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

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

Plaintiff,

v.

DONALD STORMS,

Defendant.

COMPLAINT

1:02CV00127 DB

Case No. \_\_\_\_\_

Judge \_\_\_\_\_

Robert G. Wing, as receiver for 4NExchange, complains against defendant 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. 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.

3. 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**

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

5. Donald Storms (hereafter "Storms") is a resident of North Carolina.

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

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

#### **FIRST CLAIM FOR RELIEF**

##### **(Fraud)**

8. Storms induced others to invest in 4NExchange. He participated in the

following ways:

a. Storms introduced prospective investors to 4NExchange and one of its principals, Paul Grant. In doing so, he informed the prospective investors that he had known Mr. Grant and his family for years and that Mr. Grant was trustworthy.

b. Storms received packages of information about 4NExchange from the company and distributed them to prospective investors. Many of these forms contained Donald Storms' name, pre-printed on the forms, as the individual responsible for introducing the investor to 4NExchange.

c. Storms is a highly placed representative of Quixtar, which is an entity affiliated with Amway. Many of the individuals Storms introduced to 4NExchange were part of his Quixtar "downline."

d. A substantial percentage of the investors in 4NExchange were introduced to it through Storms. The Receiver is informed and believes, and thereupon alleges that more than 50% of 4NExchange's investors were recruited by Storms.

e. Similarly, a substantial percentage of the money invested in 4NExchange was invested by individuals recruited by Storms. The Receiver is informed and believes, and thereupon alleges that more than 66% of the money invested in 4NExchange originated with investors recruited by Storms.

9. Storms encouraged individuals in his Quixtar downline to invest in 4NExchange.

10. Storms also encouraged individuals in his Quixtar downline to improve their status in the Quixtar pyramid by offering these individuals the incentive of being eligible to invest in 4NExchange if the individuals reached the "Emerald" level of Quixtar.

11. When encouraging individuals to invest in 4NExchange, Storms omitted material facts. While he informed individuals that he was receiving 10 percent a month on his investment with 4NExchange he recklessly or deliberately failed to inform these individuals of the material fact that his legal advisors and financial advisors had advised him on numerous occasions not to participate in 4NExchange because the scheme was "too good to be true."

12. Storms knew of these material omissions at the time he made the representations.

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

14. Several individuals in Storms' Quixtar downline relied upon Storms' representations regarding 4NExchange and invested millions of dollars combined into the illegal Ponzi scheme.

15. At the time Storms made the representations he had reason to know that 4NExchange may have been a Ponzi scheme or at least that his advisors may have suspected that.

16. Storms received over \$1.157 million dollars from 4NExchange despite

investing only \$262,000. A return of approximately 500 percent.

17. 4NExchange has been damaged as a direct result of Storms' fraudulent statements because the money received by Storms should have been used for the stated purpose of 4NExchange, that being the legitimate trading of foreign currency.

18. 4NExchange has been damaged in an amount to be proven at trial but not less than \$1.157 million dollars.

### **SECOND CLAIM FOR RELIEF**

#### **(Fraudulent Conveyance)**

19. Plaintiff incorporates by reference paragraphs 1 through 18 above as if fully set forth herein.

20. From March 13, 2000 to April 15, 2002 over a series of payments, 4NExchange transferred to Storms over \$1.157 million dollars of money received from investors of 4NExchange

21. As these payments were made as part of a Ponzi scheme these transfers were, by definition, made to hinder, delay or defraud creditors and or investors of 4NExchange.

22. 4NExchange, as a Ponzi scheme was insolvent or became insolvent at the time it transferred its assets to Storms 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.

23. 4NExchange has been damaged as a direct result of Storms' fraudulent

conveyance in that it did not receive equivalent value in exchange for its transfer of assets to Storms.

### **THIRD CLAIM FOR RELIEF**

#### **(Unjust Enrichment)**

24. Plaintiff incorporates by reference paragraph 1 through 18 above as if fully set forth herein.

25. Storms has received \$1.157 million dollars from 4NExchange with appreciation or knowledge of the benefit he has received.

26. The defendant has received and/or retained the money which, in justice and equity, belong to another, 4NExchange and/or its investors.

27. It would be inequitable under the circumstances described above for Storms to retain the benefits of the \$1.157 million dollars to the detriment of 4NExchange and its investors.

### **FOURTH CLAIM FOR RELIEF**

#### **(Constructive Trust)**

28. Plaintiff incorporates by reference paragraphs 1 through 18 above as if fully set forth herein.

29. By actual or constructive fraud and or by other questionable means, including but not limited to, abusing his position of trust and confidence with other Quixtar individuals Storms obtained and holds legal right to property which he should not in equity

and good conscience hold and enjoy.

30. A constructive trust has been created by the actions of Storms in the amount of \$1.157 million dollars being held in favor of 4NExchange and or its investors.

### **FIFTH CLAIM FOR RELIEF**

#### **(Disgorgement)**

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

32. 4NExchange gave \$1.157 Million dollars to Storms.

33. The money given to Storms was ill-gotten. It was derived from investors who were told that they were investing in a foreign currency trading enterprise.

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

35. Storms has no claim to the funds received from 4NExchange , or derivatively, from its investors.

36. Therefore all moneys received above and beyond amounts invested by Storms should be disgorged to the plaintiff for the benefit of 4NExchange and its investors.

**WHEREFORE**, plaintiff prays for relief as follows:

A. On plaintiff's first cause of action that the court award damages to plaintiff in an amount to be proven at trial but not less than \$1.157 million dollars and 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 in the amount of \$1.157 million dollars 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 transfer.

C. Pursuant to plaintiff's third cause of action, that the plaintiff be awarded damages in the amount of \$1.157 million dollars together with interest and costs.

D. Pursuant to plaintiff's fourth cause of action, that the plaintiff be awarded damages in the amount of \$1.157 million dollars together with interest.

E. Pursuant to plaintiff's fifth cause of action, that the defendant be ordered to return all of the money which he has received from 4NExchange, in an amount not less than \$1.157 Million dollars together with interest and costs to the Receiver for the benefit of 4NExchange and its investors.

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

Dated this 2nd day of October, 2002

PRINCE, YEATES & GELDZAHLER

By Roger J. McConkie

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