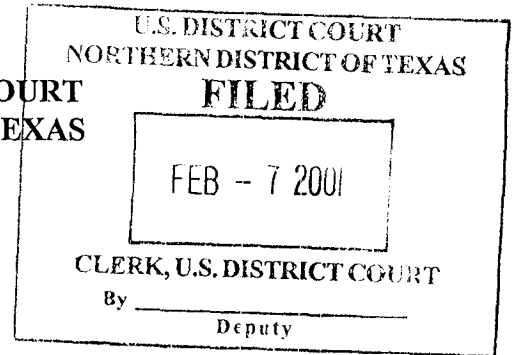


IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION



Michael J. Quilling, Receiver for  
Hammersmith Trust, LLC

Plaintiff

vs.

Douglas M. West and  
Douglas M. West Trust

Defendants

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Civil Action No: 3:00-CV-1976-M

(Jury Trial Requested)

**MOTION TO APPROVE  
COMPROMISE AND SETTLEMENT AGREEMENT**

TO THE HONORABLE BARBARA M.G. LYNN, UNITED STATES DISTRICT JUDGE:

COMES NOW, Michael J. Quilling (“Receiver”) and files this Motion to Approve Compromise and Settlement Agreement and in support of such would respectfully show as follows:

1. On November 13, 1998, the Securities and Exchange Commission (“SEC”) commenced Civil Action No. 3:98-CV-2689-M, styled *SEC v. Funding Resource Group, et al.*, in the United States District Court for the Northern District of Texas, Dallas Division (the “SEC Action”).

2. On November 13, 1998, the Court in the SEC Action signed the Order Appointing Temporary Receiver, appointing Michael J. Quilling as Receiver as to all of the named Defendants and Equity Relief Defendants named in the SEC Action at that time. By virtue of an Order entered on July 29, 1999 the receivership was expanded to include additional entities and individuals including Hammersmith Trust, LLC.

3. In connection with performing his duties as Receiver, the Receiver commenced this action on September 8, 2001. After the lawsuit was served, the parties engaged in settlement discussions. A settlement was eventually reached, subject to approval by this Court, the terms of which are set forth in Exhibit "A," attached hereto and incorporated by reference for all purposes.

4. As set forth in the Settlement Agreement, The Defendants have agreed to pay the Receiver \$410,000.00 and relinquish all claims against the receivership estate to resolve the matter. In addition, the Receiver will avoid spending legal fees to prosecute the case to trial. Accordingly, the Receiver believes the settlement is in the best interest of the receivership estate and should be approved by the Court.

5. The Settlement Agreement has been reviewed by the SEC through its representative, Bob Brunig, as is evidenced by a letter from Mr. Brunig, attached hereto as Exhibit "B" and incorporated by reference herein. As can be seen from Mr. Brunig's letter, the SEC has no objection to the proposed settlement.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court approve the Compromise and Settlement Agreement and authorize the Receiver to conclude the settlement as set forth therein, and for such other and further relief, general or special, at law or in equity to which the Receiver may show himself justly entitled.

Respectfully submitted,

QUILLING, SELANDER, CUMMISKEY & LOWNDS, P.C.  
2001 Bryan St., Suite 1800  
Dallas, Texas 75201  
(214) 871-2100 (Telephone)  
(214) 871-2111 (Telecopier)

By: \_\_\_\_\_



Michael J. Quilling  
State Bar No. 16432300  
D. Dee Raibourn, III  
State Bar No. 24009495

ATTORNEYS FOR RECEIVER

**CERTIFICATE OF SERVICE**

I certify that on this 7<sup>th</sup> day of February, 2001, a true and correct copy of the foregoing has been served on the following via first-class mail:

Robert B. Brunig  
Securities & Exchange Commission  
801 Cherry Street, 19th Floor  
Fort Worth, Texas 76102

Wendell A. Odom, Jr.  
440 Louisiana, Suite 800  
Houston, Texas 77002


S. Cass Weiland  
Sheinfeld, Maley & Kay, P.C.  
1700 Pacific Avenue, Suite 4400  
Dallas, Texas 75201-4618

Robert S. Griscti  
204 West University Avenue  
Suite 6  
Gainesville, Florida 32602

Deborah Goodall  
Goodall & Sooter  
12830 Hillcrest Rd., Suite 111  
Dallas, Texas 75230

Dan R. Waller  
Secore & Waller, LLC  
13355 Noel Road, Suite 2290  
Dallas, Texas 75240

Steve Roberts (pro se)  
19 Hornsilver Place  
The Woodlands, Texas 77381  
(281) 367-9224

  
\_\_\_\_\_  
Michael J. Quilling

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

**Michael J. Quilling, Receiver for  
Hammersmith Trust, LLC**

**Plaintiff**

**vs.**

**Douglas M. West and  
Douglas M. West Trust**

**Defendants**

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**Civil Action No: 3:00-CV-1976-M**

**(Jury Trial Requested)**

**COMPROMISE AND SETTLEMENT AGREEMENT**

This Compromise and Settlement Agreement is entered into between Michael J. Quilling in his capacity as Receiver for Hammersmith Trust, LLC, Plaintiff in the above-entitled and numbered proceedings (“Receiver”), and Douglas M. West and the Douglas M. West Trust collectively (“Defendants”).

WHEREAS, on November 13, 1998, the Securities and Exchange Commission (“SEC”) initiated cause 3:98-CV-2689-M, styled *Securities and Exchange Commission v. Funding Resource Group, et. al.*, (the “SEC Lawsuit”) and in connection with which Michael J. Quilling (the “Receiver”) was appointed Receiver as to the Defendants and equity relief Defendants named in the SEC Lawsuit at that time; and

WHEREAS, by Order entered July 23, 1999 the receivership was expanded to include other entities and individuals including Hammersmith Trust, LLC (both the Tennessee and West Indies entities) and Hammersmith Trust, Ltd. (collectively “Hammersmith Trust, LLC”); and



WHEREAS, in connection with performance of his duties, the Receiver filed a Complaint against the Defendants, same being Cause No. 3:00-CV-1976-M alleging various claims and causes of action against the Defendants; and

WHEREAS, in order to avoid costly and time consuming litigation the Receiver and the Defendants have engaged in a settlement dialogue prior to filing of an answer by the Defendants, as a result of which a settlement has been reached;

NOW, THEREFORE, based upon the consideration set forth hereafter, the sufficiency of which is hereby acknowledged, the parties agree as follows:

**I. Settlement Amount.** The Defendants will pay the Receiver Four-Hundred-Ten-Thousand-Dollars and Zero Cents (\$410,000.00) (the "Settlement Amount") which represents reimbursement of distributions to the Defendants from the Hammersmith Trust, LLC, by a cashier's check and/or wire transfer, and the Receiver will hold such funds in trust, pending Court approval of the Settlement Agreement and the entry of an Order of Dismissal with prejudice.

**II. Releases.** Upon receipt of the Settlement Amount and the entry of Orders by the Court approving the Settlement Agreement and dismissing the case with prejudice, the following releases shall become effective:

- a. **Receiver's Release.** The Receiver, hereby releases, acquits and forever discharges the Defendants from any claims obligations, accounts and liabilities of any kind or character whatsoever, known or unknown, suspected or unsuspected, in contract or in tort, at law or in equity, which the Receiver ever had or now has against the Defendants for or by reason of any matter, cause or thing whatsoever.
- b. **Defendants' Release.** The Defendants hereby release, acquit and forever discharge the Receiver of and from any claims, obligations, accounts and liabilities of any kind

or character whatsoever, known or unknown, suspected or unsuspected, in contract or in tort, at law or in equity, which the Defendants ever had or now have against the Receiver.

**III. No Claims Against Receivership Estate.** For valuable consideration, the Defendants hereby agree that they shall not assert any claim against any of the receivership estates which are the subject of these proceedings or make any claim of redemption or the right to share in any proceeds of assets liquidated or recovered by the Receiver.

**IV. No Extraneous Representations.** Each party to this agreement is represented by counsel and is relying upon the advice of their counsel in freely and voluntarily entering into this Agreement. It is expressly acknowledged by the Defendants that the decision to execute this Agreement is not based upon any representations, oral or written, of any nature whatsoever, other than expressly set forth herein.

**V. Multiple Counterparts.** This Agreement may be executed in numerous identical counterparts, each of which shall be deemed an original for all purposes.

**VI. Entire Agreement.** This Agreement constitutes the entire agreement between the Parties hereto. In addition, the Parties acknowledge that headings contained herein are for the convenience of reference only and shall in no way affect any interpretation of this Agreement.

**VII. Governing Law and Venue.** This Agreement shall be governed by and shall be construed in accordance with the laws of the United States of America and the laws of the State of Texas. In the event of a dispute arising out of or in any way relating to this Agreement, the parties irrevocably agree and consent in advance to any necessary transfer of venue, so that the venue for such dispute shall lie in any United States District Court in the Northern District of Texas, Dallas Division.

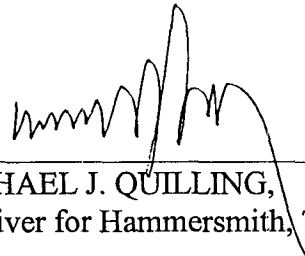
VIII. **Authorization.** Each signatory hereto, by virtue of his execution hereof, represents and affirms that he is authorized to execute this document.

IX. **No Admission.** The parties acknowledge that this Agreement is not an admission nor evidence of any wrongdoing or liability by any of them as to any claim or cause of action, and that they have entered this Agreement only so as to buy peace and resolve the disputes between them and in order to avoid the inconvenience and expense of litigation.

X. **Authorization.** Each signatory hereto, by virtue of his execution hereof, represents and affirms that he is authorized to execute this document.

XI. **Court Approval.** This agreement will be submitted to the Court for approval. Should such approval not be obtained, this agreement shall be void.

Executed this 31<sup>st</sup> day of January, 2001.



\_\_\_\_\_  
MICHAEL J. QUILLING,  
Receiver for Hammersmith, Trust, LLC

THE DOUGLAS WEST TRUST

By: Douglas West

Douglas West  
\_\_\_\_\_  
DOUGLAS M. WEST



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
FORT WORTH DISTRICT OFFICE  
19TH FLOOR  
801 CHERRY STREET  
FORT WORTH, TEXAS 76102

IN REPLYING PLEASE QUOTE

RAB:rab  
FW-2064-B

February 2, 2001

VIA FACSIMILE 214/871-2100  
AND REGULAR MAIL

Michael J. Quilling, Esq.  
**QUILLING, SELANDER, CUMMISKEY & LOWNDS, P.C.**  
2001 Bryan Street  
Suite 1800  
Dallas, TX 75201-3070

RE: SEC v. Funding Resource Group, et al.  
Civil Action No. 3:98-CV-2689-X  
USDC ND/TX [Dallas Division]

Dear Mr. Quilling:

I have reviewed the information that you provided concerning the proposed settlement between yourself, as temporary receiver, and Douglas M. West and Douglas M. West Trust. Although the Securities and Exchange Commission looks primarily to your judgment and to review by the presiding judge to determine the propriety of the compromise of any and all claims by and/or against you, as temporary receiver, I do attempt to review and evaluate the terms of all settlements.

Although my knowledge of the underlying facts is very limited, it is nevertheless my opinion that your acceptance of a payment of \$410,000 would constitute a very satisfactory settlement. That opinion is based on the fact that the Commission did *not* name either Mr. West or Douglas M. West Trust as a defendant or "relief defendant," the cost of litigation and the possibility of difficulties in collection, together with the delay in obtaining payment.

The Commission itself is therefore unaware of any objection to the proposed settlement.

If you have any questions, please call.

Very truly yours,

Robert A. Brunig  
Senior Trial Counsel

