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Las Vegas insiders sued over land sale to Utah swindler

Millions » Attorney seeking returns of cash

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A group of Las Vegas insiders took a \$22 million down payment from the Utahn at the center of a giant Ponzi scheme, stymied his development efforts and then foreclosed on the property when he failed to make payments, a new lawsuit contends.

The group, which includes Las Vegas Mayor Oscar Goodman, knew or should have known that Val E. Southwick could not pay \$125.5 million for the property in an industrial park north of Las Vegas for which they had paid less than \$6 million, according to the lawsuit filed by Salt Lake City attorney Robert Wing.

"We need to prove that they took consideration from VesCor in the situation where they did not give reasonable equivalent value for it or they did not take it in good faith," Wing said.

Wing is the court appointed receiver for Southwick's web of more than 150 companies generally known as VesCor that owe 800 or so investors at least \$180 million and that overall had about \$450 million in debt when it filed for bankruptcy in 2007.

Wing is charged with recovering as much money as possible. Southwick is in prison serving nine consecutive 1-to-15 years terms on his guilty pleas to fraud.

The lawsuit --- one of many filed in the case -- is based on report by Miami attorney Lewis Freeman, the trustee of a VesCor bankruptcy in Nevada, in which he suggested that Southwick and VesCor might be "scammers that [were] scammed" by the Vegas group.

By the time the Vegas companies owned by Goodman and others sold the property to Southwick, he already had been sanctioned three times by securities officials in Utah and Nevada. In addition, he had a long history of being sued over soured deals. After 2004, Southwick was prohibited from selling investments in Utah.

If known to the sellers, those facts -- easily obtained by phone calls to regulators or through public records -- could have established that Southwick was not a suitable buyer.

"Discovery is going to need to take place before we know all the details but I think there were some things that maybe they should have known," said Wing.

Goodman declined comment, saying through a spokesman that he had not seen the lawsuit. Attorneys for the Las Vegas companies, Apex Holding Co. and Apex Utility Holding Co., did not return a phone call and e-mails seeking comment.

In a court filing in Nevada, Freeman said the Apex property originally had been purchased from Clark County by the group that included Goodman, paving contractors, a casino owner, construction company owners and an attorney. They paid \$9 million for 10,000 acres in 1999 and reportedly spent another \$9 million for engineering, legal work and environmental studies.

The group sold 4,000 of those acres for \$40 million, already doubling their money by selling only 40 percent of the property. They then sold the remaining nearly 6,000 acres for \$125.5 million to Southwick.

Freeman suggested that Apex investors sold the land to Southwick knowing they would keep the \$22 million down payment and get the land back too. In fact, Apex did foreclose on the properties.

Wing also contends that in 2006, Apex manager David M. Carver interfered with Southwick's attempt to develop

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the property.

Asked whether Apex could be a large source of returned cash, Wing said, "I view it as a very significant claim."

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