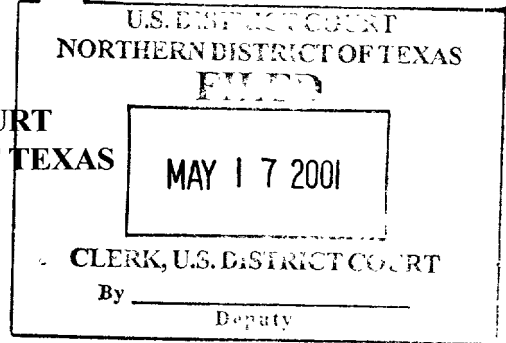


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ORIGINAL

**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

LINDSEY PAUL VINSON and
FAIRMOUNT DEVELOPMENT, LC, a Texas
Limited Liability Corporation,

Defendants.

Civil Action No.

3-01CV0934-X

COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

SUMMARY

1. This case involves the fraudulent offer and sale of \$3.7 million of securities by Fairmount Development, L.C. ("Fairmount"), Hampstead Properties, Ltd. ("Hampstead") and their control person, Lindsey Paul Vinson ("Vinson"), and Vinson's misappropriation of more than \$1 million of the money raised.

2. Based on the on the conduct described herein, Vinson and Fairmount knowingly or recklessly violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION

3. This Court has jurisdiction over this action, and venue is proper, pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77(b), 77t(d), and 77v(a)], and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(d), 77u(e) and 78aa].

4. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)], and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

5. The Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, practices, and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business alleged herein took place in the Northern District of Texas.

DEFENDANTS

6. **Lindsey Paul Vinson** (“Vinson”), age 41, of Southlake, Texas, is an attorney licensed in Texas. During the relevant time period, Vinson served as the general partner of Hampstead and the managing member of Fairmount.

7. **Fairmount Development, L.C.** is a Texas limited liability company with its principal office in Dallas, Texas, formed in 1996 to purchase and develop real estate. Vinson is its Fairmount’s managing member and owns ten percent of the company. Fairmount raised \$1.3 million, in 1996 and 1997, from the sale of securities, in the form of notes.

OTHER ENTITY

8. **Hampstead Properties, Ltd.**, a Texas limited partnership with its principal office in Dallas, Texas, was formed in 1995 to purchase and develop real estate. It raised at least \$2.4 million from the sale of securities in the form of notes from 1995 through 1997. Hampstead is now defunct, and its assets are being liquidated by a bankruptcy trustee.

FACTS RELEVANT TO ALL COUNTS

9. As the general partner of Hampstead and the managing member of Fairmount, Vinson caused Hampstead and Fairmount to sell securities to the public, falsely advising investors that their funds would be used for legitimate business purposes, while concealing from them the fact that he would misappropriate more than \$1 million of the \$3.7 million of investor funds raised by the offerings.

THE HAMPSTEAD OFFERING

10. Hampstead, at Vinson's direction, raised about \$2.4 million from the sale of securities, in the form of promissory notes, from at least August 1995 through January 1997. Vinson reviewed and approved the use of the Hampstead offering documents that were furnished to certain investors.

11. Hampstead advised investors, through the above-described offering documents and otherwise, that the proceeds of its securities offering would be used to purchase commercial real estate, and that fees and expenses incurred in connection with the offering would not exceed five percent of the total raised. However, approximately \$880,000, or more than 30 percent of the total offering proceeds, was illegally diverted, as set forth below.

12. Vinson misappropriated a substantial portion of the \$880,000 for his own benefit, most of which he misapplied to certain of his unrelated business ventures, including over \$400,000 for oil and gas leases and \$100,000 for a plastic bag manufacturing plant. He also diverted more than \$200,000 to a casino venture in Latvia. Vinson also used nearly \$20,000 of investor funds to pay personal credit card bills. The remaining \$160,000 was simply withdrawn from the corporate accounts or transferred to his personal account or the trust account he maintained for his law practice.

13. In August 1999, after failing to make interest and principal payments to investors for almost a year, Hampstead filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code.

THE FAIRMOUNT OFFERING

14. Fairmount, at Vinson's direction, from September 1996 through at least June 1997, raised approximately \$1.3 million from the sale of securities, in the form of promissory notes. Vinson approved the use of the Fairmount offering documents that were furnished to certain investors, and that identified Vinson as a "manager" and ten percent owner of the company.

15. Fairmount advised investors, through the above-described offering documents and otherwise, that the proceeds of its securities offering would be used to purchase real estate.

16. Despite the express terms of the offering documents, Vinson used \$157,000, or twelve percent of investor funds for his own benefit, including the payment of personal expenses. Although these funds were subsequently repaid, Vinson and Fairmount deceived investors by their diversion of investor monies for unauthorized purposes.

CAUSES OF ACTION

COUNT I

Violations of Section 10(b) of the Exchange Act and Rule 10-5 Thereunder

17. The Commission repeats and realleges paragraphs 1 through 16 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

18. Defendants Vinson and Fairmount, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

19. As a part of and in furtherance of his scheme, defendants Vinson and Fairmount directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material facts, misrepresentations of material facts, and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth above.

20. Defendants made the above-referenced misrepresentations and omissions knowingly or recklessly disregarding the truth.

21. By reason of the foregoing, defendants Vinson and Fairmount violated and, unless enjoined, will continue to violate the provisions of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

COUNT II

Violations of Section 17(a)(1) Of the Securities Act

22. The Commission repeats and realleges paragraphs 1 through 16 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

23. Defendants Vinson and Fairmount, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon purchasers, prospective purchasers and other persons.

24. As a part of and in furtherance of their scheme, defendants Vinson and Fairmount directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material facts, misrepresentations of material facts, and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth above.

25. Defendants Vinson and Fairmount made the above-referenced misrepresentations and omissions knowingly or with reckless disregard for the truth.

26. By reason of the foregoing, defendants Vinson and Fairmount violated, and unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, [15 U.S.C. §77q(a)(1)].

COUNT III

Violations of Section 17(a)(2) and (3) Of the Securities Act

27. The Commission repeats and realleges paragraphs 1 through 16 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

28. Defendants Vinson and Fairmount, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon purchasers, prospective purchasers and other persons.

29. As a part of and in furtherance of their scheme, defendants Vinson and Fairmount directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material facts, misrepresentations of material facts, and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth above.

30. Defendants Vinson and Fairmount made the above-referenced misrepresentations and omissions negligently.

31. By reason of the foregoing, defendants Vinson and Fairmount violated, and unless enjoined, will continue to violate Section 17(a)(2) and (3) of the Securities Act, [15 U.S.C. §77q(a)(2) and (3)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court issue Orders:

I.

Permanently enjoining defendants Vinson and Fairmount and their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice by personal service or otherwise, from violating, directly or indirectly, Section 17(a) of the Exchange Act [15 U.S.C. § 77q(a)].

II.

Permanently enjoining defendants Vinson and Fairmount and their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice by personal service or otherwise, from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

III.

Order the defendant Vinson to disgorge an amount equal to the funds and benefits he obtained as a result of the violations alleged, plus prejudgment interest on that amount.

IV.

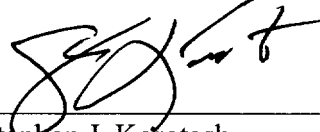
Order civil penalties against defendant Vinson pursuant to Section 20(d) of the Securities Act, 15 U.S.C. §77t(d), and pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), for the violations alleged herein.

V.

Order such other and further relief as the Court may deem just and proper.

Dated this 17th day of May 2001.

Respectfully submitted,



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