

Roger J. McConkie (5513)
PRINCE, YEATES & GELDZAHLER
175 East 400 South, Suite 900
Salt Lake City, Utah 84111
Telephone: (801) 524-1000

Attorneys for Receiver, Robert G. Wing

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

ROBERT G. WING, Receiver for
4NExchange, L.L.C.,

Plaintiff,

v.

PAUL GRANT, RONALD BASSETT,
R & P FINANCIAL SERVICES, L.L.C.,
SOHO, INC., EAGLE FINANCIAL
MANAGEMENT, L.C., and JOHN
DOES 1 through 10,

Defendants.

COMPLAINT

Judge Dale A. Kimball
DECK TYPE: Civil
DATE STAMP: 07/09/2003 @ 14:52:54
CASE NUMBER: 2:03CV00608 DAK

Robert G. Wing, as receiver for 4NExchange, complains against defendants as follows:

STATEMENT OF THE CASE

1. This action arises out of a Ponzi scheme. Ronald Bassett and Paul Grant began a business known as 4NExchange, L.L.C. 4NExchange solicited money from investors, telling them that the money would be pooled and used to engage in foreign currency trading. In fact, 4NExchange used only a very small portion of the pooled money in

currency trading. Rather, money from new investors was used to pay old investors, to pay salaries and commissions, and to invest in other fraudulent schemes.

2. Beginning in approximately 1999, 4NExchange, L.L.C., (hereafter "4NExchange") through Paul R. Grant (hereafter "Grant") and Ronald K. Bassett (hereafter "Bassett"), commenced raising funds from investors. 4NExchange claimed to be in the business of trading in foreign currencies.

3. 4NExchange raised funds by soliciting investors to invest in foreign currency exchanges. These exchanges were to be traded by brokers whose identities were kept confidential from the investors.

4. 4NExchange, through Grant and Bassett, sold securities to investors in the form of investment contracts.

5. 4NExchange, through Grant and Bassett, prepared written materials for investors, in which returns of up to ten percent (10%) per month were promised. Investors were given the option of receiving a scheduled payment of returns, reinvesting those returns with 4NExchange, or receiving payment of both the returns and part of the principal. These written materials made material representations regarding the investment contracts that were being marketed to investors.

6. Further, the written materials failed to disclose information that a reasonable investor would want to know about the business operations of 4NExchange.

7. Grant and Bassett required all new investors to sign risk disclosure

agreements. These agreements made material misrepresentations regarding the actual level of risk involved in foreign currency exchanges and the actual business of 4NExchange. Among other things, the risk disclosure agreements falsely stated that 4NExchange was involved with the trading of currency on the foreign currency market. Grant and Bassett also assured investors that they would never lose more than ten percent (10%) of their initial investment.

8. Periodically, 4NExchange sent statements to investors describing their individual investments, the returns "earned" from the broker's activities and the amount returned to the investor. These statements failed to disclose that the income from the foreign currency trades was insufficient to repay investors for their returns. Instead, investors were being repaid from the proceeds of investments made by new investors.

9. Contrary to Grant and Bassett's representations, returns were not earned through foreign currency trading but 4NExchange was a classic Ponzi scheme in which returns were paid out of the investments of subsequent investors.

10. On May 2, 2002, the United States Securities and Exchange Commission filed suit against 4NExchange, Paul R. Grant and Ronald K. Bassett alleging violations of the Federal securities laws. On that same date, the United States Commodity Futures Trading Commission and the State of Utah Commercial Enforcement Division filed a lawsuit against the same parties alleging violations of the Federal Commodity Exchange Act and of Utah's securities laws.

11. On May 30, 2002, this Court appointed Robert G. Wing as Receiver for 4NExchange. In this action, the Receiver seeks to recover from 4NExchange investors who received more than their investment from 4NExchange. He also seeks to recover, jointly and severally, damages from those who participated in the Ponzi scheme.

PARTIES, JURISDICTION AND VENUE

12. 4NExchange LLC (hereafter "4NExchange") is a Utah Limited Liability Company. Robert G. Wing ("the Receiver") is the Receiver for 4NExchange.

13. Paul Grant (hereafter "Grant") is a resident of Utah County, Utah.

14. Ronald Bassett (hereafter "Bassett") is a resident of Utah.

15. R & P Financial Services, L.L.C., (hereafter "R & P Financial") is a limited liability company organized under the laws of the State of Utah. The members of R & P Financial are Ronald K. Bassett and Paul R. Grant.

16. Soho, Inc., is a Utah Corporation, doing business in the State of Utah, with Grant and Bassett as its principals.

17. Eagle Financial Management, L.C., is a Nevada Limited Liability Company with its principal place of business located in Orem, Utah. (hereafter "Eagle Financial").

18. The members of Eagle Financial include Don Storms, the managing member, Paul Grant, Ronald Bassett, and Realm Financial Services, LLC. Realm Financial Services, LLC is a Utah limited liability company comprised of Bruce Coles and Russ Robinson.

19. Defendants John Does 1 through 10 are individuals who may have received monetary or other intangible benefits from the transactions described in this Complaint, but who are currently unidentified. At such time as the identities of John Does 1 through 10 are discovered, they will be added to this Complaint.

20. Jurisdiction is proper in this Court pursuant to 28 U.S.C. Section 1367.

21. Venue is proper in this Court pursuant to 28 U.S.C. Section 754.

FIRST CLAIM FOR RELIEF

(Fraud)

22. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

23. Grant and Bassett induced others to invest in 4NExchange. They participated in the following ways:

a. Both Grant and Bassett introduced prospective investors to 4NExchange. In doing so, they informed the prospective investors that 4NExchange was a legal legitimate investment opportunity and that investors could receive up to ten per cent per month on their investment.

b. Grant and Bassett distributed packages of information about 4NExchange to prospective investors.

c. Grant and Bassett took tens of millions of dollars from people who thought they were investing in foreign currency trading and spent the money on things

unrelated to foreign currency trading, including spending the money for their own personal benefit and profit.

d. At the time Grant and Bassett were making representations to these "investors" they knew that the representations were false.

e. Grant and Bassett made these misrepresentations to induce investors to give them money.

24. Such representations were made knowingly or recklessly for the purpose of inducing these individuals to invest in 4NExchange.

25. Several individuals reasonably relied upon Grant and Bassett's representations regarding 4NExchange and invested millions of dollars combined into the illegal Ponzi scheme.

26. At the time Grant and Bassett made the representations they had reason to know that 4NExchange was a Ponzi scheme.

27. 4NExchange has been damaged as a direct result of Grant and Bassett's fraudulent statements because the money received by Grant and Bassett should have been used for the stated purpose of 4NExchange, that being the legitimate trading of foreign currency.

28. 4NExchange has been damaged as a direct result of these fraudulent statements in an amount to be proven at trial.

SECOND CLAIM FOR RELIEF

(Fraudulent Conveyance)

29. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

30. From January 19, 2000 to April 11, 2002 over a series of payments, 4NExchange transferred to Bassett at least \$663,060.00 of money received from investors of 4NExchange.

31. From February 11, 2000 to April 26, 2002, over a series of payments, 4NExchange transferred to Grant at least \$2,130,258.00 of money received from investors of 4NExchange.

32. In addition, Grant caused 4NExchange to pay for millions of dollars of improvements to his home and for other personal matters unrelated to the operation of 4NExchange's stated purposes.

33. Grant and Bassett also caused 4NExchange to pay R & P Financial Services at least \$1,000,000.00.

34. Grant and Bassett also caused 4NExchange to pay Soho, Inc. \$249,500.00.

35. On November 1, 2000, Grant and Bassett also caused 4NExchange to transfer to Eagle Financial \$368,000.00 of money received from investors of 4NExchange.

36. Eagle Financial was created for the purpose of transferring money invested in 4NExchange into other investment opportunities unrelated to those described to investors in

the 4NExchange scheme.

37. Eagle Financial also received other monies from individuals and entities who had also invested in 4NExchange and commingled those funds with money received from 4NExchange investors.

38. All of these payments made to Grant, Bassett, R & P Financial, Soho, Inc. and Eagle Financial were part of a Ponzi scheme, whereby Paul Grant and Ron Bassett, R&P Financial, Soho, Inc., Eagle Financial and John Does 1 through 10, used the money for their own purposes as opposed to investing the money on behalf of 4NExchange, these transfers were, by definition, made to hinder, delay or defraud creditors and/or investors of 4NExchange.

39. 4NExchange, as a Ponzi scheme was insolvent or became insolvent at the time it transferred its assets to Bassett, Grant, R & P Financial, Soho, Inc., and/or Eagle Financial in that some or all of its debts were greater than all of its assets and/or it was not paying its debts or interest on investments as they became due.

40. 4NExchange has been damaged as a direct result of the fraudulent conveyances in that it did not receive equivalent value in exchange for its transfer of assets to Bassett, Grant, R & B Financial, Soho, Inc. and Eagle Financial.

THIRD CLAIM FOR RELIEF

(Conversion)

41. Plaintiff incorporates by reference the paragraphs listed above as if fully set

forth herein.

42. The defendants have intentionally, wilfully and without authorization from 4NExchange withheld from 4NExchange cash in an amount to be proven at trial.

43. The defendants have exercised dominion and/or control over the cash identified above in a manner inconsistent with 4NExchange's ownership rights and without 4NExchange's legal authorization and 4NExchange has been damaged as a direct result thereof in an amount to be proven to trial.

FOURTH CLAIM FOR RELIEF

(Breach of Fiduciary Duty against Grant and Bassett)

44. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

45. Both Grant and Bassett owed a fiduciary duty to 4NExchange.

46. By taking the investments and using them for their own personal gain and benefit as opposed to using them for the stated purposes for which 4NExchange was purportedly created, Grant and Bassett breached a fiduciary duty owed to the plaintiff.

47. The plaintiff has been damaged as a direct result of the defendants' breach of fiduciary duty in an amount to be proven at trial.

FIFTH CLAIM FOR RELIEF

(Unjust Enrichment)

48. Plaintiff incorporates by reference the paragraphs listed above as if fully set

forth herein.

49. The defendants received a combination of money and goods from 4NExchange with appreciation or knowledge of the benefit that they received.

50. The defendants received and/or retained this money and goods which, in justice and equity, belong to another, 4NExchange and/or its investors.

51. It would be inequitable and unjust under the circumstances described above for the defendants to retain the benefits of this money and goods to the detriment of 4NExchange and its investors.

SIXTH CLAIM FOR RELIEF

(Constructive Trust)

52. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

53. By actual or constructive fraud and/or by other questionable means, the defendants obtained control of property which they could not, in equity and good conscience, hold and enjoy. A constructive trust has been created by the actions of the defendants in an amount to be proven at trial to be held in favor of 4NExchange and/or its investors.

SEVENTH CLAIM FOR RELIEF

(Disgorgement)

54. Plaintiff incorporates by reference the paragraphs listed above as if fully set

forth herein.

55. The money received by the defendants from 4NExchange was ill-gotten. It was derived from investors who were told that they were investing in a foreign currency trading enterprise.

56. The funds were not invested in a foreign currency trading enterprise but rather were used as part of a Ponzi scheme.

57. The defendants have no claim to the funds received from 4NExchange, or derivatively, from its investors.

58. Therefore, all monies received by the defendants should be disgorged to the plaintiff for the benefit of 4NExchange.

EIGHTH CLAIM FOR RELIEF

(Federal Securities Fraud Against Defendants Grant & Bassett)

59. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

60. Defendants Grant and Bassett sold and were instrumental in the sale of securities in the form of investment contracts to the investors in 4NExchange.

61. The investment contracts the defendants sold to individual investors in 4NExchange constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act of 1933, 15 *USC* Section 77b(a)(1), and Section 3(a)(10) of the Securities Exchange Act of 1934, 15 *USC* Section 78c(a)(10).

62. In connection with inducing individual investors to purchase securities through the sale of the investment contracts in 4NExchange, Grant and Bassett used means and instrumentalities of interstate and intrastate commerce or the mails (a) to employ a device, scheme or artifice to defraud the individual investors, or (b) to obtain their money or property by means of untrue statements of material fact (or by omitting to state material facts necessary in order to avoid misleading the investors), or (c) to engage in transactions, practices, or courses of business operating as a fraud or deceit upon the investors, in violation of Section 12(a)(2) of the Securities Act of 1933, 15 *USC* Section 771(a)(2), Section 10(b) of the Securities Exchange Act of 1934, 15 *USC* Section 78(j)(b), and Rule 10(b)-5 of the Securities Exchange Commission, 17 *CFR* Section 240.10(b)-5.

63. In particular, the defendants made the material representations and/or omissions set forth in the paragraphs set forth above.

64. By failing to inform the investors of these material facts, and other material facts alleged in the complaint, the defendants omitted to state material facts necessary to avoid misleading the investors.

65. In reliance upon the above material misrepresentations, and lulled by the above material misrepresentations or omissions, the investors purchased the investment contracts and thereby invested in 4NExchange.

66. Accordingly, defendants have violated Section 12(a)(2) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10(b)-5, and has

damaged the plaintiff in an amount to be determined by the Court.

NINTH CLAIM FOR RELIEF

**(State Securities Fraud Under Utah Law
Against Defendants Grant & Bassett)**

67. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

68. The investment contracts sold by the defendants to individual investors in 4NExchange constitute "securities" within the meaning of Section 61-1-13(24)(a) of the Utah Uniform Securities Act *Utah Code Annotated* Section 61-1-1 et, seq.

69. In connection with inducing individual investors to purchase securities through the sale of the investment contracts in 4NExchange, the defendants used means and instrumentalities of interstate and intrastate commerce or the mails (a) to employ a device, scheme or artifice to defraud the individual investors, or (b) to obtain their money or property by means of untrue statements of material fact (or by omitting to state material facts necessary to avoid misleading the investors), or (c) to engage in transactions, practices or courses of business operating as a fraud or deceit upon the investors in violation of Section 61-1-1 and 61-1-2, *Utah Code Annotated*.

70. In particular, the defendant made the material misrepresentations or omissions set forth above.

71. By failing to inform the investors of these material facts (and other material

facts alleged in the plaintiff's claims set forth above) the defendants omitted to state material facts necessary in order to avoid misleading the investors. The material representations and omissions described herein were intentionally or recklessly made.

72. In reliance upon the above misrepresentations, and lulled by the above material misrepresentations or omissions, the investors purchased the investment contracts and thereby invested in 4NExchange creating claims against the estate of 4NExchange.

73. Accordingly, the defendants have violated Section 61-1-1 and 61-1-2 of the Utah Uniform Securities Act, and the plaintiff is entitled to recover damages from the defendants in an amount to be determined by the Court, together with interest at the rate of twelve percent (12%) per annum plus costs and reasonable attorneys fees.

TENTH CLAIM FOR RELIEF

(Civil Conspiracy Against All Defendants)

74. Plaintiff incorporates by reference the paragraphs listed above as if fully set forth herein.

75. The defendants knowingly joined and agreed to conspire to transfer monies from 4NExchange to Eagle Financial, Soho, Inc. and R & P Financial.

76. The parties conspired to engage and conceal their fraudulent activities from the investors thereby permitting the defendants to continue to operate and to wrongly profit therefrom.

77. The parties conspired to control the payment of these funds and the directing

of these funds were which all related to one another in that they advanced the objects of the conspiracy, which was to take funds from investors and benefit these defendants.

78. Each of the defendants knowingly joined and agreed to the terms of the conspiracy to defraud the investors.

79. Each of the defendants combined with each other to make the misrepresentations and omissions described in this complaint.

80. Each of the misrepresentations and omissions described herein and the transactions which lead to them, were overt acts undertaken in furtherance of these conspiracies.

81. As a direct result, the plaintiff has been damaged by the actions of the defendants in an amount to be proven at trial.

WHEREFORE, plaintiff prays for relief as follows:

A. On plaintiff's first cause of action that the court award damages against the defendants, jointly and severally, to plaintiff in an amount to be proven at trial together with interest and costs and attorney fees to the Receiver for and on behalf of 4NExchange for the benefit of the investors of 4NExchange.

B. Pursuant to plaintiff's second cause of action that the plaintiff be awarded damages against the defendants, jointly and severally, in the amount to be proven at trial, together with interest and costs and attorney fees to the Receiver for and on behalf of 4NExchange and the investors of 4NExchange as a result of the fraudulent conveyance.

C. Pursuant to plaintiff's third cause of action, that the plaintiff be awarded damages against each defendant, jointly and severally, in the amount to be proven at trial together with interest and costs.

D. Pursuant to plaintiffs fourth cause of action, that the plaintiff be awarded damages against each defendant, jointly and severally, in the amount to be proven at trial together with interest and costs.

E. Pursuant to plaintiff's fifth cause of action, that the defendants be ordered to return all of the money which they have received from 4NExchange, together with interest and costs to the Receiver for the benefit of 4NExchange and its investors.

F. Pursuant to plaintiff's sixth cause of action, that a constructive trust has been created by the actions of the defendants in an amount to be proven at trial to be held in favor of 4NExchange and/or its investors.

G. Pursuant to plaintiff's seventh cause of action, that the defendants be ordered to disgorge all monies received by the defendants to the plaintiff for the benefit of 4NExchange.

H. Pursuant to plaintiff's eighth cause of action, that the plaintiff be awarded damages against each defendant, jointly and severally, in an amount to be proven at trial, together with interest, costs and attorneys fees and that the defendants be ordered to disgorge all monies received by the defendants or investors therein to the plaintiff for the benefit of 4NExchange.


I. Pursuant to plaintiff's ninth cause of action, that the plaintiff be awarded damages against each defendant, jointly and severally, in an amount to be proven at trial, together with interest, costs and attorneys fees and that the defendants be ordered to disgorge all monies received by the defendants or investors therein to the plaintiff for the benefit of 4NExchange.

J. Pursuant to plaintiff's tenth cause of action, that the plaintiff be awarded damages against each defendant, jointly and severally, in an amount to be proven at trial, together with interest, costs and attorneys fees and that the defendants be ordered to disgorge all monies received by the defendants or investors therein to the plaintiff for the benefit of 4NExchange.

K. For such other and further relief that the court deems equitable.

Dated this 5th day of July, 2003.

PRINCE, YEATES & GELDZAHLER

By 
Roger J. McConkie
Attorneys for Receiver Robert G. Wing

G:\Rjm\4NExchange\Grant, Paul\Complaint