

1 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
2 DAVID R. ZARO (BAR NO. 124334)
TIM C. HSU (BAR NO. 279208)
3 515 South Figueroa Street, Ninth Floor
Los Angeles, California 90071-3309
4 Phone: (213) 622-5555
Fax: (213) 620-8816
5 E-Mail: dzaro@allenmatkins.com
thsu@allenmatkins.com

6 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
7 EDWARD G. FATES (BAR NO. 227809)
8 One America Plaza
600 West Broadway, 27th Floor
9 San Diego, California 92101
Phone: (619) 233-1155
10 Fax: (619) 233-1158
E-Mail: tfates@allenmatkins.com

11 Attorneys for Receiver
12 WILLIAM J. HOFFMAN

13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**
15 **WESTERN DIVISION**

16 SECURITIES AND EXCHANGE
17 COMMISSION,

18 Plaintiff,

19 v.

20 NATIONWIDE AUTOMATED
SYSTEMS, INC.; JOEL GILLIS; and
21 EDWARD WISHNER,

22 Defendants,

23 OASIS STUDIO RENTALS, LLC;
24 OASIS STUDIO RENTALS #2, LLC; and
OASIS STUDIO RENTAL #3, LLC,

25 Relief Defendants.
26
27
28

Case No. CV-14-07249-SJO (FFMx)

**RECEIVER'S SIXTEENTH
INTERIM REPORT AND
RECOMMENDATIONS**

Ctrm: 1 - 2nd Floor
Judge: Hon. S. James Otero

1 William Hoffman ("Receiver"), the Court-appointed receiver for Defendant
2 Nationwide Automated Systems, Inc. ("NASI"), Relief Defendants Oasis Studio
3 Rentals, LLC, Oasis Studio Rentals #2, LLC, and Oasis Studio Rentals #3, LLC
4 ("Relief Defendants"), and their subsidiaries and affiliates, including Studios Maui
5 Productions, LLC dba Akamai RV ("Receivership Entities"), hereby submits this
6 sixteenth report on his activities and findings to date, as well as his
7 recommendations for the continued administration of the receivership estate
8 ("Report"). This Report focuses on the Receiver's activities during the second
9 quarter of 2018.

10 **I. EXECUTIVE SUMMARY**

11 The Receiver has continued to carry out his duties under the Court's
12 Preliminary Injunction Order, including taking necessary and appropriate actions to
13 secure, preserve, and protect the assets of the Receiverships Entities. The Receiver
14 has also continued operations of NASI's ATM business, as authorized by the Court.
15 As previously discussed, the ATM business generates a steady, but modest amount
16 of revenue.

17 As he did in the first quarter of 2018, the Receiver spent significant time in
18 the second quarter on (a) pursuing Clawback Claims (as defined below) in the form
19 of demand letters, Court-authorized settlements, and complaints filed against
20 investors and other third parties who received profits from the Ponzi scheme ("Net
21 Winners"); (b) efforts to identify, recover, and protect the assets of the Oasis Studio
22 Rentals entities and their affiliates, including efforts to recover amounts owed to the
23 entities or transferred from them to third parties; (c) communication with investors
24 and reviewing documents provided, (d) reviewing and revising accounting necessary
25 for Clawback Claims, and (e) reviewing and analyzing investor financial hardship
26 applications and supporting financial documents, and (f) providing accounting and
27 document support for the ongoing litigation against City National Bank and related
28 parties. In addition, the Receiver spent significant time implementing the Court-

1 approved claim procedures, including locating and providing notices to investors
2 whose current addresses were not in NASI's books and records, and reviewing and
3 analyzing investor claims.

4 The Receiver has also continued his forensic accounting and investigation as
5 necessary and appropriate to identify assets and potential claims to recover investor
6 profits, referral fees, and other transfers to third parties ("Clawback Claims"). In
7 April 2015, the Receiver obtained authority from the Court to pursue Clawback
8 Claims, as well as approval of proposed procedures for such claims. To date, the
9 Receiver has recovered \$38,820,085 from 387 Clawback settlements and judgment
10 collections, with another \$139,395 due in installment payments.

11 Recoveries from Net Winners, through the pursuit of Clawback Claims, will
12 make up the majority of what is available to distribute to investors from the
13 receivership estate (other than what is distributed through the proposed class
14 settlement with City National Bank). Accordingly, the pursuit of Clawback Claims,
15 which to date has been very successful, should continue to be a primary focus.

16 As discussed below, the Receiver recommends the receivership remain in
17 place as he continues to manage the ATM operations, investigate and recover assets,
18 pursue Clawback Claims and settlements as necessary and appropriate, all with the
19 goal of maximizing the value in the receivership estate for the benefit of investor
20 victims.

21 **II. ATM OPERATIONS**

22 The Receiver has continued operations of the NASI ATM machines, which
23 consist of 106 ATMs operating at various hotels and other locations around the
24 country and 133 non-operating ATMs that are outdated or need substantial repairs.
25 Further, the Receiver's staff has continued business relationships with the ATM
26 service vendors and the ATM locations to maximize the revenue into the
27 receivership estate.

28

1 Revenue and expenses from ATM operations vary on a monthly basis
2 depending on the amount of transactions for each ATM. During the second quarter,
3 9 ATMs were removed from hotel and other locations due to terminated leases and
4 age of the ATM machines. The costs of upgrading these ATM machines would
5 likely exceed the revenue from them, so the Receiver determined not to upgrade
6 them.

7 Gross revenues for April, May and June 2018 were \$83,500, \$75,829, and
8 \$73,280, respectively. The monthly net income from ATM operations (after
9 payments to the ATM servicers and locations) was \$4,175, (\$4,539), and \$1,574,
10 respectively, for a total of \$1,210. The average monthly net income for the quarter
11 was \$403.

12 The revenue and net income is seasonal and is substantially higher during the
13 second and third quarters as compared to the first and fourth quarters. This is due to
14 higher demand resulting from summer vacations and travel. Based on prior seasonal
15 trends and increase in ATM repair and replacement costs, net revenue may increase
16 slightly during the third quarter but will likely decrease to a negative net revenue by
17 the fourth quarter. As a result, the Receiver is in the process of marketing the
18 remaining ATMs for sale.

19 **III. OASIS STUDIO RENTALS**

20 The Oasis Studio Rentals entities ("Oasis Entities") ran a business whereby
21 they leased mobile dressing rooms (trailers) and trucks to transport the trailers to
22 film and television studios to be used by actors and others on set during production.
23 The Oasis Entities appear to have been funded almost entirely by NASI. At one
24 point in time, the Oasis Entities owned most of the trucks and trailers. However,
25 some of the trucks and trailers were apparently sold to various third parties with
26 leaseback agreements to the Oasis Entities. The Receiver continues to investigate
27 the true ownership and location of certain trucks and trailers.

28

1 On November 18, 2014, the Court entered its Order Approving the Receiver's
2 First Report and Recommendations, which confirmed that the Oasis Entities are
3 affiliates of NASI, and therefore within the scope of the receivership. Accordingly,
4 the Receiver immediately took steps to identify, locate, and secure the assets of the
5 Oasis Entities.

6 Prior to the receivership, the day-to-day operations of Oasis vehicles,
7 including the arrangements to lease trailers to the studios, were managed by Robert
8 Keller, Jr. ("Keller") with assistance from Defendant Ed Wishner's staff. The
9 Receiver's counsel has served over a dozen subpoenas to parties associated with
10 Keller, including the current entity Keller leases vehicles with studios, Fiji Rentals.
11 The Receiver has received partial accounting and documents from a few parties, but
12 significant accounting and requested documentation has not been provided. The
13 Receiver took several depositions in order to gather more facts relating to potential
14 claims against Keller, Fiji Rentals, and Fiji Rentals' principal, Damian Perillo.
15 Among other things, it appears that Keller and Perillo have taken trailers that were
16 being managed by Oasis pursuant to leases with their owners and converted the
17 management/rental of those trailers to Fiji Rentals.

18 The Receiver prepared a complaint and issued a demand to Keller, Perillo,
19 and Fiji Rentals for recovery of large amounts wrongfully taken from NASI and
20 Oasis. In response to the letter, Perillo and Fiji Rentals produced certain requested
21 documents. The Receiver then made a follow-up settlement demand, which Keller,
22 Perillo, and Fiji Rentals did not accept. Accordingly, the Receiver filed his
23 complaint in Los Angeles Superior Court on July 12, 2016.

24 On July 18, 2018, the Receiver filed a motion for approval of a proposed
25 settlement with Keller. Dkt. No. 277. The motion was granted on August 17, 2018.
26 The Receiver continues to pursue his claims against Perillo and Fiji.

27
28

1 **IV. FORENSIC ACCOUNTING**

2 The Preliminary Injunction Order requires the Receiver to "make an
3 accounting, as soon as practicable, to the Court and the SEC of the assets and
4 financial condition of Defendant Nationwide Automated Systems, Inc." Dkt.
5 No. 42, Part XII.E. Accordingly, the Receiver has undertaken to perform such an
6 accounting. The Receiver has made progress in the review of available financial,
7 accounting and banking records to reconstruct transactions of NASI, the Oasis
8 Entities and other affiliated entities.

9 Reconstruction of financial and accounting documents is a central task (a) to
10 determine who received funds from the Receivership Entities and how much they
11 received, (b) to prepare necessary tax filings, (c) to determine the proper amount of
12 profits of investors, and (d) determine the proper amounts of losses of investors.
13 The Receiver's accounting personnel has worked diligently to create an accurate
14 check register showing the checks paid by NASI to investors that cleared, not
15 bounced, which is a critical and time-consuming task.

16 Due to the large size and length of time the Ponzi scheme operated, an
17 enormous amount of information is required to be traced and verified. Reliable
18 information about NASI's check register and similar information was either not
19 available or not accurate, which required the Receiver's accounting personnel to
20 reconstruct the ledger of transactions. Information from bank statements and
21 cleared checks were used to create a schedule of checks paid by NASI to investors.
22 On average, over 2,000 checks were paid by NASI to investors on a monthly basis
23 in 2014.

24 In addition to the ongoing accounting of transactions in order to pursue
25 Clawback Claims against select investors and third parties, the Receiver's staff
26 compiled schedules for identified losing investors and mailed them to investors
27 pursuant to the approved Claims Process. The Receiver will continue to complete
28

1 the forensic accounting required to pursue Clawback Claims for investor profits,
2 referral fees, and other transfers, as well as the investor loss analysis.

3 **V. PENDING CLAWBACK CASES**

4 As discussed above, the Receiver has settled with 387 Net Winners and
5 enforced collections on judgments for a total recovery to the receivership estate of
6 \$38,820,085, with another \$139,395 due in settlement payments still to be made.
7 Another 138 demand letters to Net Winners are currently outstanding. The rate of
8 settlements prior to a complaint being filed in relation to total demand letters sent to
9 Net Winners is very high – 63.1% (356 settlements without a complaint being filed
10 and 32 settlements after a complaint was filed). Of course, not all Net Winners
11 accept the Court-approved settlement proposal included in the demand letter and
12 therefore complaints must be filed. To date, 68 complaints have been filed and 14
13 cases remain active.

14 Overall, the rate of cases filed (68) in relation to total expired demand letters
15 (including settlements and outstanding demands) is remarkably low – only 11.1%.
16 Further, the rate of currently active cases (14) in relation to total claims is even
17 lower – only 2.3%. Accordingly, the Receiver's pursuit of Clawback Claims has not
18 only been very successful to date, but has also been extremely efficient.

19 **VI. CLAIMS AGAINST CITY NATIONAL BANK**

20 For almost the entire duration of the NASI Ponzi scheme, which started in the
21 late 1990s, the company ran its banking transactions through accounts at City
22 National Bank ("CNB"). In addition, at least two CNB executives invested, directly
23 or through a related entity, in NASI and therefore became familiar with NASI's
24 operations and purported investment returns. In light of these facts, the Receiver
25 has gathered documents and investigated potential claims against City National
26 Bank.

27 On May 4, 2016, the Court approved the Receiver's engagement of Newhouse
28 Law Group and Girardi | Keese LLP as co-special counsel to represent the Receiver

1 in pursuing claims against CNB and related parties. Dkt. No. 150. On June 21,
2 2016, the Receiver filed his complaint against CNB, Royal Bank of Canada, a
3 Canadian bank, Patrick Brian Fitzwilliams, and Betty Saleh Fitzwilliams in
4 Los Angeles Superior Court. As previously communicated to this Court, for
5 efficiencies' sake, Special Counsel has continued to work closely and coordinate
6 efforts with Class Counsel in the matters of *Nairn v. City National Bank*, *Madison v.*
7 *City National Bank*, and *Allison v. City National Bank*. On September 30, 2017, a
8 class-action complaint was filed by non-California investors in federal court in
9 New York, styled as *Wilinsky et al. v. City National Bank, NA, et al.*, Case 1:17-cv-
10 07463-JGK.

11 On November 17, 2016 and February 2, 2018, the Receiver and Special
12 Counsel attended a global mediation with CNB, counsel representing the investors,
13 and the other parties in the related actions before the Los Angeles Superior Court.
14 The parties continued to negotiate settlement terms through the mediator, the
15 Hon. Carl West (Ret.), over several months until the basic terms of a global class
16 settlement were reached and then eventually documented and executed, subject to
17 Court approval. The Receiver's motion for approval of the settlement (Dkt.
18 No. 287) is set to be heard on September 10, 2018. The motion for preliminary
19 approval of the settlement filed in the Los Angeles Superior Court is set to be heard
20 on August 30, 2018.

21 **VII. POST-RECEIVERSHIP RECEIPTS AND DISBURSEMENTS**

22 At the time the Receiver was appointed on September 30, 2014, NASI had
23 approximately \$461,000 in cash. Since then, the balance in the receivership estate
24 has grown rapidly, primarily due to recoveries through Clawback Claims. By the
25 end of 2015, the balance had increased to \$5,695,473, by the end of 2016, the
26 balance had grown to \$27,893,271, and by the end of 2017, the balance had grown
27 to \$35,919,846.

28

1 During the second quarter of 2018, (a) business operations received positive
2 cash flow of \$1,015 (total business income of \$232,609 minus total business
3 expenses of \$231,594), (b) the Receiver obtained a total of \$480,017 from Clawback
4 Claims, (c) interest payments of \$13,229 were received for Receivership funds
5 deposited, and (d) disbursements totaling \$344,376 were paid to the Receiver and
6 his Counsel for Court-approved fees and expenses incurred during the fourth quarter
7 2017 (their thirteenth fee applications, which were approved during the second
8 quarter), resulting in an ending balance of \$36,393,844, as of June 30, 2018. A
9 Standardized Fund Accounting Report is attached hereto as Exhibit A.

10 In addition, the Receiver has already had recoveries from Clawback
11 settlements in July and August 2018. An additional \$54,924 has been recovered.

12 **VIII. INVESTOR COMMUNICATIONS**

13 The Receiver has taken many steps to inform investors about the receivership,
14 including establishing a website (www.nasi-receivership.com), two dedicated
15 telephone lines (858-242-1161 and 858-242-1166), and a dedicated email address
16 (receiver@nasi-receivership.com). The website is designed to be investors' primary
17 source of information about the receivership and provides basic information about
18 receiverships, answers to commonly asked questions, status updates, pleadings filed
19 in the case, and Court orders. In addition, the website has an investor questionnaire
20 designed to obtain information from investors, including their contact information,
21 investment amounts, ATM locations, and price paid per ATM. The investor
22 questionnaire is a cost-effective method of obtaining information from investors,
23 which the Receiver can then cross-reference and confirm or supplement with
24 existing information. Thus far, more than 1,300 investor questionnaire submissions
25 have been made via the Receiver's website. The Receiver will continue to update
26 the receivership website and review information and documents provided by
27 investors. The Receiver's staff will also continue to monitor the Receivership's
28 voicemail line, email address, fax line, and website questionnaires and respond

1 accordingly. Investors are reminded to promptly contact the Receiver's office and
2 provide their new contact information if their contact information changes.

3 As discussed above, the Receiver continues to devote considerable time and
4 focus to the pursuit of Clawback Claims. Additionally, on January 9, 2018, the
5 Receiver filed a renewed motion for approval of procedures for the administration of
6 claims of investors with net losses from the Ponzi scheme (as well as the claims of
7 other creditors). Dkt. No. 247. The motion was granted on February 7, 2018. Dkt.
8 No. 256. On March 8, 2018, pursuant to the approved claim procedures, the
9 Receiver sent notices to investors and creditors with detailed instructions regarding
10 the claims process.

11 In an effort to efficiently update investors and decrease the calls and emails
12 from investors seeking to confirm receipt of their submitted claims, the Receiver has
13 posted a list of claims received from investors on the Receiver's website, [www.nasi-](http://www.nasi-receivership.com)
14 [receivership.com](http://www.nasi-receivership.com), under the "Claims Admin." tab. The list of received claims will
15 only reference the claims number with no other identification information and will
16 be updated periodically. Investors are encouraged to review the Receiver's website
17 for updates instead of calling and emailing the Receiver (and Receiver's staff) for
18 updates or confirmations.

19 **IX. RECOMMENDATIONS**

20 The Receiver recommends the receivership continue and his investigation and
21 accounting be allowed to proceed.

22 **A. ATM Operations**

23 As discussed above, the ATM operations generated minimal net revenue
24 (\$403 per month) during the second quarter. The net revenue has been declining
25 steadily due to the age of some of the ATM machines (more and more of which are
26 obsolete), and the Receiver does not expect that trend will materially change.
27 Accordingly, the Receiver has begun the process of preparing due diligence
28 materials and marketing the remaining ATM portfolio to potential buyers.

1 **B. Clawback Claims**

2 The Court has authorized the Receiver to pursue Clawback Claims and
3 approved the Receiver's proposed procedures for prosecuting such claims. As
4 discussed above, recoveries from Clawback settlements have been very successful
5 to date. The Receiver will continue to pursue such claims and file complaints
6 against profiting investors who choose not to accept the Court-approved settlement
7 offer.

8 **C. Claims Process**

9 As noted above, the Court has approved the Receiver's renewed motion for
10 approval of procedures for the administration of investor and creditor claims. The
11 Receiver mailed notices to investors on March 8, 2018, and is diligently working to
12 (1) locate and provide notices to investors whose claims notices were returned
13 and/or not delivered, (2) take inventory of Claims Submission Forms and supporting
14 documents provided by investors to the Receiver, (3) communicate with investors to
15 confirm the Receiver's receipt of documents from investors and to answer questions
16 regarding the claims process. The Receiver will continue his work to process claims
17 and resolve as many disputed claims as possible through communications with
18 investors and creditors. The Receiver will then file his motion for approval of
19 proposed allowed claim amounts and advise the Court regarding the status and
20 number of disputed claims.

21 **D. Distributions**

22 In connection with seeking approval of proposed allowed claim amounts, the
23 Receiver will request approval of a plan of distributing receivership estate assets to
24 investors and creditors with allowed claims and request authorization to make
25 interim distributions pursuant to the plan.

26
27
28

1 **X. CONCLUSION**

2 Based on the foregoing, the Receiver requests an order approving this Report
3 and his recommendations discussed above.

4
5 Dated: August 28, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

6
7 By: /s/ Edward Fates

8 EDWARD G. FATES
9 Attorneys for Receiver
10 William Hoffman
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT A

STANDARDIZED FUND ACCOUNTING REPORT for
Equity Receivership over Nationwide Automated Systems, et al. - Cash Basis
Receivership; Civil Court Docket No. 44
Reporting Period 04/01/2018 through 06/30/2018

Fund Accounting (See Instructions):

		<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Line 1	Beginning Balance (As of 04/01/2018)	\$ 36,247,232		
	Increases in Fund Balance			
Line 2	Business Income	\$ 232,609		
Line 3	Cash and Securities			
Line 4	Interest/Dividend Income	\$ 13,229		
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income	\$ 480,017		
Line 8	Miscellaneous - Other			
	Total Funds Available (Lines 1-8)			\$ 36,973,088
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements to Receivership Operations			
Line 10a	<i>Disbursements to Receiver or Other Professionals</i>	\$ (344,376)		
Line 10b	<i>Business Asset Expenses</i>	\$ (231,594)		
Line 10c	<i>Personal Asset Expenses</i>			
Line 10d	<i>Investment Expenses</i>			
Line 10e	<i>Third-Party Litigation Expenses</i>			
	1. Attorney Fees			
	2. Litigation Expenses			
	<u>Total Third-Party Litigation Expenses</u>			
Line 10f	<i>Tax Administrator Fees and Bonds</i>			
Line 10g	<i>Federal and State Tax Payments</i>	\$ (3,273)		
	Total Disbursements for Receivership Operations		\$ (579,244)	
Line 11	Disbursements for Distribution Expenses Paid by the Fund			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees			
	Fund Administrator			
	Distribution Agents			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	<u>Total Plan Development Expenses</u>			
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agents			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution			
	(FAIR) Reporting Expenses			
	<u>Total Plan Implementation Expenses</u>			
	Total Disbursements for Distribution Expenses Paid by the Fund			

	<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Line 12	Disbursements to Court/Other:		
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees		
Line 12b	Federal Tax Payments		
	Total Disbursements to Court/Other:		
	Total Funds Disbursed (Lines 9-11):		\$ (579,244)
Line 13	Ending Balance (As of 06/30/2018)		\$ 36,393,844
Line 14	Ending Balance of Fund - Net Assets		
Line 14a	Cash & Cash Equivalents	\$ 36,393,844	
Line 14b	Investments		
Line 14c	Other Assets or Uncleared Funds		
	Total Ending Balance of Fund - Net Assets		\$ 36,393,844

Other Supplemental Information:

Report Items NOT To Be Paid by the Fund:

Line 15 Disbursements for Plan Administration Expenses Not Paid by the Fund:

Line 15a Plan Development Expenses Not Paid by the Fund:

1. Fees
 - Fund Administrator
 - IDC
 - Distribution Agents
 - Consultants
 - Legal Advisors
 - Tax Advisors
2. Administrative Expenses:
3. Investor Identification:
 - Notice/Publishing Approved Plan
 - Claimant Identification
 - Claims Processing
 - Web Site Maintenance/Call Center
4. Fund Administrator Bond
5. Miscellaneous
6. FAIR Reporting Expenses

Total Plan Implementation Expenses Not Paid by the Fund

Line 15c Tax Administrators Fees & Bonds Not Paid by the Fund

Total Disbursements for Plan Administration Expenses Not Paid by the Fund

Line 16 Disbursements to Court/Other Not Paid by the Fund:

Line 16a Investment Expenses/CRIS Fees

Line 16b Federal Tax Payments

Total Disbursements to Court/Other Not Paid by the Fund

Line 17 DC & State Tax Payments

Line 18 No. of Claims:

Line 18a # of Claims Received This Reporting Period

Line 18b # of Claims Received Since Inception of Fund

Line 19 No. of Claimants/Investors:

Line 19a # of Claimants/Investors Paid This Reporting Period

Line 19b # of Claimants/Investors Paid Since Inception of Fund

Receiver:



 William J. Hoffman of Trigid, Inc.

Date: August 14, 2018