

38 Count Multi-Million Dollar Suit against
William Verdult, Troy Verdult, and Associate
James Scott Smith
and websites

www.verdultpaintings.com

(Stolen Art)

and

www.williamverdultart.com

(Stolen Art)

38 Counts include:

- Grand theft
- Unauthorized conveyance of art
- Theft of corporate funds
- Embezzlement

Filed in Mechlandberg County, NC

Case Number: CVS-079304

FIRST COUNTERCLAIM

64. The defendants, Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust incorporate by reference the allegations contained in paragraphs one through fifty-three of the Answer, and paragraphs one through sixty-three of the Affirmative Defenses and reallege the same as if fully set forth herein.

65. The plaintiffs breached the "Art Agreement" by failing to deliver 161 of the original 700 paintings which were to be delivered after the "Art Agreement" was signed by the parties.

66. The plaintiffs breached the "Art Agreement" by not providing 164 original paintings for the months of January through April 2006 as required by the art agreement.

67. The plaintiffs breached the "Art Agreement" by receiving and keeping \$4,500.00 for artwork sold which belongs to the defendant Perkins Family Trust.

68. The unauthorized conveyance of 44 original paintings belong to the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation and The Perkins Family Trust, constituted a substantial and material breach of the "Art Agreement" by the plaintiffs, resulting in damages suffered by the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust, in the amount of \$114,000.

69. The breaches of the "Art Agreement" by the plaintiffs, as alleged above, constitute a substantial and material breach of the "Art Agreement" which resulted in damages being sustained by the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust.

70. At all relevant times, the defendants Blackstocks Holding Corporation, and The Perkins Family Trust complied with all of the terms and requirements of their contractual obligation with the plaintiffs and performed all of their duties and obligations in accordance with the "Art Agreement" with the plaintiffs, until such time as the plaintiffs substantially and materially breached the "Art Agreement."

71. The plaintiffs' breach of contract triggers the liquidated damages provision of the "Art Agreement," providing for damages in the amount of \$2,000.00 per painting, or \$328,000.00.

72. The defendants Blackstocks Holding Corporation, and The Perkins Family Trust have been damaged by the plaintiffs' substantial and material breach of the "Art Agreement" for the failure to deliver 164 original paintings in the amount of \$328,000.00.

73. Alternatively, even giving the plaintiffs credit for the \$67,084.00 which was not paid after the plaintiffs' breach of contract, and \$20,000.00 for one and one third of the quarterly installments, (January 2006-April 2006) the defendants Blackstocks Development Corporation,

now Blackstocks Development Corporation, have been damaged by the plaintiffs' substantial and material breach of the "Art Agreement" for the failure to deliver 164 original paintings in the amount of \$240,000.00.

74. As a result of the conversion of the \$4,500.00 of funds for the same of artwork belonging to The Perkins Family Trust, the defendants Blackstocks Holding Corporation, and The Perkins Family Trust have sustained damages in the amount of \$4,500.00.

75. As a result of the conversion and transfer of 44 original paintings belonging to the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation and The Perkins Family Trust, the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation and The Perkins Family Trust, have suffered damages in the amount of \$114,000.00.

76. The defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust are entitled to have and recover damages from the plaintiffs in the amount of \$332,500.00, or, alternatively, \$244,500.00.

77. The defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust are entitled to have and recover damages from the plaintiffs in the amount of \$4,500.00 for the conversion of funds belonging to the defendants Blackstocks Holding Corporation, and The Perkins Family Trust.

78. The defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust are entitled to have and recover damages from the plaintiffs in the amount of \$4,500.00 for the conversion of funds belonging to the defendants Blackstocks Holding Corporation, and The Perkins Family Trust.

79. The defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust are entitled to have and recover damages from the plaintiffs in the amount of \$114,000.00 for the unauthorized conveyance of 44 original paintings belong to the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation and The Perkins Family Trust, .

SECOND COUNTERCLAIM

80. The defendants, Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust incorporate by reference the allegations contained in paragraphs one through fifty-three of the Answer, and paragraphs one through sixty-three of the Affirmative Defenses and the allegations contained in paragraphs sixty-three through seventy nine of the First Counterclaim, and reallege the same as if fully set forth herein.

81. The plaintiffs breached the non-competition & non-circumvention clause of the agreement which precludes the plaintiffs from attempting to compete or circumvent the purpose

of the art agreement or those including the entities and people that have been charged to carry out the agreement.

82. On November 14-18, 2005, prior to the existence of the art contract, James Scott Smith of Decuff Investments, an associate and business partner of the plaintiffs purchased five original paintings from the defendants through the bid4assets.com website. The paintings sold were separate from those conveyed by the plaintiffs to the defendants. The Corporation had owned the paintings since 2003.

83. In January, 2006 in a separate transaction, the plaintiffs agreed to sell lithographs to the associate who paid the plaintiffs for the lithographs. The plaintiffs spent the money and were not able to deliver the lithographs to the associate. The plaintiffs requested an advance from the defendants to pay the cost of printing, shipping and other expenses. The defendants advanced money and ensured that the items were delivered to the associate.

84. From January through March 2006, the associate attempted to conduct business with the plaintiffs and become a part of the art agreement between the plaintiffs and defendants. The defendants rebuffed the associate advising the associate that he could join a program established by the Corporation that would grant him rights to use images and distribute art.

85. On or about February 4, 2006 with the plaintiffs' knowledge, the plaintiff's associate attempted to sell several paintings on eBay using unauthorized copyrighted content from the defendant's websites. The defendants had the listing removed for copyright violations.

86. On March 10, 2006, this same associate attempted to acquire the image rights from the defendants. The associate's email to defendants shows that on March 10, 2006, the associate was aware that he had no image rights and was seeking to acquire image rights. On April 13, 2006, in an email sent by the associate, the associate requested that the defendants allow him to have images rights to paintings. The associate later in October 2006 produced a purported contract signed by the plaintiffs and associate asserting that the associate had image rights before the existence of the art agreement between the plaintiffs and the defendants. The purported third party agreement allegedly was signed on December 15, 2005 and was notarized on April 19, 2006.

87. In an attempt to circumvent the art agreement, on or about April 14, 2006, the plaintiffs improperly entered into a third party contract with the associate, back dated the contract to allegedly indicate the contract was entered before January 12, 2006, conveyed title to proximate 308 paintings belonging to the defendants and received money in the amount of \$2,000 or more that was not rightfully theirs.

88. The "Art Agreement" requires that any and all third party agreements must be disclosed and turned over to the defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust, and that these defendants at all times have the sole authority to determine what agreements to enter, maintain or continue or

discontinue.

89. The plaintiffs breached the art agreement with the defendants by entering into an agreement with the associate, attempting to back date the agreement, and failing to provide copies of or disclose the agreement.

90. The defendants were subject to circumvention and competition by the plaintiffs through the use of this same associate on bid4assets, eBay as well as other sites.

91. The plaintiffs and associates intentionally interfered with the defendants current economic relations. Failing to get the desired result by sending several emails laced with the “n” word and other racial slurs, the plaintiffs and associates in an attempt to compete and interfere with the defendants’ business sent bid4assets emails and a letter allegedly from a law firm making false allegations against the defendants. The defendants had conducted business with bid4assets since July 2005. Bid4assets investigated, found the allegations baseless and banned the associate from the bid4assets’ website for among other things, the use of racial slurs and the fraudulent use of legal correspondence.

92. The plaintiffs conspired with their associate to illegally convey proximate 308 paintings rightly owned by the Corporation to the associate who is now displaying the paintings at www.williamverdultart.com. These paintings were illegally conveyed and could have gone to meet the plaintiffs’ obligation under the agreement.

93. At all relevant times, the defendants complied with all of the terms and requirements of its contractual obligation with the plaintiffs and performed all of its duties and obligations in accordance with the agreement with the plaintiffs.

94. As a result of the substantial and material breach of the “Art Agreement” by the plaintiffs, the defendants have suffered damages which were directly caused and proximately caused by the plaintiff’s breach of contract in the amount of \$ 616,000.

THIRD COUNTERCLAIM

95. The defendants, Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust incorporate by reference the allegations contained in paragraphs one through fifty-three of the Answer, and paragraphs one through sixty-three of the Affirmative Defenses and the allegations contained in paragraphs sixty-three through seventy nine of the First Counterclaim, and paragraphs eighty through ninety-four of the Second Counterclaim, and realleges the same as if fully set forth herein.

96. At all relevant times, the defendants Blackstock Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust have complied with all of the terms and requirements of its contractual obligation with the plaintiffs and performed all of its duties and obligations in accordance with the agreement with the plaintiffs.

97. The plaintiffs still maintain 9,835,025 common shares of the defendants' Blackstocks Development Corporation, now Blackstocks Holding Corporation, stock transferred on the books at a value of 25 cents and other property which they are not entitled.

98. The defendants Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust are entitled an Order of the Court directing the plaintiffs to return the common shares of the defendant Blackstocks Development Corporation, now Blackstocks Holding Corporation.

SUMMARY OF DAMAGES

99. The defendants, Blackstocks Development Corporation, now Blackstocks Holding Corporation, and The Perkins Family Trust incorporate by reference the allegations contained in paragraphs one through fifty-three of the Answer, and paragraphs one through sixty-three of the Affirmative Defenses and the allegations contained in paragraphs sixty-three through seventy nine of the First Counterclaim, paragraphs eighty through ninety-four of the Second Counterclaim, paragraphs ninety-five through ninety-eight of the Third Counterclaim and realleges the same as if fully set forth herein.

98. The defendants suffered further actual damages as a result of the plaintiffs' unlawful activity which were directly caused and proximately caused by the plaintiff's as follows:

- (a) 9,835,025 common shares of the defendants' stock transferred on the books at a value of .25;
- (b) \$4,500 in funds embezzled;
- (c) \$114,000 for 44 original paintings unlawfully conveyed;
- (d) \$616,000 for 308 original paintings unlawfully conveyed;
- (e) \$322,000 for 161 original paintings not delivered upon signing;
- (f) \$260,916 for 164 paintings not delivered between Jan- Apr '06;


WHEREFORE the defendants pray this Court as follows:

1. That the plaintiffs have and recover nothing of the defendants.
2. That the defendants have and recover damages against the plaintiff in an amount in excess of Ten Thousand Dollars.
3. That the defendants be awarded their costs, including reasonable attorneys' fee.
4. That an order be issued from the Court dismissing Alton Perkins, personally from this action.
5. That an order be issued from the Court demanding a return to the defendants of all stock given to the plaintiffs.
6. That an order be issued from the Court demanding a return to the defendants of the 308 paintings conveyed and displayed on the Internet at www.williamverdultart.com.

7. For such other and further relief as the Court deems just and reasonable.

This the 20th day of July, 2007.

JOSEPH L. LEDFORD


Attorney for the Defendants
130-A North McDowell Street
Charlotte, NC 28204
704-376-3686
State Bar # 10397

STATE OF NORTH CAROLINA

CERTIFICATE OF SERVICE

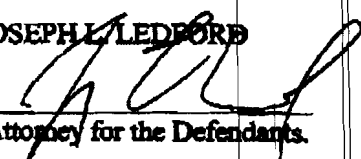
COUNTY OF MECKLENBURG

The undersigned does hereby certify that he has this date served a copy of the attached ANSWER, AFFIRMATIVE DEFENSES AND COUNTERCLAIMS upon all other parties to this action by depositing a copy of same in the United States mail, postage paid, and addressed to Counsel for the said party at the following address:

Mr. S. Aaron Marshall
Hull & Chandler, P.A.
Attorneys at Law
521 East Morehead Street, Suite 101
Charlotte, NC 28202

This the 20th day of July, 2007.

JOSEPH L. LEDFORD


Attorney for the Defendants.