000.00
04/06/95	1168	US Bank	742-0002-401	8,000.00
04/06/95	1169	US Bank	742-0002-401	8,000.00
04/13/95	1171	US Bank	742-0002-401	5,000.00
04/13/95	1172	US Bank	742-0002-401	5,000.00
04/21/95	1173	US Bank	742-0002-401	8,000.00
04/24/95	1174	US Bank	742-0002-401	8,000.00
05/31/95	1177	US Bank	742-0002-401	5,000.00
05/01/95	1179	US Bank	742-0002-401	5,000.00
05/25/95	1182	US Bank	742-0002-401	4,000.00
05/25/95	1183	US Bank	742-0002-401	5,000.00
05/31/95	1184	US Bank	742-0002-401	5,000.00
06/16/95	1187	US Bank	742-0002-401	5,000.00
Unknown	1189	US Bank	742-0002-401	5,000.00
07/25/95	1191	US Bank	742-0002-401	1,000.00
10/02/95	1194	US Bank	742-0002-401	9,000.00
07/31/95	0003	US Bank	742-0003-401	8,000.00
07/31/95	0002	US Bank	742-0003-401	5,000.00
08/10/95	1500	US Bank	742-0003-401	9,000.00
09/15/95	1504	US Bank	742-0003-401	5,227.24
08/22/95	1505	US Bank	742-0003-401	9,000.00
TOTAL				\$181,144.93

In total, Robert E. Madison (Hampton) drew \$181,144.93 from the American Telephone Digital Service accounts, all of which was against the wishes of Franklin. Compared to the work

completed and the return on investment, it could hardly be said that the partnership received reasonable value for services rendered. Madison (Hampton) clearly bled the partnership of operating capital thereby defrauding the sole principal outside investor, Franklin.

Steven Gerald also took substantial draws from the American Telephone Digital Service accounts which are set forth in the following chart:

CHECKS PAYABLE TO STEVEN BRAD GERALDS				
From the bank accounts of				
AMERICAN TELEPHONE DIGITAL SERVICE				
DATE	CK NO.	BANK	ACCOUNT NO.	AMOUNT
12/14/94	T101	US Bank	742-0002-401	\$ 25,000.00
02/20/95	1158	US Bank	742-0002-401	15,000.00
03/30/95	1165	US Bank	742-0002-401	70.00
04/06/95	1167	US Bank	742-0002-401	16,000.00
04/13/95	1171	US Bank	742-0002-401	5,000.00
05/01/95	1178	US Bank	742-0002-401	5,000.00
06/15/94	1186	US Bank	742-0002-401	919.88
TOTAL				\$ 66,989.88

As such, Gerald bilked the partnership and Franklin for a net amount of \$66,989.88.

CONCLUSION

At the present time, Edgar Franklin has lost his \$394,000.00 investment in American Telephone Digital Service, as Steven Gerald is contemplating bankruptcy and Robert E. Madison (Hampton) has simply disappeared. Franklin has been informed and believes that the American Telephone Digital Service partnership is without funds and is no longer a viable entity.

Steven Gerald has admitted to Edgar Franklin that he knew prior to December, 1994 (prior to the execution of the "contract for services"), that Robert E. Madison (Hampton) was a felon and that he had been recently released from prison for crimes involving fraud and deceit. In any regard, as an attorney, Gerald had a non-delegable duty to protect the client's investment as was originally agreed upon at the time of the execution of the "contract for (legal) services". The claimant believes that it is unconscionable for an attorney representing a client's (Franklin's) investment interests to allow an ex-convict to have access to the client's investments and cash. Gerald, whose signature appears numerous times on partnership checks, can hardly plead ignorance. He was the other general partner of American Telephone Digital Service and was active in the business operation of that concern. Gerald and Madison (Hampton) actively engaged in a scheme of fraud as set forth in California Penal Code Section 532; embezzlement,

