UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:	Chapter 7 Bankruptcy
SRC Holding Corporation, f/k/a Miller & Schroeder, Inc., and its subsidiaries,	Jointly Administered
	BKY Nos. 02-40284 - 02-40286
Debtors.	
Brian F. Leonard, Trustee,	
Plaintiff,	ADV Case No. ___________
v.	
	COMPLAINT
The Marshall Group, Inc.,	
Defendant.	

Plaintiff, Brian F. Leonard, as the Trustee of the bankruptcy estate of the Debtors (hereafter "**Plaintiff**" or "**Trustee**"), by his attorneys, for his Complaint against the above Defendant, states and alleges as follows:

1. The Debtors commenced their bankruptcy cases under Chapter 7 of the United States Bankruptcy Code on January 22, 2002.

2. Brian F. Leonard is the duly appointed, qualified, and acting Trustee of the above bankruptcy cases.

3. The Marshall Group (herein "**TMG**") is the successor to corporations known as Marshall, Miller & Schroeder, Inc., and its subsidiaries, MM&S Investments Corporation and MM&S Financial, Inc.

4. This Bankruptcy Court has jurisdiction over this Adversary Proceeding under 28 U.S.C. ' and 1334. The Bankruptcy Court is authorized to adjudicate this matter under 28 U.S.C. ' 157. This is a core proceeding.

5. The Debtors operated a financial services business. Its two main operations were conducted by Miller & Schroeder Investments, Inc. ("**MSI**") (now SRC Investments Corporation), which operated a commercial loan origination business, and Miller & Schroeder Financial, Inc. ("**MSF**") (now Securities Resolution Corporation), which operated a municipal bond underwriting and retail brokerage business. Miller & Schroeder, Inc. ("**M&S**") (now SRC Holdings Corporation) was the parent company of several affiliated entities, including MSI and MSF.

6. In the normal course of its business, the Debtors transferred assets and funds freely between and among its affiliated entities. The Debtors had interlocking and common officers and Directors. In essence, the Debtors treated their respective assets as owned interchangeably by all of the Debtors.

7. In 2000, the municipal bond and retail brokerage operations of MSF were virtually at a standstill, due to problems resulting from sales of certain bonds out of MSF's Solana Beach, California office (the "**Heritage bond**" sales). The Debtors incurred heavy legal expenses in the defense of numerous claims made against the Debtors resulting from the Heritage bond sales. Several lawsuits, including a class action suit, and numerous arbitration claims, were initiated against the Debtors. The aggregate amount of such claims was approximately $144,000,000.00.

8. In December, 2000, the Debtors received reports from financial consultants which reflected the consultants= opinion that due to the Heritage Bond claims and expenses, the Debtors could not survive as ongoing entities.

9. However, MSI's loan origination and participation business remained healthy and profitable.

10. In early 2001, various key members of Debtors' management, Board of Directors, and other key employees, devised a strategy to insulate the assets of MSI from the claims of creditors, particularly the claims of purchasers of the Heritage bonds.

11. On or about March 1, 2001, while still in the employ and on the payroll of the Debtors, said employees, executives, and Directors formulated a strategy for acquiring control of the assets of the Debtors, which were primarily the assets of MSI. Said employees, executives, and Directors negotiated for the benefit of TMG a Purchase Agreement under which all of the Debtors' assets were acquired. Some of said officers, employees, and Directors received a bonus from the Debtors during this period of time, in addition to normal and customary compensation. The employees, executives, and directors involved in the 'negotiating' process became subsequently employed by TMG.

12. On or about May 1, 2001, an Asset Purchase Agreement ("**APA**") was executed by Marshall, Miller & Schroeder, Inc., and its subsidiaries, as Purchaser, and the Debtors, as Sellers. On or about August 31, 2001, a closing on the APA occurred.

13. The consideration paid by The Marshall Group consisted of the assumption of a liability owed to William Sexton in the amount of $4,000,000.00. TMG also assumed office equipment and office leases of the Debtors, which were not in default or in arrears at the time of assumption, and TMG subsequently continued to occupy the Debtors' offices and utilize the Debtors' office equipment. The APA also provided for contingent payments based upon revenues of TMG, under which TMG has paid only $300,000.00, on information and belief.

14. The assets of the Debtors which were purchased by TMG consisted of MSI's employee base of approximately 100 employees, MSI's loan servicing portfolio in excess of $1.3 billion, good will and business relationships with over 5,000 banks, and an "ongoing" business of originating, reselling, and restructuring loans. The assets acquired by Defendant had a fair market value in excess of $17,000,000.00, excluding the office equipment and office leases.

FRAUDULENT CONVEYANCE
11 U.S.C. '§ 548 and 550

15. Plaintiff realleges all of the foregoing paragraphs as if fully set forth herein.

16. The sale of the Debtors= assets to TMG was made with the intent of the Debtors, and The Marshall Group, to hinder, delay, or defraud the Debtors= creditors.

17. The sale of the Debtors= assets to TMG constituted a transfer of the Debtors= assets in which the Debtors received less than a reasonably equivalent value in exchange for said transfer.

18. The Debtors were insolvent on the date that the transfer was made or became insolvent as a result of the transfer.

19. Subsequent to the transfer, the Debtors were engaged in a business for which the property remaining with the Debtors constituted an unreasonably small amount of capital for the conduct of the Debtors= business.

20. The consideration paid by the Defendant in exchange for the transfer is less than the reasonably equivalent value of the assets and, accordingly, the Plaintiff has the right to recover the reasonable value of the assets from the Defendant under 11 U.S.C. § 550.

WHEREFORE, the Plaintiff prays for the following relief:

1. Judgment against The Marshall Group in an amount of $17,000,000.00, or such other amount as is proven at trial, plus interest, costs, and reasonable attorneys= fees as allowed by law.

2. Such further relief as is just and equitable.

LEONARD, O=BRIEN
SPENCER, GALE & SAYRE, LTD.

Dated: January 19, 2004

By /e/ Edward W. Gale
Edward W. Gale, #33078
Thomas C. Atmore, #191954
Matthew R. Burton, 210018
Brian F. Leonard, #62236
100 South Fifth Street, Suite 1200
Minneapolis, MN 55402
Telephone: (612) 332-1030
Fax: (612) 332-2740

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