

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF VIRGINIA
Charlottesville Division**

SECURITIES AND EXCHANGE)	CASE NO. 3:01CV00116
COMMISSION,)	
Plaintiff,)	
)	
v.)	JAMES H. MICHAEL, JR.
)	U.S. DISTRICT JUDGE
TERRY L. DOWDELL, et al.)	
)	
Defendants.)	B. WAUGH CRIGLER
)	U.S. MAGISTRATE JUDGE

SEVENTH REPORT OF RECEIVER

Roy M. Terry, Jr. and the law firm of DuretteBradshaw, PLC (“Receiver”) respectfully submit the following seventh report of acts and transactions in its official capacity as Receiver.

PROCEDURAL HISTORY

On April 30, 2002, the Securities and Exchange Commission (“SEC”) filed its First Amended Complaint (“Complaint”) against the Defendants and Relief Defendants in this matter. On June 4, 2002, the SEC filed its Joint Motion for Order Directing Appointment of Receiver Over Defendants Terry L. Dowdell (“Dowdell”), Dowdell, Dutcher & Associates (“DDA”), Emerged Market Securities, DE-LLC (“EMS”) and affiliated entities.

By Order entered July 12, 2002, this Court appointed Roy M. Terry, Jr. and the law firm of DuretteBradshaw PLC, as Receiver over Terry L. Dowdell, Dowdell, Dutcher & Associates, Emerged Market Securities, DE-LLC, and affiliated entities (the “Original Appointment Order”). The Original Appointment Order provides as follows:

7. Within thirty (30) days after the filing of the inventory, and at regular intervals of not less than three (3) months thereafter until discharge, the Receiver shall file reports of his acts and transactions in his official capacity as Receiver.

Accordingly, the Receiver filed with the Court the inventory, first, second, third, fourth, fifth, and sixth reports of acts and transactions on September 10, 2002, October 10, 2002, January 10, 2003, April 10, 2003, July 10, 2003, October 10, 2003, and January 16, 2004, respectively.

This Court also appointed Roy M. Terry, Jr. and the law firm of DuretteBradshaw PLC, as Receiver over Relief Defendant Authorized Auto Service, Inc. and Defendant Vavasseur Corporation by Orders entered September 12, 2002 and February 18, 2003, respectively (the “Supplemental Appointment Orders”).

SUMMARY OF ACTIVITIES

The activities conducted by the Receiver subsequent to the *Sixth Report of the Receiver* pursuant to the Original Appointment Order and the Supplemental Appointment Orders may be categorized as follows: General Case Administration, Asset Administration, Claims Administration, Related Litigation, and Ongoing Activities.

A. General Case Administration.

1. Civil Contempt.

a. Terry L. Dowdell. The Court has entered orders finding Terry

L. Dowdell in civil contempt of court, and on March 4, 2003 entered an order stating:

that defendant Dowdell be committed to the custody of the United States Marshal's Service until such time as he fully and completely purges himself of contempt by repatriating and disgorging all Vavasseur funds and by telling the SEC and the Receiver where all Vavasseur overseas funds are located and how such funds may be obtained by the Receiver. Upon his compliance, defendant shall be released from jail.

To date, Terry L. Dowdell has elected to remain in jail.

b & c. Gregory Smyth and Mark Smyth.

After protracted wrangling, the Smyths finally provided the financial disclosures requested by the Receiver. Based upon their compliance, on January 20, 2004, the Receiver filed a *Notice of Withdrawal of Contempt Motion* regarding Mark Smyth and Gregory Smyth. Notwithstanding, on January 27, 2004, the Receiver filed a *Verified Application to Register Foreign Judgment* with the United States District Court for the Central District of California, Santa Ana Division, to domesticate the \$785,000 judgment obtained jointly and severally against the Smyths. A copy of the *Certification of Judgment for Registration in Another District* is available via PACER, Case No. 8:04MC00001 (C.D. Cal.).

2. Accounting. On February 4, 2004, the Receiver filed under seal financial statements for months ending September 30, 2003, October 31, 2003, and November 30, 2003. Contemporaneously herewith, the Receiver is filing financial statements for month ending December 31, 2003, and year ending December 31, 2003, and month ending January 31, 2004. The Receiver will file subsequent financial statements with the Court to supplement this Report as they become available.

3. Investor Database. In cooperation with police and investigatory authorities in the UK and the SEC, the Receiver has compiled a 1022 entry investor database. The Receiver had hoped to test the database during the first quarter, 2004, but events have again overtaken this initiative. The High Court of Justice in London, England, appointed a Liquidator over the properties of Dobb White & Co. and named the same individual, Mr. Colin Haig, as the bankruptcy trustee over the estates of Alan White and Shin Gangar. Coordinating a joint communication with the Liquidator has delayed the test mailing.

4. Engagement of London Solicitor. Paul Clements, the Receiver's London-based solicitor, has moved to the firm of Rooks Rider. The Receiver shifted its legal business to follow him. Paul continues to coordinate the Receiver's activities abroad with the UK Serious Fraud Office and the Financial Services Administration, the English equivalents of the SEC, and to provide counsel and advice on UK law and procedure. Paul's assistance has proved invaluable since the appointment of the Liquidator, providing

“eyes and ears” on the ground in London and Dublin without the travel and subsistence expense of a U.S.-based lawyer.

B. Asset Administration.

1. Investment Adviser. On February 4, 2004, the Court entered an order approving the Receiver’s engagement of Caprin Asset Management, LLC, as the Receiver’s investment adviser. Caprin has invested part of the liquid assets of the estate in bonds and Treasury bills backed by the full faith and credit of the credit of the United States in order to increase investment yields.

2. Wanda Tracy’s former residence. Pursuant to Court order entered November 4, 2003, on December 9, 2003, the Receiver sold this property at public auction. By Order entered December 15, 2003, the Court approved the sale of the property. The transaction closed on January 15, 2004, netting the Receiver \$110,203.55.

3. Nona Pierce’s former residence. Approval of a proposed settlement with Nona Pierce awaits the approval of the Securities and Exchange Commission. The Receiver is informed that the matter will come before the Commission on April 15, 2004. Following approval by the SEC, the approval of the settlement by this Court will be requested. If approved, 8186 Terrace Garden Drive North, #105, St. Petersburg, Florida will be auctioned to the highest bidder.

4. Adam and Wendy Dowdell’s residence. The SEC and interested parties continue to negotiate a consent and stipulation and proposed final judgment order

with Adam Dowdell (Terry Dowdell's son) and Wendy Dowdell (Adam Dowdell's spouse). When negotiations are complete, the Receiver will file a motion to sell the property.

5. Loans due from Stephen Pierce and Cynthia Pierce. On March 17, 2004, the Court entered an order approving and adopting the terms of a settlement set forth in the Compromise and Settlement Agreement entered into by Stephen Pierce (Terry Dowdell's brother-in-law) and Cynthia A. Pierce (Stephen Pierce's spouse) (collectively the "Pierces"), the SEC, and the Receiver. The Receiver is holding the settlement funds in escrow pending resolution of a title issue.¹ Following resolution of the title issue, the Receiver will dismiss the civil action with respect to the Pierces.

6. The Receiver continues to negotiate the return of Vavasseau funds from other individuals and entities.

C. Claims Administration.

On July 11, 2003, the Court entered an order approving the *Amended and Restated Summary Procedures for Claims Administration and Plan of Distribution*, a Proof of Claim Form, and a Notice to File Claims. Achieving coordination with the UK Liquidator is now a precondition to initiating the claims process.

The Receiver and the Liquidator, through counsel, have negotiated an international cooperation agreement with respect to the collection and liquidation of assets attributable

to the fraud. This proposed agreement is presently before this Court for approval. However, no agreement has been concluded with respect to claims administration because there is insufficient information available to determine in a principled manner to whom, and by whom, the recovered assets should be returned.

D. Related Litigation.

We must observe one universal truth learned in this endeavor: everybody that got money from Terry Dowdell claims to be a victim, no matter how much money they received to which they were not entitled.

1. Receiver v. Robert June, Jr. et al., 3:03cv00021 (W.D. Va.). The Receiver continues to follow up on location leads as such are developed. The Receiver recently has posted June's photograph on the Receiver's Dowdell web-site and asked viewers to contact the Receiver with any location information. The Receiver continues to employ private investigators and private process servers in the effort to serve the summons and complaint on the defendants in this lawsuit. The Receiver is also seeking discovery in the related litigation about June's whereabouts. The Court recently entered an order extending the time for service of the summons and complaint upon the defendant until July 9, 2004.

2. Receiver v. David Dowdell et al., 3:03cv00036 (W.D. Va.). On October 1, 2003, the Receiver released its lien on the defendant's residence so the

¹ The loans were secured by a mortgage held by T. L. Dowdell, LLC. Because the Receiver does not know if T. L. Dowdell, LLC is a valid entity, nor who the officer(s) and member(s) are, it is not clear whether the Receiver has the

defendants could refinance the property to fund a settlement agreement, which was executed by the parties in December, 2003. The settlement agreement is subject to SEC and Court approval. It is anticipated that the settlement agreement will come before the SEC for approval on April 15, 2004. Once approved by the SEC, the Receiver will file a motion to obtain Court approval of the settlement.

3. Receiver v. Wicoff Overseas Corp., 3:03cv00045 (W.D. Va.). Matter is closed.

4. Receiver v. Timothy Pierce et al., 3:03cv00046 (W.D. Va.). On January 22, 2004, the Court entered partial summary judgment in favor of the Receiver against Timothy Pierce (Terry Dowdell's brother-in-law) and Cynthia L. Pierce (Timothy Pierce's spouse), jointly and severally, in the amount of Eighty-Six Thousand Dollars (\$86,000.00); and awarded an equitable lien in all property owned or thereafter acquired; and a lien against their home in the amount of Forty-Eight Thousand Nine Hundred Eighty-Eight and 11/100 (\$48,988.11). The Receiver, having completed certain discovery and an assessment of the Pierces ability to pay the judgment, determined that no other and further relief was necessary and on March 3, 2004, filed a motion to dismiss this action. On March 16, 2003, the Honorable B. Waugh Crigler, U.S. Magistrate Judge, entered a Report and Recommendation which recommended the presiding District Judge grant the Receiver's motion to dismiss and dismiss the case from the docket of the court. By Order entered April 3, 2004, the Court adopted the Magistrate Judge's Report and

authority to release this mortgage. Accordingly, the Receiver may have to bring suit in Florida to quiet title.

Recommendation in its entirety, granted the Receiver's motion, and struck the case from the Court's docket. The Receiver is presently preparing to collect the judgment in Florida.

5. Receiver v. Virginia June, 3:03cv00047 (W.D. Va.). The parties have entered into informal discovery. The Receiver has requested, and is waiting for, additional documents from the defendant.

6. Receiver v. Michael Boyd, 3:03cv00048 (W.D. Va.). On June 6, 2003, the Court entered a judgment on a note in favor of the Receiver against Michael Boyd in the sum of Two Hundred Eighty-One Thousand Two Hundred Seventy-Six and 72/100 Dollars (\$281,276.72) plus interest and costs. After the Receiver domesticated the judgment in Connecticut, the defendant offered to pay Two Hundred Forty Thousand Dollars (\$240,000.00) in full discharge of the judgment against him. On March 17, 2004, the Court entered an order (in the SEC Proceeding) authorizing the Receiver's acceptance of this sum in full discharge of the Court's judgment against him.

7. Receiver v. Robert June, Sr., 3:03cv00052 (W.D. Va.). The Receiver filed this case against Robert June, Sr. (father of Robert June, Jr. (Terry Dowdell's associate)) to disgorge investor profits. The case is mired in discovery disputes, which are scheduled for hearing before the Honorable B. Waugh Crigler, U.S. Magistrate Judge, on April 15, 2004.

8. Receiver v. Keswick Club, 3:03cv00086 (W.D. Va.). This matter is concluded.

9. Receiver v. Earl Crowley et al., 3:03cv00091 (W.D. Va.). On October 16, 2003, the Receiver filed this case against Earl and Theresa Crowley to recover fraudulent transfers. On February 13, 2004, the summons and Complaint were served on the Crowleys. No answer was timely filed but on March 2, 2004, the Crowleys sent an e-mail to counsel for the Receiver admitting to having received certain transfers from Terry and Mary Dowdell. On March 4, 2004, the Receiver filed its First Amended Complaint to conform the complaint to the admissions of the Crowleys.

Because the Crowleys failed to appear and/or answer the Complaint or First Amended Complaint, on March 25, 2004, the Receiver filed its *Motion for Entry of Default and Default Judgment with a proposed default judgment order attached as an exhibit*. On April 6, 2004, the Clerk of the Court docketed an Entry of Default. The proposed default judgment order is pending before the Court.

10. Receiver v. Bank of America, Case No. 3:98cv00098 (W.D. Va.). On November 20, 2004, the Receiver filed this complaint against Bank of America (“BOA”) for damages caused by BOA’s violation of this Court’s Asset Freeze Order. BOA permitted Mary Dowdell (Terry Dowdell’s spouse) and Rebecca Dowdell (Terry Dowdell’s daughter) to withdraw \$512,000.00 from a frozen account, only \$39,000.00 of which was recovered by the Receiver. On April 1, 2004, after lengthy negotiations with BOA, the Receiver filed an amended complaint. As of the date of filing this report, the answer is not yet due and no responsive pleading has been filed.

11. In re Rebecca Dowdell, Case No. 03-04800 (W.D. Va.). This matter is concluded.

12. In re Kenneth Mason, Case No. 03-44922 (N.D. Ill.). On November 3, 2003, relief defendant Kenneth Mason voluntarily filed a chapter 7 bankruptcy in the United States Bankruptcy Court for the Northern District of Illinois (Eastern Division), seeking to have the Receiver's claims (and other Vavasseur related claims) against him discharged. The Receiver employed local counsel (as required by local rules), entered an appearance, and, in conjunction with the SEC, filed a proof of claim and *Motion for Relief from the [Automatic] Stay and to Extend Deadline for Objections to Discharge and Dischargeability of Debts*. On March 18, 2004, the Illinois Bankruptcy Court entered an order lifting the automatic stay with respect to *SEC v. Dowdell*, Case No. 3:01cv00116 (W.D. Va.), and granted 180 day extension (up to and including September 17, 2004) to file complaints to object to discharge and to determine dischargeability of debts. On March 29, 2004, Mason, by counsel, filed a motion requesting the Illinois Bankruptcy Court to reconsider that order ("Debtor's Motion to Reconsider"). Hearing was held April 6, 2004, on Debtor's Motion to Reconsider and a briefing schedule was set by the Court. The Receiver and the SEC filed its opposition to Debtor's Motion to Reconsider on April 13, 2004.

The SEC has a motion to compel against Mason pending before this Court (docket no. 511, filed March 24, 2004). The Receiver anticipates that the SEC will proceed

against Mason (who received hundreds of thousands of dollars of “commissions” from Terry Dowdell) in this Court to settlement or judgment and that the Receiver will ultimately obtain a ruling on Mason’s bankruptcy discharge (if any) from the Illinois Bankruptcy Court.

13. In the Matter of The Proceeds of Crime Act, 1996, McKenna and I.Z. Holding Co., Ltd., et al., v. Terry, Receiver, Record No. 6946P of 2002 (The High Court, Dublin, Ireland). Hearings are scheduled to commence on April 29, 2004. The entry of the UK Liquidator on the scene has complicated *and* simplified this case considerably. The addition any new party at this stage of the case complicates matters; however, the Liquidator has a special, preferred status under European Union insolvency laws, which should simplify the entitlement issues. It is anticipated that the Receiver and the Liquidator will appear in the case through the same barrister.

14. Marcia Dowdell. Marica Dowdell is Terry Dowdell’s mother. The Receiver has solicited an offer from her counsel to settle the Receiver’s claims against her.

15. Other Litigation. The Receiver anticipates filing several more lawsuits related to fraudulent conveyances and “investments” by Terry and Mary Dowdell.

E. Ongoing Activities.

1. Causes of Action. The SEC and Receiver continue to identify persons and entities in possession of Receivership Property to seek return of such property

and continue to initiate legal actions against those who will not voluntarily return such Receivership Property to the Receiver. Increasingly, these efforts are taking place outside the United States.

2. Consolidation. The Receiver continues to believe that consolidation of the Receivership entities created by the Original Appointment Order and Supplemental Appointment Orders would provide the most equitable, efficient and economical method for returning assets to the rightful owners. The Receivership has devised a method of accounting sufficient to permit the proper allocation of receipts and expenditures against the various judgment and disgorgement orders entered by this Court, so one of the principal objections to consolidation has been overcome.

Respectfully submitted, this the 15th day of April, 2004.

Roy M. Terry, Jr. and DuretteBradshaw PLC
Receiver
By Counsel

/s/ Douglas Scott
Douglas Scott, VSB No. 28211
John C. Smith, VSB No. 44556
DuretteBradshaw PLC
600 E. Main St., 20th Floor
Richmond, Virginia 23219
☎ 804.775.6900
📠 804.775.6911