



*Corporation; Bridgeport Alliance, L.L.C., a Nevada limited liability company; Landfair Custodial Services, Inc., a Tennessee corporation; Microfund, L.L.C., a Nevada limited liability company; American Pacific Bank & Trust, Inc., an Antiguan corporation; Eurofund Investment Inc., a Tennessee corporation; B. David Gilliland; and Melody Rose, Defendants Solely for Purposes of Equitable Relief, pending before the United States District Court for the Northern District of Texas, Dallas Division, the Honorable Barbara Lynn presiding.*

2. Douglas M. West is an individual resident of the State of Florida and may be served with process at 100 Sands Point Road, Longboat Key, Florida 34228.

3. Douglas M. West Trust is believed to be a trust established under the laws of the State of Florida and may be served with process at 100 Sands Point Road, Longboat Key, Florida 34228.

#### **Jurisdiction and Venue**

4. This Court has jurisdiction over the subject matter of this action because the actions stated herein constitute Receivership Assets within the meaning of the Order Appointing the Receiver. The Order Appointing the Receiver expressly states that all actions to determine disputes relating to Receivership Assets shall be filed in this Court. In addition, this Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 754, 1692, and Fed. R. Civ. P. 4(k)(1)(D).

5. Venue for this action is proper in the Northern District of Texas because: (1) the SEC Proceedings referenced below is pending in this District and this action is ancillary to it; (2) the Receiver was appointed in this District; and (3) this action involves Receivership Assets within the meaning of the Order Appointing the Receiver. The Order Appointing the Receiver expressly states that all actions to determine disputes relating to Receivership Assets shall be filed in this Court.

### **Background Facts**

6. On November 13, 1998 the Securities and Exchange Commission ("SEC") initiated Case No. 3:98-CV-2689-M styled *Securities and Exchange Commission v. Funding Resource Group, a/k/a FRG Trust; Quentin Hix; Gene Coulter; Steven C. Roberts; MVP Network, Inc., a Texas corporation a/k/a MVP Network (Trust); FMCI Trust; Funders Marketing Company, Inc., a Texas corporation; Raymond G. Parr; Willard Vearl Smith; Earl D. McKinney; Fortune Investments, Ltd., a Nevada corporation, Robert Cord, a/k/a Robert F. Schoonover, Jr.; Winterhawk West Indies, Inc.; IGW Trust; Carolyn Don Hicks; and Carl LaDane Weaver, Defendants, and Howe Financial Trust, an Indiana corporation; Treds Financial Trust; Mary Ann Bauce, Hammersmith Trust, L.L.C., a Tennessee limited liability company; Hammersmith Trust, Ltd., an Irish Corporation; Bridgeport Alliance, L.L.C., a Nevada limited liability company; Landfair Custodial Services, Inc., a Tennessee corporation; Microfund, L.L.C., a Nevada limited liability company; American Pacific Bank & Trust, Inc., an Antigua corporation; Eurofund Investment Inc., a Tennessee corporation; B. David Gilliland; and Melody Rose, Defendants Solely for Purposes of Equitable Relief* (the "SEC" Proceedings"), Defendants and in connection therewith sought the appointment of a Receiver as to the Defendants and Equity Relief Defendants. By Order dated November 13, 1998, entered in the SEC Proceedings, Michael J. Quilling was appointed as the Receiver and has continued to function in that capacity since that time.

7. By subsequent Order dated July 22, 1999, entered in the SEC Proceedings, the receivership was expanded to include a number of additional individuals and entities, including Hammersmith Trust, LLC. By virtue of the same Order, Michael J. Quilling was appointed as the Receiver for Hammersmith Trust, LLC ("Hammersmith") and he continues to function in that capacity since that time.

8. Hammersmith is an entity which operated a huge international Ponzi scheme under the direction and control of B. David Gilliland ("Gilliland"). In particular, the scam required investors (called "lenders") to "loan" funds to Hammersmith which loans would be repaid by virtue of monthly interest payments at a rate of 480% percent per annum (and higher) for twelve months and a repayment of all principal in month thirteen. The "loans" were supposedly secured by an assignment of a deposit account containing the investor's money and by a United States Treasury Bill for the same amount.

9. As part of his overall scheme, Gilliland engaged Bridgeport Alliance, LLC ("Bridgeport") to screen potential "lenders," which in essence required that Bridgeport make sure they had money, would not ask questions and were not really government agencies posing as investors. Bridgeport, in turn, engaged various entities and individuals to act as agents and/or brokers. These agents/brokers would locate and solicit potential investors, sell them on the "program" being offered by Hammersmith and then submit the potential lender/investor to Bridgeport for screening and approval. Once the potential lender/investor was approved, a Loan Agreement would be signed with Hammersmith and then funds would be wired to an account designated by Gilliland. Each lender/investor would also sign a Client Agreement with Bridgeport.

10. The program offered by Hammersmith was completely fraudulent. The lender/investor funds did not remain in segregated deposit accounts. There were no treasury bills which secured each loan/investment. There was no trading program. There was no generation of any income by Hammersmith which could be used to pay the fantastic returns promised to lenders/investors. Instead, as funds were received, Gilliland caused Hammersmith to systematically divert the funds to make Ponzi payments to prior investors and support the lavish lifestyle and spending of Gilliland.

11. Douglas M. West and/or the Douglas M. West Trust (hereinafter referred to collectively as "West") received at least \$420,000.00 of the funds wrongfully diverted from lenders/investors by Gilliland. The books and records of Hammersmith do not reflect that West was a lender/investor or that West provided any goods or services which were of benefit to Hammersmith. Accordingly, West has no legitimate claim to the funds received.

#### **COUNT ONE - CONSTRUCTIVE TRUST & DISGORGEMENT**

12. Paragraphs 1-11 are incorporated herein by reference for all purposes.

13. The funds paid to West constitute and are directly traceable to the funds of the defrauded lenders/investors. As such, they are impressed with a constructive trust and constitute Receivership Assets. West should be required to disgorge his ill-gotten gains.

14. Pursuant to principals of equity, the Receiver seeks the imposition of a constructive trust upon all funds paid to West and a judgment against him requiring disgorgement of all amounts received. To the extent West is unable to disgorge the funds received, the Receiver seeks a money judgment against him in an amount equal to the funds received.

#### **COUNT TWO-MONEY HAD AND RECEIVED**

15. Paragraphs 1-11 are incorporated herein by reference for all purposes.

16. The above-described facts demonstrate that West holds money which in equity and good conscience belonged to the corporation and investors. This money rightfully belongs to the corporation and to the investors and for West to continue to possess the money or continue to maintain the benefit of the money received would constitute unjust enrichment. West is liable under the theory of money had and received.

#### **COUNT THREE - FEES, EXPENSES, COSTS AND INTEREST**

17. Paragraphs 1-11 are incorporated herein by reference for all purposes.

18. As a direct result of West's receipt of the funds as alleged herein above, it has been necessary for the Receiver to file this action. Such action necessarily requires the expenditure of litigation costs and expenses, and the hiring of attorneys. Equity requires that West be required to pay the costs of this action, as well as pre-judgment and post-judgment interest on all sums recovered, at the highest lawful rate. The Receiver hereby sues for all costs, expenses, attorneys' fees, and pre-judgment and post-judgment interest to which he is entitled under law or at equity.

**JURY DEMAND**


19. The Receiver hereby requests a trial by jury.

WHEREFORE, PREMISES CONSIDERED, the Receiver prays that upon final trial of this matter that he recover judgment against the Defendants, in accordance with the foregoing, and for such other and further relief, general or special, at law or in equity, to which he may show himself justly entitled.

Respectfully submitted,

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