

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
ANDERSON/GREENWOOD DIVISION**

IN RE:RECEIVER FOR)
RONNIE GENE WILSON AND)
ATLANTIC BULLION & COIN, INC.)
_____)

Civil Action No. 8:12-cv-2078-JMC

**RESPONSE OF MASTERPIECE
INVESTMENTS, INC., TO ORDER TO
SHOW CAUSE**

Masterpiece Investments, Inc. ("MPI") hereby respectfully responds to the Court's November 4, 2013, Order to Show Cause. [D.E. 80]. As set forth more fully below, MPI should not be required to return any funds paid to it from Ronnie Gene Wilson ("Wilson") and Cassandra Wilson (collectively, Wilson and Cassandra Wilson shall be referred to as "the Wilsons") through Atlantic Bullion and Coin, Inc. ("AB&C") because MPI entered into an arm's length transaction with the Wilsons regarding payment of those funds. During the arm's length transactions, MPI acted in good faith at all times and gave value in exchange for any funds it received.

MPI is a domestic business corporation incorporated and headquartered in Oregon. It is in the business of creating and selling fine art and bullion. Cassandra Wilson purchased 2,000,000 shares of common stock in March 2011 for the price of \$350,000. MPI and its employees and agents did not know and had no reason to know of any criminal acts perpetrated by the Wilsons or AB&C when this purchase was made.

MPI entered into an arm's length transaction with the Wilsons. At all times during these transactions MPI acted in good faith and gave value in exchange for any transfers of funds from the Wilsons through Atlantic Bullion & Coin. Moreover, just like the investors that Wilson and

Atlantic Bullion & Coin apparently victimized, MPI was ignorant of any scheme or illegal acts being perpetrated by Wilson and Atlantic Bullion & Coin.

In its Petition for a Rule to Show Cause, the Receiver asks the Court to grant it relief not unlike "the concept of disgorgement in the context of a securities violation case." [D.E. 69 at 3] (citing SEC v. Vassallo, 2011 U.S. Dist. LEXIS 98418 (E.D. Cal. 2011)). However, "one acting in good faith may obtain title to money from a thief" Regions Bank v. Provident Bank, Inc., 345 F.3d 1267, 1276 (11th Cir. 2003). See also Oregon Revised Statutes (UCC) 73.0302(b) (defining a holder in due course of an instrument as one who takes the instrument for value, in good faith, and without notice of claims or defenses); Kitchen v. Boyd (In re Newpower), 233 F.3d 922, 930 (6th Cir. 2000) (citing 53A Am.Jur. 2d Stolen Money § 23) ("[A] good faith seller from which the thief purchases property intends to pass both title and possession of the property sold to the thief, and obtains good title to the money the thief provides."). MPI gave the Millers valuable consideration in the form of a significant amount of stock, did so in good faith and in full compliance with the law, and did so without any knowledge of any fraud or other criminal activity on the part of the Wilsons or AB&C.

Furthermore, SEC v. Universal Express, Inc., 04 Civ. 2322, 2008 U.S. Dist. LEXIS 35342 (S.D.N.Y. 2008) is instructive to the case at hand. In Universal Express, a SEC enforcement action against Richard Altomare and Universal Express found Altomare liable. The Court ordered him to pay \$3,121,123 in disgorgement of ill-gotten gains, interest, and civil penalties. Six months later, Altomare transferred several pieces of jewelry to The Estate Department, Inc. ("TED") in exchange for cash. The clerk of court subsequently ordered a writ of execution, and the United States Marshal Service seized the jewelry transferred from Altomare to TED and turned it over to Universal Express's receiver. TED sought to recover the

jewelry, arguing that "Altomare's assets were not diminished by the transfer, but merely converted from jewelry to cash" Id. at *3.

The Universal Express court held that whether TED was entitled to recover the jewelry turned on "whether TED acted in good faith and paid fair value." Id. at *35. The court reached this conclusion, in part, because the rule that a thief cannot convey good title to stolen property is subject to the well-established exception "in the case of money or negotiable securities transferrable by delivery, which have been put into circulation and have come to the hands of bona fide holders." Id. at *9 (internal quotations omitted). "The right of the owner to pursue and reclaim the money and securities there ends, and the holder is protected in his title." Id. (internal quotations omitted).

Furthermore, the sale by MPI complied with applicable state and federal law. The sale was not subject to federal securities law, as this offering was not a public offering and is exempted by the Securities Act of 1933, Section 4(a)(2).

This sale also complies with South Carolina and Oregon law. In South Carolina, a transaction such as this is exempt as follows:

(14) a sale or an offer to sell securities by or on behalf of an issuer, if the transaction is part of a single issue in which:

(A) not more than twenty-five purchasers are present in this State during any twelve consecutive months, other than those designated in paragraph (13);

(B) a general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities;

(C) a commission or other remuneration is not paid or given, directly or indirectly, to a person other than a broker-dealer registered under this chapter or an agent registered under this chapter for soliciting a prospective purchaser in this State; and

(D) the issuer reasonably believes that all the purchasers in this State, other than those designated in paragraph (13), are purchasing for investment

S.C. Code Ann. § 35-1-202(14). This transaction complies with each of those subparts, and the security is exempt from registration as a result.

In Oregon, only sales of securities in the state of Oregon are required to be registered. ORS § 59.055 (2012). The Wilsons are not residents of Oregon, and the sale did not take place in Oregon.

CONCLUSION

WHEREFORE, in consideration of the arguments presented in response to the Court's Order to Show Cause, Masterpiece Investments, Inc. respectfully requests the Court enter an Order finding that Masterpiece Investments,, Inc. acted in good faith and gave value in exchange for funds transferred by Atlantic Bullion & Coin.

Respectfully Submitted,

/s/ M. Kyle Thompson

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