

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF MISSISSIPPI  
NORTHERN DIVISION

ALYSSON MILLS, IN HER CAPACITY  
AS RECEIVER FOR ARTHUR LAMAR  
ADAMS AND MADISON TIMBER  
PROPERTIES, LLC,

Plaintiff,

v.

MICHAEL D. BILLINGS and  
MDB GROUP, LLC;  
TERRY WAYNE KELLY, JR. and  
KELLY MANAGEMENT, LLC;  
and WILLIAM B. MCHENRY, JR. and  
FIRST SOUTH INVESTMENTS, LLC,

Defendants.

Case No. 3:18-cv-679

Arising out of Case No. 3:18-cv-252,  
*Securities and Exchange Commission v.*  
*Arthur Lamar Adams and Madison*  
*Timber Properties, LLC*

Hon. Carlton W. Reeves, District Judge  
Hon. F. Keith Ball, Magistrate Judge

**REPLY IN SUPPORT OF  
MOTION FOR PRELIMINARY INJUNCTION**

Plaintiff 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 reply in support of her Motion for Preliminary Injunction against Michael D. Billings and MDB Group, LLC (sometimes collectively, “Billings”) and William B. McHenry, Jr. and First South Investments, LLC (sometimes collectively, “McHenry”).

1.

On October 17, 2018, the Receiver filed a Motion for Preliminary Injunction against Billings and McHenry, seeking to restrain them during the pendency of the litigation from dissipating assets in their possession that are directly traceable to the Madison Timber Ponzi scheme.<sup>1</sup> Such an order is necessary to ensure the assets in question, which belong to the Receivership Estate, will still be there when the time comes to enforce any judgment entered against Billings and McHenry.

2.

The Mississippi and Texas Uniform Fraudulent Transfer Acts as well as case law governing federal equity receiverships authorize the relief the Receiver requests. *See* Miss. Code Ann. § 15-3-111; Tex. Bus. & Com. Code § 24.008(a)(3)(A); *Janvey v. Alguire*, 647 F.3d 585, 594 (5th Cir. 2011). The assets, and assets traceable to assets, that Billings and McHenry received from Adams and Madison Timber belong to the Receivership Estate.

3.

Since the Receiver filed her Motion for Preliminary Injunction, Michael D. Billings and MDB Group, LLC have agreed to the terms in the attached Proposed Order on Preliminary Injunction.

4.

McHenry has not agreed to the Proposed Order on the Preliminary Injunction. McHenry, however, did not file an opposition to the Receiver's Motion for Preliminary Injunction.<sup>2</sup>

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<sup>1</sup> Docket No. 16, *Mills v. Billings, et al.*, No. 3:18-cv-00679 (S.D. Miss.).

<sup>2</sup> Under the Court's Local Rules, the time for McHenry to respond to the Receiver's motion has passed. *See* L.U. Civ. R. 7(b)(4).

5.

On November 6, 2018, the Receiver filed a Motion for Summary Judgment against Billings and McHenry, seeking summary judgment on her fraudulent transfer claims.<sup>3</sup> There is a high likelihood that the Receiver will succeed on the merits of these claims. And there is a substantial risk that the Receiver will be irreparably harmed if the Court does not grant her motion for preliminary injunction, because if Billings and McHenry are not restrained, there is a substantial risk that they will transfer, sell, encumber, or otherwise devalue assets in their possession that belong to the Receivership Estate, and diminish funds available for collection by the Receiver, for the benefit of victims.

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For these reasons and those more fully discussed in the Receiver's memorandum in support of her Motion for Preliminary Injunction, the Receiver respectfully asks that the Court grant her motion, enter the Proposed Order on Preliminary Injunction against Michael D. Billings and MDB Group, LLC, and enter an order restraining William B. McHenry and First South Investments, LLC from dissipating assets in their possession that are directly traceable to the Madison Timber Ponzi Scheme pending the litigation of the Receiver's claims.

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<sup>3</sup> Docket No. 31, *Mills v. Billings, et al.*, No. 3:18-cv-00679 (S.D. Miss.).

November 7, 2018

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: November 7, 2018

/s/ Kristen D. Amond

Admitted *pro hac vice*

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Arthur Lamar Adams and Madison Timber  
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Hon. Carlton W. Reeves, District Judge

**(PROPOSED)**

**AGREED ORDER ON PRELIMINARY INJUNCTION**

Plaintiff Alysson Mills, in her capacity as the court-appointed receiver for Arthur Lamar Adams and Madison Timber Properties, LLC (the “Receiver”), has filed a Motion for Preliminary Injunction against Defendants Michael D. Billings and MDB Group, LLC (sometimes collectively, “Billings”) and William B. McHenry and First South Investments, LLC (sometimes collectively, “McHenry”) that seeks to restrain Billings and McHenry from dissipating assets in their possession that are directly traceable to the Madison Timber Ponzi scheme pending the litigation of the Receiver’s claims.

The law governing federal equity receiverships authorizes the relief the Receiver requests. *Janvey v. Alguire*, 647 F.3d 585, 594 (5th Cir. 2011). The assets, and assets traceable to assets, that Billings and McHenry received from Adams and Madison Timber belong to the receivership estate.

Accordingly, it is hereby ORDERED:

1. Michael D. Billings and MDB Group, LLC, individually and collectively, and all persons acting in concert with either of them or having knowledge of this Order, shall not, directly or indirectly
  - a. transfer, sell, convey, disburse, dispose of, mortgage, encumber, or otherwise transfer any property of any type or description consisting of assets, and assets traceable to assets, that Billings received from Adams and Madison Timber and in which Billings or MDB Group has any legal, equitable, or other interest, including, but not limited to, any stocks, bonds, negotiable instruments, certificates of deposit, notes, cash, personal property, furniture, fixtures or equipment, real estate, other tangible or intangible property of any type, or any inchoate or choate interests; provided, however, that Billings may make cash disbursements up to the maximum amount and in the aggregate of \$10,000 per 30-day period, with the first 30-day period commencing on the date of this Order;
  - b. incur any indebtedness, confess to judgment, or otherwise acknowledge any obligation, debt, or other liability or obligation; or mortgage, permit a lien upon, or encumber any property of any type or description; provided, however, that Defendants may, together, incur indebtedness in the ordinary course of business up to the maximum amount of \$2,500; or
  - c. cause or permit any person acting in concert with Billings or MDB Group, LLC to commit any act or omission prohibited above.
2. Any balance of the \$10,000 that remains unspent at the end of a 30-day period shall roll over to the next 30-day period.
3. At the end of every 30-day period, Billings must provide to the Receiver written confirmation of the amount of cash disbursements expended in the previous 30 days.
4. If Billings encounters an emergency or other exigent situation necessitating the expenditure of cash disbursements in excess of \$10,000 in a 30-day period, he will

advise the Receiver of such situation and provide her with documents supporting his request for excess expenditure. The Receiver shall have two business days from receipt of the supporting documents to respond to Billings's request. In the event Billings finds the Receiver's response unsatisfactory, he can apply to the Court for relief.

5. This preliminary injunction will remain in effect until such time that the Court issues an order on the Receiver's Motion for Summary Judgment.<sup>1</sup>

DATED: \_\_\_\_\_

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Honorable Carlton W. Reeves  
United States District Judge

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<sup>1</sup> Docket No. 31, Mills v. Billings, et al., No. 3:18-cv-00679 (S.D. Miss.).