

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

COMMODITY FUTURES TRADING	§	
COMMISSION,	§	
Plaintiff,	§	
	§	
VS.	§	
	§	
STEPHEN WALSH, PAUL GREENWOOD,	§	
WESTRIDGE CAPITAL MANAGEMENT,	§	
INC., WG TRADING INVESTORS, LP,	§	
WGIA, LLC,	§	CIVIL ACTION NO. 09-CV-1749 (GBD)
Defendants,	§	
	§	
WESTRIDGE CAPITAL MANAGEMENT	§	
ENHANCEMENT FUNDS INC., WG	§	
TRADING COMPANY LP, WGI LLC,	§	
K&L INVESTMENTS, AND	§	
JANET WALSH,	§	
Relief Defendants	§	

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SECURITIES AND EXCHANGE	§	
COMMISSION,	§	
Plaintiff,	§	
	§	
VS.	§	
	§	
WG TRADING INVESTORS, LP, WG	§	
TRADING COMPANY LIMITED	§	
PARTNERSHIP, WESTRIDGE	§	
CAPITAL MANAGEMENT, INC.,	§	
PAUL GREENWOOD and STEPHEN	§	
WALSH,	§	CIVIL ACTION NO. 09-CV-1750 (GBD)
Defendants,	§	
	§	
ROBIN GREENWOOD and JANET WALSH,	§	
Relief Defendants	§	

**INVESTOR PROPOSAL OF COOPER INDUSTRIES, INC.**

TO THE HONORABLE GEORGE B. DANIELS,  
UNITED STATES DISTRICT COURT JUDGE:

COMES NOW Cooper Industries, Inc., Master Trust for Defined Benefit Plans (“Cooper”) and files this, its Investor’s Proposal as follows:

**PROCEDURAL BACKGROUND**

1. On February 25, 2009 (the “Commencement Date”) on the nomination of the Commodity Futures Trading Commission and on the nomination of the Securities and Exchange Commission, this Court appointed Robb Evans & Associates, LLC as Receiver (the “Receiver”) of Westridge Capital Management, Inc., WG Trading Company, LP, WG Trading Investors, LP (“WGTT”), and business entities owned by or affiliated with them, including Westridge Capital Management Enhancement Funds, Inc., K&L Investments, LLC, WGI, LLC and WGTC Limited (collectively, the “Westridge Entities”).

2. On August 5, 2009, this Court entered its Order Granting The Motion For Order Approving The Receiver’s Proposed Claims Administration Procedures (the “Order”). On September 10, 2009, the Court “So Ordered” a letter from the receiver that addressed the timing of submissions required by the Order. Taken together, the Order and the So Ordered letter provide that, upon receiving notice from the Receiver, all “investors, interested parties, and other known creditors” would have 45 days to file what the Order their “Investors’ Proposals” detailing their views as to how the funds held by the Receiver should be distributed.

3. On September 1, 2010, the Receiver filed his Notice of Commencement of The Receiver’s Claims Administration Procedures (the “Notice”) informing the investors, creditors and other interested parties that the 45-day period to file their proposals would commence on September 7, 2010.

4. This Proposal is timely filed pursuant to the Notice and Order.

**SUMMARY OF COOPER’S PROPOSAL**

5. Cooper’s investment is supported by valid, legally-enforceable promissory notes given for good and valuable consideration. Accordingly, note holders such as Cooper should be treated as better than, but in no event as less than equal to, those invested in the Westridge entities as limited partners. Cooper proposes that any distribution plan must recognize Cooper’s \$44+ million claim in full and that, and all claims should be recognized to include accrued but unpaid interest without regard to whether those investments were made by loan (as was Cooper’s) or by acquisition of a partnership interest. To the extent the Receiver asserts any right to offset, particularly a right to offset based on a “clawback” of previously-paid interest, due process demands that the Receiver adjudicate those claims separately and to provide the investors with an opportunity to conduct discovery, present evidence, and be heard on the merits of any such alleged “clawback” or offset claim.

**LOANS BY THE COOPER PLAN AND UNPAID BALANCE**

6. Beginning in April 2004, the Cooper Plan loaned funds for investment purposes to WGTI. These loans were supported by a number of Senior Promissory Notes (With Recourse Limited) (collectively, the “Notes”). While not addressing Cooper’s investment directly, in his reports the Receiver has repeatedly acknowledged that investments in WGTI were supported by promissory notes. *See, e.g.*, Receiver’s First Report at pp. 6, 7, 12. Certain of the Notes were made in respect of the Equity Fund and others were made in respect of the Bond Fund; in each instance, upon information and belief, the funds were managed by Westridge. Between 2004 and the commencement of this Receivership, Cooper received payments of interest and principal on certain of the Notes.

7. Now WGTI and the other Westridge Entities have been taken into this receivership, and the Receiver contends that these entities operated since the mid-1990s as a giant Ponzi scheme. There is no allegation that Cooper was aware of the fraud or knowingly participated in a Ponzi scheme.

8. On September 2, 2009, the Receiver notified Cooper that it had calculated Cooper's investment as a note holder in the Bond Fund as follows:

Total contributions:	\$46,150,000.00
Total withdrawals:	\$(11,000,000.00)
Earnings credited:	\$9,342,002.58 (sic)

**[Exhibit A, Receiver's 9/2/09 letter]**. Cooper did not object to the Receiver's calculations, agreeing that the resulting balance of \$44,492,002.85 (\$46,150,000 - \$11,000,000 + 9,342,002.85) in the Bond Fund was an accurate calculation of Cooper's claim against the receivership estate.

9. While acknowledging the amount of Cooper's claim, the Receiver has also sent a letter to Cooper asserting that it must return \$21,782,121 that Cooper has previously received as interest on some of the Notes in the Equity Fund. **[Exhibit B, Receiver's 7/7/09 letter]**. The Receiver has already initiated at least one similar fraudulent transfer claim against another investor to recover the interest earned on that investor's promissory notes with WG Trading Investors. [See **Exhibit C**, August 16, 2010 Complaint, *Robb Evans & Associates LLC v. Nebraska Investment Council*, In The Supreme Court of The State of New York, County of New York, Index Number: 651281-2010] With respect to Cooper, upon information and belief, it appears that the Receiver intends to subtract these prior interest payments from the \$44,492,002.85 currently owing to Cooper on the Notes in order to reduce by nearly half the total amount of Cooper's claim against the estate. This would be improper for several reasons.

10. First, the Receiver cannot unilaterally offset the interest payments Cooper received against the total amount of Cooper's claim. Instead, due process requires that Cooper be afforded an opportunity to perform discovery, present evidence, and be heard on the merits of any fraudulent-transfer "clawback" claim underlying the Receiver's asserted right to offset. *See S.E.C. v. Elliot*, 953 F.2d 1560, 1566-67 (11<sup>th</sup> Cir. 1992). In addition, due process cannot be selectively applied by the Receiver. The Receiver cannot choose to commence litigation against some parties (and thereby afford full due process rights to such parties) but then opt to deny the identical due process rights to other similarly-situated parties in the same action by attempting to adjudicate their rights in a summary claims proceeding.

11. Moreover, any "clawback" claim the Receiver might make against Cooper would be legally untenable. The law is clear that an investor can retain profits earned as contractual interest on an antecedent debt, even if that loan was made to an enterprise engaged in a Ponzi scheme or other fraud. *See, e.g., In Sharp Intern'l Corp. v. State Street Bank & Trust Co. (In re Sharp)*, 403 F.3d 43, 55 (2<sup>nd</sup> Cir. 2005) (no fraudulent transfer where payment to bank was "on account of an antecedent debt, was made to an outsider, and there is no admission of subjective bad faith (if indeed that would matter)"); *Lustig v. Weisz & Assoc., Inc. (In re Unified Commercial Capital, Inc.)*, 260 B.R. 343, 353 (Bankr. W.D. New York 2001) (despite Ponzi scheme context, where investor defendant received reasonable rate of contractual interest for use of the invested funds, those payments were for value and good consideration, and therefore not fraudulent conveyance).

12. As in those cases, here, Cooper loaned money to a receivership entity and earned interest on the loans pursuant to the terms of the Notes and as good and valuable consideration for the use of Cooper's funds. As such, there is no basis for a clawback claim to recoup the

interest Cooper has earned from WT Trading Investors, nor any other basis by which the receiver could offset Cooper's prior interest earnings against the \$44,492,002.85 Cooper is owed on the outstanding Notes. The payment of an existing debt is not a fraudulent transfer.

13. Cooper should recover the entire balance of the Notes with accrued but unpaid interest, and any distribution plan implemented in this receivership proceeding by which investors are treated in the aggregate should not include Cooper, whose investment is supported by valid and enforceable promissory notes given for fair consideration.

### **COOPER'S PROPOSAL**

14. Cooper proposes that a means of equitably reconciling the potentially conflicting claims of the various parties is for the Receiver and this Court to recognize the full claims of the various parties as of the Commencement Date (without regard to whether those investments were made by loan or partnership investment), such claims to include the accrued but unpaid interest in the instance of those that made loans, and the balance in the capital accounts in the instance of those who acquired a partnership interest. Further, Cooper proposes that distributions be made after taking into account the methodology suggested in the immediately preceding sentence. If, in the alternative, this Court concludes that including accrued but unpaid interest is not supportable under the facts of this case, Cooper proposes that all parties be treated similarly and that distributions be made on that basis. In addition, no matter which methodology or distribution scheme is implemented by the Court, in all instances the holders of Notes should be treated better than, or at least no less than equal to, those who invested in the Westridge Entities as limited partners.

15. In addition, to the extent that the Receiver believes there are parties that may be subject to "clawback" claims, Cooper proposes that the Receiver be required to adjudicate those

claims separately and not be permitted to merely offset any such “clawback” amounts from the claims of the various stakeholders.

16. Cooper further proposes that the Receiver be authorized to make a distribution of all available funds to the various stakeholders consistent with the immediately preceding paragraphs, with subsequent distributions or a final distribution to be made after additional amounts are recovered.

### CERTIFICATE OF SERVICE

I, MORRIS D. WEISS, hereby certify as follows:

1. I am a member of the Bar of the State of New York as well as the United States District Court for the Southern District of New York (the “Court”). I am an attorney with Hohmann, Taube & Summers, L.L.P., counsel for Interested Party Cooper Industries, Inc. Master Trust for Defined Benefit Plans.

2. On October 22, 2010, I caused a true and correct copy of **Investor Proposal of Cooper Industries, Inc.** to be electronically filed with the Clerk of the Court and served on all counsel able to receive electronic notice of such filing through the Court’s CM/ECF System

3. On October 22, 2010, I caused a true and correct copy of the same document to be served by United States First Class Mail on the parties listed below:

Bernard Given  
Frاندzel Robins Bloom & Castro, L.C.  
6500 Wilshire Boulevard  
17th Floor  
Los Angeles, CA 90048

Gary Owen Caris  
McKenna Long & Aldridge LLP  
300 South Grand Avenue 14th floor  
Los Angeles, CA 90071

Jeffrey Scott Thompson  
Hoover Building  
Des Moines, IA 503319

Lesley Ann Hawes  
McKenna Long & Aldridge LLP  
300 South Grand Avenue 14th floor  
Los Angeles, CA 90071

Paul G. Hayeck  
U.S. Division of Enforcement  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

Dated: October 22, 2010  
Austin, Texas

Respectfully submitted,

HOHMANN, TAUBE & SUMMERS, L.L.P.

/s/ Morris D. Weiss

Morris D. Weiss (MW-50350)  
100 Congress Avenue, 18<sup>th</sup> Floor  
Austin, Texas 78701  
(512) 472-5997  
(512) 472-5248 (FAX)  
E-mail: [morrisw@hts-law.com](mailto:morrisw@hts-law.com)

ATTORNEYS FOR COOPER INDUSTRIES,  
INC. MASTER TRUST FOR DEFINED  
BENEFIT PLANS



**ROBB EVANS & ASSOCIATES LLC**  
Receiver of  
**WG Trading Company LP,**  
**WG Trading Investors, LP, WGI LLC,**  
**Westridge Capital Management, Inc., et al**  
11450 Sheldon Street  
Sun Valley, California 91352-1121  
Telephone No.: (818) 768-8100  
Facsimile No.: (818) 768-8802

September 2, 2009

Cooper Industries, Inc. Master Trust for Defined Benefit Plans- Fixed Income  
c/o Jan Arnold  
600 Travis, Suite 5600  
Houston, TX 77002-1001

**RE: NOTICE TO INVESTOR**

Pursuant to the attached Order Granting the Motion for Order Approving the Receiver's Proposed Claims Verification Procedures, the Receiver hereby provides this Notice to you in connection with your investment in WG Trading Investors, LP ("WGTI") as a note holder.

Your investment as shown on the books and records of WGTI, excluding the portion which was managed by Westridge Capital Management, Inc. and not invested in WGTI, is summarized as follows:

Total contributions	<u>\$ 46,150,000.00</u>
Total withdrawals	<u>\$ (11,000,000.00)</u>
Earnings credited	<u>\$ 9,342,002.58</u>

If you object to any of the information set forth above, please respond in writing within thirty (30) days from the date of service of this Notice and include any documents that support your objection.

Sincerely yours,

Robb Evans & Associates LLC, Receiver

Cc: John F. Isbell, Esq.  
King & Spalding LLP  
1180 Peachtree Street N.E.  
Atlanta, GA30309-3521

**EXHIBIT A**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

COMMODITY FUTURES TRADING  
COMMISSION,

Plaintiff,

-against-

STEPHEN WALSH, PAUL GREENWOOD,  
WESTRIDGE CAPITAL MANAGEMENT, INC.,  
WG TRADING INVESTORS, LP, WGIA, LLC,

Defendants,

WESTRIDGE CAPITAL MANAGEMENT  
ENHANCEMENT FUNDS INC., WG TRADING  
COMPANY LP, WGI LLC, K&L INVESTMENTS,  
AND JANET WALSH,

Relief Defendants.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

WG TRADING INVESTORS, L.P., WG TRADING  
COMPANY LIMITED PARTNERSHIP,  
WESTRIDGE CAPITAL MANAGEMENT, INC.,  
PAUL GREENWOOD, and STEPHEN WALSH

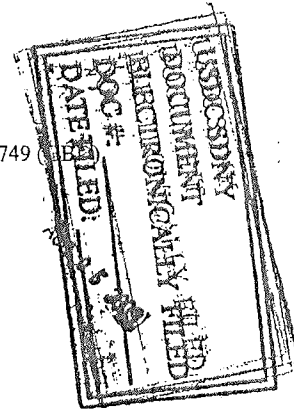
Defendants,

ROBIN GREENWOOD and JANET WALSH

Relief Defendants.

Civil Action No.: 09-CV-1749

Civil Action No.: 09-CV-1750 (GBD)



[PROPOSED] ORDER GRANTING THE MOTION FOR ORDER APPROVING THE  
RECEIVER'S PROPOSED CLAIMS VERIFICATION PROCEDURES

The Court, having considered the Motion for Order Approving the Receiver's Proposed Claims Verification Procedures ("Motion") filed by the Receiver, Robb Evans & Associates LLC, having considered all other materials and evidence filed in support of the Motion, and for good cause appearing therefor,

IT IS HEREBY ORDERED AS FOLLOWS:

1. The Motion is granted.
2. Upon an entry of this Order, the Receiver will immediately send out a notice to all known investors, creditors, and other interested parties informing them of the following schedule concerning the claims verification process:

(a) The Receiver will provide written notice to all known investors of the amount that the Receiver believes that a particular investor invested with the respective defendants, the amount of each investor's withdrawals from its account(s) with the defendants, and the stated earnings credited to an investor's account. With respect to the 15 subscribers in Fund A (as described at Tab 33 of the Receiver's Report of Activities filed with the Court on May 27, 2009), the notice will confirm the number of shares that the records reflect are held by each individual subscriber in Fund A. In addition, the Receiver will provide general creditors with a calculation of the amount that the Receiver believes is owed by the defendants to any particular creditor (the notices referred to above are collectively referred to as the "Notice").

(b) The claimant will have thirty days from the date of service of the Notice to object to any of the information set forth in the Notice. Any objections must be in writing and received by the Receiver within the thirty day period of notice. If the claimant fails to object to the information set forth in the Notice, then the information set forth in the Notice shall be approved and shall form the basis upon which distributions may be made in these matters.

Case 1:09-cv-01749-GBD Document 206 Filed 08/05/2009 Page 3 of 3  
Case 1:09-cv-01749-GBD Document 162 Filed 07/01/2009 Page 3 of 3

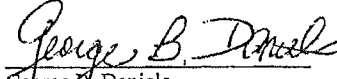
(c) If the Receiver receives a timely objection to the information set forth in the Notice, the Receiver will attempt to resolve the dispute through negotiations. If the parties are not able to resolve the dispute through negotiations, the Receiver will resolve the dispute by motion filed by the Receiver pursuant to the applicable local rules of this District.

Dated: New York, New York

July

**AUG 10 2009**

SO ORDERED:

  
George B. Daniels  
United States District Judge

FRANDZEL ROBINS BLOOM & CSATO, L.C.

LAWYERS

WWW.FRANDZEL.COM

LOS ANGELES OFFICE

6500 WILSHIRE BOULEVARD  
SEVENTEENTH FLOOR  
LOS ANGELES, CALIFORNIA 90048-4920  
TELEPHONE (323) 852-1000  
FACSIMILE (323) 651-2577

DIRECT DIAL: (323) 658-9760

E-MAIL: BOIVEN@FRANDZEL.COM

SAN FRANCISCO OFFICE

100 BUSH STREET  
TWENTY-THIRD FLOOR  
SAN FRANCISCO, CALIFORNIA 94104  
TELEPHONE (415) 788-7400  
FACSIMILE (415) 291-9153

OUR FILE # 078410-0043

REPLY TO LOS ANGELES

July 7, 2009

VIA FEDERAL EXPRESS AND U.S. MAIL

Cooper Industries, Inc. - Master Trust  
600 Travis St.  
Suite 5600  
Houston, TX 77002

Re: Commodity Futures Trading Commission v. Stephen Walsh et al.,  
Case No. 1:09-CV-01749-GBD;  
Securities and Exchange Commission v. WG Trading Investors, L.P., et al.,  
Case No. 1:09-CV-01750-UA

To whom it may concern:

I am writing on behalf of Robb Evans & Associates LLC, which has been appointed the Temporary Receiver (the "Receiver") by the United States District Court for the Southern District of New York in the above-referenced cases. Pursuant to the Orders entered by the Court on or about February 25, 2009, the Receiver has the exclusive authority to obtain possession of all funds, property or other assets in the possession of, or under the control of, the Defendants or Relief Defendants as those terms are defined in the Orders. According to the records which the Receiver has obtained with respect to this matter, your firm has received the sum of \$21,782,121.00 in excess of the amount of monies invested with one or more of the Defendants or Relief Defendants. Pursuant to the authority granted by the Court and applicable statutory and common law authority under the State of Delaware, the Receiver is entitled to recover the sum of \$21,782,121.00 from you. While no claim is being made in this letter that your receipt of these funds was accomplished through fraud, malice or other improper conduct, such a finding of improper conduct is not necessary to recovery of these sums as recovery is based on equitable principals existing under the law. Accordingly, this letter shall constitute a formal demand that you pay the sum of \$21,782,121.00 to the Receiver within thirty (30) days of your receipt of this correspondence in order to avoid the necessity of litigation being filed. In the event that litigation is required to be undertaken by the Receiver to collect those sums which are due and

611783.1



30 YEARS  
OF SERVICE

**EXHIBIT B**

FRANZEL ROBINS BLOOM  
& CSATO, L.C.

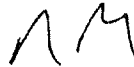
Cooper Industries, Inc. - Master Trust  
July 7, 2009  
Page 2

Re: Commodity Futures Trading Commission v. Stephen Walsh et al.,  
Case No. 1:09-CV-01749-GBD;  
Securities and Exchange Commission v. WG Trading Investors, L.P., et al.,  
Case No. 1:09-CV-01750-UA

owing, then the Receiver will seek recovery of all reasonable and necessary attorneys' fees and costs associated with such collection efforts. We are hopeful and confident that such action will not be required. If you dispute the sum which has been identified herein or are aware of some other legal or factual basis which would excuse you from paying these sums alleged to be due and owing, please provide this information to me at your earliest convenience. Thank you in advance for your attention to the foregoing.

Very truly yours,

FRANZEL ROBINS BLOOM & CSATO, L.C.



By: BERNARD R. GIVEN II

BRG:brw

SUPREME COURT OF THE STATE OF NEW YORK  
 COUNTY OF NEW YORK

ROBB EVANS & ASSOCIATES LLC, solely in its capacity as Receiver over WG Trading Investors, L.P., WG Trading Company, Limited Partnership, and other entities,	x	Index No.:
Plaintiff,	:	COMPLAINT FOR:
- against -	:	1. AVOIDANCE OF CONSTRUCTIVE FRAUDULENT TRANSFERS [N.Y. Debt. & Cred. Law §§ 273, 278 and/or 279]
NEBRASKA INVESTMENT COUNCIL, an agency of the State of Nebraska,	:	2. AVOIDANCE OF CONSTRUCTIVE FRAUDULENT TRANSFERS [N.Y. Debt. & Cred. Law §§ 274, 278 and/or 279]
Defendant.	:	3. AVOIDANCE OF CONSTRUCTIVE FRAUDULENT TRANSFERS [N.Y. Debt. & Cred. Law §§ 275, 278 and/or 279]
	:	4. AVOIDANCE OF INTENTIONAL FRAUDULENT TRANSFERS [N.Y. Debt. & Cred. Law §§ 276, 276-a, 278 and/or 279]
	:	5. TURNOVER OF RECEIVERSHIP PROPERTY
	:	6. UNJUST ENRICHMENT/ CONSTRUCTIVE TRUST
	x	

Robb Evans & Associates LLC (the “Receiver”), solely in its capacity as the duly appointed Receiver over WG Trading Investors, L.P., WG Trading Company, Limited Partnership, and other entities, hereby brings this complaint and respectfully complains and alleges as follows:

**ALLEGATIONS COMMON TO ALL CAUSES OF ACTION**

1. On February 25, 2009, the Receiver was appointed by the Honorable George B. Daniels as the Receiver over WG Trading Investors, L.P. (“WGTI”), WG Trading Company,



Limited Partnership (“WGTC”), Westridge Capital Management, Inc. (“Westridge Capital”), and over the assets of Paul Greenwood (“Greenwood”), Stephen Walsh (“Walsh”), Robin Greenwood and Janet Walsh, who are named as defendants or relief defendants in *Securities and Exchange Commission v. WG Trading Investors, L.P. et al*, United States District Court, Southern District of New York, Case No. 09-CV-1750 (the “SEC Action”). A true and correct copy of the order of appointment in the SEC Action is attached hereto as Exhibit 1. The Receiver was made permanent receiver in the SEC Action by an order entered May 26, 2009. A true and correct copy of the order making the Receiver the permanent receiver in the SEC Action is attached hereto as Exhibit 2. The Receiver was appointed in the County of New York.

2. On February 25, 2009, the Receiver was also appointed by the Honorable George B. Daniels as the Receiver over WGTI, Westridge Capital, Greenwood, Walsh, WGIA, LLC, WGTC, Westridge Capital Management Enhancement Funds, Inc., WGI LLC, K&L Investments, and over the assets of Janet Walsh, who are named as defendants or relief defendants in *Commodity Futures Trading Commission v. Stephen Walsh, et al.*, United States District Court, Southern District of New York, Case No. 09 CV 1749 (the “CFTC Action”). A true and correct copy of the order of appointment in the CFTC Action is attached hereto as Exhibit 3. The Receiver was made permanent receiver in the CFTC Action by an order entered May 26, 2009. A true and correct copy of the order making the Receiver the permanent receiver in the CFTC Action is attached hereto as Exhibit 4. The Receiver was appointed in the County of New York.

3. The orders appointing the Receiver in the SEC Action and the CFTC Action (which are sometimes hereinafter referred to collectively as the “Appointment Orders”) provide, among other things, that the Receiver has full power to sue for, collect, receive and take possession of all moneys of the defendants and the relief defendants in the SEC Action and the CFTC Action.

4. In the SEC Action and the CFTC Action, the Court also granted the Receiver’s request for permission to commence litigation on behalf of the receivership estates based on



claims such as the ones asserted in this complaint, pursuant to orders entered September 21, 2009. True and correct copies of the orders permitting the Receiver to commence this litigation are attached hereto collectively as Exhibit 5.

5. The Receiver is informed and believes, and thereon alleges, that defendant Nebraska Investment Council (“NIC”) is an agency of the State of Nebraska.

6. The Receiver is informed and believes, and thereon alleges, that NIC invested money and entered into investment activities directly and/or indirectly with WGTC and/or WGTI (collectively, the “Receivership Entities”) and that the investment activities substantially took place in the County of New York, in the State of New York. The Receiver is informed and believes, and thereon alleges, that NIC understood that as a result of its investments with the Receivership Entities, substantial investment activities would take place, and in fact did take place, in the County of New York, in the State of New York.

7. The Receiver is informed and believes, and thereon alleges, that NIC deposited investment funds into accounts maintained in the County of New York, in the State of New York and received substantial payments, including all of the payments which are sought to be recovered by the Receiver in this action, from accounts maintained in the County of New York, in the State of New York.

8. WGTC held itself out as an investment company involved in purchasing and selling equities. An investor could purportedly invest with WGTC by becoming a limited partner in WGTC.

9. WGTI held itself out as an investment company that would invest in WGTC through a purported limited partnership interest in WGTC. Most investors could invest in WGTI through the issuance of purported promissory notes payable to the investor, or through various “feeder funds,” which were controlled by the same management that controlled the Receivership Entities. These feeder funds were mere conduits for investments in the Receivership Entities. They had no separate business or business purpose other than to facilitate the investment in the Receivership Entities.

10. The Receiver is informed and believes, and thereon alleges, that WGTC and WGTI were financially inseparable and were operated as a single entity for reasons including, but not limited to, the following:

(a) All accounting processes and internal controls were performed by the same employee.

(b) WGTI received funds from or paid funds to WGTC's investors.

(c) WGTC received funds from or paid funds to and for WGTI's investors.

(d) WGTC paid improper "employee advances" directly to or for Greenwood and Walsh, and charged the payments as reductions of WGTI's capital in WGTC. Sometimes, WGTI reimbursed WGTC and recorded the payments as "employee advances" and as receivables due from Greenwood and Walsh instead of as increases of its investment in WGTC.

(e) WGTI paid improper "employee advances" directly to or for Greenwood and Walsh, and recorded the payments as receivables due from Greenwood and Walsh instead of as increases of WGTI's investment in WGTC.

(f) Employee advances due from Greenwood and Walsh to WGTI at the end of a year were reclassified as notes receivable due from Greenwood and Walsh in the following year. Employee advances paid by WGTC were charged against WGTI's capital in WGTC but did not reduce any other partner's capital in WGTC and were recorded by WGTI as receivables. WGTC's books therefore did not carry any asset or expense item in connection with its payments to Greenwood and Walsh.

(g) Payments made by WGTI or WGTC to a director of Westridge Capital totaling approximately \$8.9 million from 1998 to 2008 were all expensed to WGTI as professional fees.

(h) WGTC charged all losses arising from its transactions involving Signal Apparel Company, Inc. ("Signal Apparel") as reductions in WGTI's capital in WGTC. None of the other limited partners of WGTC had any losses attributable to Signal Apparel allocated to them.

(i) WGTI recorded all of its payments in connection with Signal Apparel as expenses or employee advances instead of as increases of its investment in WGTC.

(j) WGTI made no entries regarding its transfers of bank interest income to WGTC between 2006 and 2008 while WGTC recorded the receipts from WGTI as income.

(k) The allocation of income by WGTC to WGTI was different from that of the other limited partners of WGTC. After the actual monthly net income of WGTC was determined, the net income was allocated to each of the other limited partners pursuant to a set formula, and the remainder, whether income or loss, was then allocated, or plugged, to WGTI.

(l) When WGTC was short of funds, WGTI advanced funds to WGTC.

(m) When WGTI was short of funds, WGTC advanced funds to WGTI.

11. The Receiver is informed and believes, and thereon alleges, that the funds of the Receivership Entities were commingled, that the Receivership Entities were operated as a single entity, and that neither company could have continued to operate without the other. The Receiver is informed and believes, and thereon alleges, that Walsh and Greenwood used WGTI to hide their misappropriation of investor funds through, among other things, improper “employee advances” and the losses in connection with the investment in Signal Apparel, because WGTC was subject to regular outside audits and was registered as a broker-dealer under the Securities Exchange Act of 1934 and was a commodity pool as defined in Commodity Futures Trading Commission Regulations. As set forth above, WGTC’s books did not carry any asset or expense item in connection with its payments to Greenwood and Walsh and all Signal Apparel losses were charged as reductions in WGTI’s capital in WGTC. WGTC used WGTI to carry out its fraudulent investment enterprise.

12. The Receiver is informed and believes, and thereon alleges, that Walsh and Greenwood misappropriated a substantial portion of the investor funds, in excess of \$130 million, for their own personal use and to fund their lavish lifestyles.

13. The Receiver is informed and believes, and thereon alleges, that the Receivership Entities lost in excess of \$180 million in connection with the investment in Signal Apparel.

14. The Receiver is informed and believes, and thereon alleges, that as a result of, among other things, Walsh and Greenwood's misappropriation of investor funds, in excess of \$130 million, and their efforts to hide the substantial losses in Signal Apparel, the Receivership Defendants did not invest all of the money raised from investors that should have been invested.

15. The Receiver is informed and believes, and thereon alleges, that the net income allocated to limited partners of WGTC, other than WGTI, and the net income allocated to the investors in WGTI, was improperly calculated and artificially high.

16. The Receiver is informed and believes, and thereon alleges, that the Receivership Entities were in fact a unitary Ponzi-type fraudulent enterprise. Over a 13-year period commencing in 1996, the Receivership Entities had net earnings of approximately \$331 million, but paid out and promised to pay out earnings to its investors approximately \$982 million, creating a shortfall of approximately \$651 million. The Receiver is informed and believes, and thereon alleges, that the money paid out and promised for payment could not have been paid without raising new investor capital.

17. Because of, among other things, Greenwood's and Walsh's diversion of funds, and the Signal Apparel losses, the Receivership Entities did not earn sufficient returns from their investments to pay the investors, did not have assets in excess of their liabilities and should not have paid out millions of dollars to the fully redeemed investors of the Receivership Entities in excess of the amounts which they invested. The Receiver is informed and believes, and thereon alleges, that at all relevant times the Receivership Entities were insolvent.

18. The Receiver is informed and believes, and thereon alleges, that because of the fraudulent nature of the Receivership Entities' Ponzi-type enterprise, and because Greenwood and Walsh actively concealed the fraudulent nature of the enterprise so as to continue to misappropriate a substantial portion of investor funds, the existence of the Excess Payments, as hereinafter defined, constituting fraudulent transfers as alleged herein was not known and could not have been discovered prior to the Receiver's appointment under the Appointment Orders, and was not in fact known to the Receiver until after the Appointment Orders.

19. The Receiver is informed and believes, and thereon alleges, that the remaining investors who received payments from the Receivership Entities in an aggregate amount less than the principal amount they invested in the Receivership Entities are owed a collective total of not less than \$937 million (the investors holding these claims are referred to hereinafter individually and collectively as the “Losing Investors”).

20. The Receiver is informed and believes, and thereon alleges, that NIC was an investor in the Receivership Entities. The Receiver is informed and believes, and thereon alleges, that NIC made total payments to the Receivership Entities in the sum of \$160,000,000 and that NIC received total payments from the Receivership Entities in the sum of \$172,050,802 resulting in payments to NIC in excess of its investment of \$12,050,802 (the “Excess Payments”). The Receiver is informed and believes, and thereon alleges, that the Excess Payments were paid within the limitations period applicable to this action. The Receiver is informed and believes, and thereon alleges, that the Receivership Entities did not receive value in exchange for the Excess Payments.

21. The Receiver is informed and believes, and thereon alleges, that NIC gave no value in exchange for the Excess Payments and/or did not receive the Excess Payments in good faith.

22. The Receiver is informed and believes and thereon alleges that at the time each of the Excess Payments were made, there were existing creditors of the Receivership Entities, including but not limited to at least some of the Losing Investors, who held matured and unmatured claims against the Receivership Entities, and after each of the Excess Payments were made, there were new creditors of the Receivership Entities, including but not limited to at least some of the Losing Investors, who held matured and unmatured claims against the Receivership Entities.

23. The Receiver is informed and believes, and thereon alleges, that the Excess Payments were paid with proceeds of fraudulently and unlawfully obtained funds in connection with the Receivership Entities’ operation of a Ponzi-type investment scheme as hereinabove

alleged. All of the amounts comprising the Excess Payments received by defendant, as set forth above, are the rightful property of the receivership estate pursuant to, among other things, the Appointment Orders (Exhibits 1 through 4 hereto) and pursuant to the orders granting the Receiver's request for permission to commence litigation on behalf of the receivership estates based on claims such as the ones asserted herein (Exhibit 5 hereto). The Receiver is authorized to recover the Excess Payments for the benefit of the receivership estate pursuant to said orders and applicable law.

## CLAIMS

### FIRST CAUSE OF ACTION

[Avoidance of Constructive Fraudulent Transfers]

[N.Y. Debt. & Cred. Law §§ 273, 278 and/or 279]

24. The Receiver adopts and incorporates by reference the allegations contained in the previous paragraphs 1-23, inclusive, as though set forth in full.

25. The Receiver is informed and believes, and thereon alleges, that each of the Excess Payments were transferred and paid by the Receivership Entities without a fair consideration.

26. The Receiver is informed and believes, and thereon alleges, that the Receivership Entities were insolvent when each of the Excess Payments were made or, in the alternative, the Receivership Entities became insolvent as a result of each of the Excess Payments.

27. By virtue of the foregoing, and pursuant to N.Y. Debt. & Cred. Law §§ 273, 278 and/or 279, the Receiver is entitled to a judgment against NIC (a) directing that the Excess Payments be set aside, and (b) recovering the Excess Payments, or the value thereof, for the benefit of the receivership estate in the sum of \$12,050,802 representing the Excess Payments, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first.

**SECOND CAUSE OF ACTION**

[Avoidance of Constructive Fraudulent Transfers]

[N.Y. Debt. & Cred. Law §§ 274, 278 and/or 279]

28. The Receiver adopts and incorporates by reference the allegations contained in the previous paragraphs 1-23, inclusive, as though set forth in full.

29. The Receivership Entities did not receive fair consideration for the Excess Payments.

30. At the time the Receivership Entities made each of the Excess Payments, the Receivership Entities were engaged in, or were about to engage in, a business or transaction for which the property remaining in their hands after each of the Excess Payments was an unreasonably small capital.

31. By virtue of the foregoing, and pursuant to N.Y. Debt. & Cred. Law §§ 274, 278 and/or 279, the Receiver is entitled to a judgment against NIC (a) directing that the Excess Payments be set aside, and (b) recovering the Excess Payments, or the value thereof, for the benefit of the receivership estate in the sum of \$12,050,802 representing the Excess Payments, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first.

**THIRD CAUSE OF ACTION**

[Avoidance of Constructive Fraudulent Transfers]

[N.Y. Debt. & Cred. Law §§ 275, 278 and/or 279]

32. The Receiver adopts and incorporates by reference the allegations contained in the previous paragraphs 1-23, inclusive, as though set forth in full.

33. The Receivership Entities did not receive fair consideration for the Excess Payments.

34. At the time the Receivership Entities made each of the Excess Payments, the Receivership Entities had incurred, were intending to incur, or believed they would incur, debts beyond their ability to pay them as the debts matured.

35. By virtue of the foregoing, and pursuant to N.Y. Debt. & Cred. Law §§ 275, 278 and/or 279, the Receiver is entitled to a judgment against NIC (a) directing that the Excess Payments be set aside, and (b) recovering the Excess Payments, or the value thereof, for the benefit of the receivership estate in the sum of \$12,050,802 representing the Excess Payments, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first.

**FOURTH CAUSE OF ACTION**

[Avoidance of Intentional Fraudulent Transfers]

[N.Y. Debt. & Cred. Law §§ 276, 276-a, 278 and/or 279]

36. The Receiver adopts and incorporates by reference the allegations contained in the previous paragraphs 1-23, inclusive, as though set forth in full.

37. The Receiver is informed and believes, and thereon alleges, that each of the Excess Payments were made by the Receivership Entities with the actual intent to hinder, delay or defraud present and/or future creditors of the Receivership Entities.

38. By virtue of the foregoing, and pursuant to N.Y. Debt. & Cred. Law §§ 276, 276-a, 278 and/or 279, the Receiver is entitled to a judgment against NIC (a) directing that the Excess Payments be set aside, (b) recovering the Excess Payments, or the value thereof, for the benefit of the receivership estate in the sum of \$12,050,802 representing the Excess Payments, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first, and attorneys' fees.

**FIFTH CAUSE OF ACTION**

[Turnover of Receivership Property]

39. The Receiver adopts and incorporates by reference the allegations contained in the previous paragraphs 1-23, inclusive, as though set forth in full.

40. The Excess Payments constitute transfers from the Receivership Entities of ill-gotten gains and the proceeds of illegal and fraudulent investments solicited by the Receivership Entities.



41. The Excess Payments received by NIC as alleged above constitute property of the receivership estate.

42. There is now due and owing from NIC the sum of \$12,050,802 representing the Excess Payments, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first.

**SIXTH CAUSE OF ACTION**

[Unjust Enrichment/Constructive Trust]

43. The Receiver adopts and incorporates by reference the allegations contained in the previous paragraphs 1-23, inclusive, as though set forth in full.

44. The Receiver is informed and believes, and thereon alleges, that prior to the commencement of the receivership, NIC received the Excess Payments from the Receivership Entities, the source of which was funds paid by other investors, including the Losing Investors.

45. The Receiver is entitled to the imposition of a constructive trust by which NIC holds, as a constructive trustee, the sum of \$12,050,802 constituting ill-gotten gains and the proceeds of illegal and fraudulent investments solicited by the Receivership Entities and paid by the Receivership Entities to NIC, which rightfully belong to the receivership estate for the benefit of the receivership estate, including the Losing Investors, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first.

WHEREFORE, the Receiver respectfully demands judgment against Defendant NIC as follows:

1. For judgment in the sum of \$12,050,802 representing the Excess Payments, plus interest thereon at the legal rate according to proof until such payments or transfers are repaid to the Receiver in full or entry of judgment, whichever occurs first.

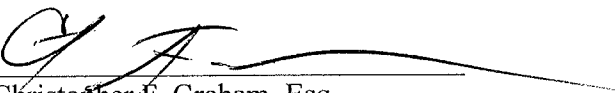
2. For attorneys' fees under the Fourth Cause of Action.

3. For costs of suit incurred by the Receiver; and
4. Granting such other and further relief as the Court deems just and proper.

Dated: New York, New York

August 13, 2010

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