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

25 Relief Defendants.
26
27
28

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

**RECEIVER'S FIFTEENTH
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 fifteenth report on his activities and findings to date, as well as his recommendations
7 for the continued administration of the receivership estate ("Report"). This Report
8 focuses on the Receiver's activities during the first quarter of 2018.

9 **I. EXECUTIVE SUMMARY**

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

16 As he did in the fourth quarter of 2017, the Receiver spent significant time in
17 the first quarter on (a) pursuing Clawback Claims (as defined below) in the form of
18 demand letters, Court-authorized settlements, and complaints filed against investors
19 and other third parties who received profits from the Ponzi scheme ("Net Winners");
20 (b) efforts to identify, recover, and protect the assets of the Oasis Studio Rentals
21 entities and their affiliates, including efforts to recover amounts owed to the entities
22 or transferred from them to third parties; (c) communication with investors and
23 reviewing documents provided, (d) reconstruction of accounting necessary for
24 Clawback Claims, and (e) reviewing and analyzing investor financial hardship
25 applications and supporting financial documents, and (f) providing accounting and
26 document support for the ongoing litigation against City National Bank and related
27 parties. In addition, the Receiver spent significant time formulating and executing
28

1 procedures for the efficient and effective administration of investor claims against
2 the receivership estate.

3 The Receiver has continued his forensic accounting and investigation as
4 necessary and appropriate to identify assets and potential claims to recover investor
5 profits, referral fees, and other transfers to third parties ("Clawback Claims"). In
6 April 2015, the Receiver obtained authority from the Court to pursue Clawback
7 Claims, as well as approval of proposed procedures for such claims. To date, the
8 Receiver has recovered a total of \$39,727,635, including (a) funds contained in
9 frozen/seized company accounts at the commencement of the receivership totaling
10 \$484,002, (b) 380 Clawback settlements pursuant to the Court-approved settlement
11 procedures for a total of \$38,584,470, with another \$158,859 due in settlement
12 payments, and (c) net sale proceeds totaling \$396,752 from the sale of Joel Gillis'
13 home, which funds are being held by the Receiver for distribution pursuant to the
14 Court's criminal restitution order.

15 Recoveries from Net Winners, through the pursuit of Clawback Claims, will
16 make up the majority of what is available to distribute to investors from the
17 receivership estate (other than what is recovered through the City National Bank
18 litigation). Accordingly, the pursuit of Clawback Claims, which to date has been
19 very successful, should continue to be a primary focus.

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

25 **II. ATM OPERATIONS**

26 The Receiver has continued operations of the NASI ATM machines, which
27 consist of 115 ATMs operating at various hotels and other locations around the
28 country and 124 non-operating ATMs that are outdated or need substantial repairs.

1 Further, the Receiver's staff has continued business relationships with the ATM
2 service vendors and the ATM locations to maximize the revenue into the
3 receivership estate.

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

10 Gross revenues for January, February and March 2018 were \$83,043,
11 \$75,429, and \$74,058, respectively. The monthly net income from ATM operations
12 (after payments to the ATM servicers and locations) was \$5,160, \$4,830 and
13 (\$634),¹ respectively, for a total of \$9,356. The average monthly net income for the
14 quarter was \$3,118.

15 The revenue and net income is seasonal and is substantially higher during the
16 second and third quarters as compared to the first and fourth quarters. This is due to
17 higher demand resulting from summer vacations and travel.

18 **III. OASIS STUDIO RENTALS**

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

27

28 ¹ The small loss for March 2018 was due to an annual insurance premium payment
being made in that month.

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. Although the exact location and revenue generated by each vehicle
6 is still being investigated, the Receiver continues to take necessary actions with the
7 goals of: (1) identifying all vehicles purchased with NASI or Oasis funds, (2) tracing
8 the purchase and sale of each vehicle to and from the Oasis Entities, (3) identifying
9 income generated from vehicles owned or leased by the Oasis Entities and the
10 recipients of these funds, (4) obtaining possession of the vehicles owned by Oasis
11 Entities, (5) pursuing potential claims against third parties who improperly benefited
12 from the leasing and/or sale of vehicles owned by Oasis Entities, and (6) selling
13 vehicles owned by the Oasis Entities to maximize the recovery for the receivership
14 estate.

15 In order to achieve the goals outlined above, the Receiver has (a) worked with
16 counsel to subpoena records from numerous financial institutions and other sources,
17 (b) provided significant forensic accounting and analysis of multiple bank accounts,
18 cleared checks, wire transfers, checks deposited and existing contracts,
19 (c) requested, obtained, and reviewed DMV records showing the chain of registered
20 title of vehicles identified by the Receiver, (d) reviewed and analyzed subpoena
21 responses and supporting documents from dozens of suspected affiliated entities,
22 including Fiji Rentals, LLC, and (e) worked to settle potential claims.

23 Prior to the receivership, the day-to-day operations of Oasis vehicles,
24 including the arrangements to lease trailers to the studios, were managed by Robert
25 Keller, Jr. ("Keller") with assistance from Defendant Ed Wishner's staff. The
26 Receiver's counsel has served over a dozen subpoenas to parties associated with
27 Keller, including the current entity Keller leases vehicles with studios, Fiji Rentals.
28 The Receiver has received partial accounting and documents from a few parties, but

1 significant accounting and requested documentation has not been provided. The
2 Receiver has taken several depositions in order to gather more facts relating to
3 potential claims against Keller, Fiji Rentals, and Fiji Rentals' principal, Damian
4 Perillo. Among other things, it appears that Keller and Perillo have taken trailers
5 that were being managed by Oasis pursuant to leases with their owners and
6 converted the management/rental of those trailers to Fiji Rentals.

7 The Receiver prepared a complaint and issued a demand to Keller, Perillo,
8 and Fiji Rentals for recovery of large amounts wrongfully taken from NASI and
9 Oasis. In response to the letter, Perillo and Fiji Rentals produced certain requested
10 documents. The Receiver then made a follow-up settlement demand, which Keller,
11 Perillo, and Fiji Rentals did not accept. Accordingly, the Receiver filed his
12 complaint in Los Angeles Superior Court on July 12, 2016. The action remains
13 pending.

14 **IV. FORENSIC ACCOUNTING**

15 The Preliminary Injunction Order requires the Receiver to "make an
16 accounting, as soon as practicable, to the Court and the SEC of the assets and
17 financial condition of Defendant Nationwide Automated Systems, Inc." Dkt.
18 No. 42, Part XII.E. Accordingly, the Receiver has undertaken to perform such an
19 accounting. The Receiver has made progress in the review of available financial,
20 accounting, and banking records to reconstruct transactions of NASI, the Oasis
21 Entities, and other affiliated entities.

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

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

9 In addition to the ongoing accounting of transactions in order to pursue
10 Clawback Claims against select investors and third parties, the Receiver's staff
11 compiled schedules for identified losing investors and mailed them to investors
12 pursuant to the approved Claims Process. The Receiver will continue to complete
13 the forensic accounting required to pursue Clawback Claims for investor profits,
14 referral fees, and other transfers, as well as the investor loss analysis.

15 **V. PENDING CLAWBACK CASES**

16 As discussed above, the Receiver has settled with 380 Net Winners for a total
17 recovery to the receivership estate of \$38,584,470, with another \$158,859 due in
18 settlement payments still to be made. Another 159 demand letters to Net Winners
19 are currently outstanding. The rate of settlements in relation to total demand letters
20 sent to Net Winners for which the 60-day window to settle without litigation expired
21 is very high – 63.7% (349 settlements without a complaint being filed and
22 31 settlements after a complaint was filed). Of course, not all Net Winners accept
23 the Court-approved settlement proposal included in the demand letter and therefore
24 complaints must be filed. To date, 68 complaints have been filed and 18 cases
25 remain active.

26 Overall, the rate of cases filed (68) in relation to total expired demand letters
27 (including settlements and outstanding demands) is remarkably low – only 11.4%.
28 Further, the rate of currently active cases (18) in relation to total claims is even

1 lower – only 3.0%. Accordingly, the Receiver's pursuit of Clawback Claims has not
2 only been very successful to date, but has also been extremely efficient.

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

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

11 On May 4, 2016, the Court approved the Receiver's engagement of Newhouse
12 Law Group and Girardi | Keese LLP as co-special counsel to represent the Receiver
13 in pursuing claims against CNB and related parties. Dkt. No. 150. On June 21,
14 2016, the Receiver filed his complaint against CNB, Royal Bank of Canada, a
15 Canadian bank, Patrick Brian Fitzwilliams, and Betty Saleh Fitzwilliams in
16 Los Angeles Superior Court. As previously communicated to this Court, for
17 efficiencies' sake, Special Counsel has continued to work closely and coordinate
18 efforts with Class Counsel in the matters of *Nairn v. City National Bank*, *Madison v.*
19 *City National Bank*, and *Allison v. City National Bank*. On September 30, 2017, a
20 class-action complaint was filed by non-California investors in federal court in
21 New York, styled as *Wilinsky et al. v. City National Bank, NA, et al.*, Case No. 1:17-
22 cv-07463-JGK. On November 17, 2016, and February 2, 2018, the Receiver and
23 Special Counsel attended a global mediation with CNB and settlement discussions
24 continue as of the date of this report.

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

26 At the time the Receiver was appointed on September 30, 2014, NASI had
27 approximately \$461,000 in cash. Since then, the balance in the receivership estate
28 has grown rapidly, primarily due to recoveries through Clawback Claims. By the

1 end of 2015, the balance had increased to \$5,695,473, by the end of 2016, the
2 balance had grown to \$27,893,271, and by the end of 2017, the balance had grown
3 to \$35,919,846.

4 During the first quarter of 2018, (a) business operations received positive cash
5 flow of \$6,541 (total business income of \$232,530 minus total business expenses of
6 \$225,989), (b) the Receiver obtained a total of \$621,547 from Clawback Claims,
7 (c) interest payments of \$13,026 were received for Receivership funds deposited,
8 and (d) disbursements totaling \$313,727 were paid to the Receiver and his Counsel
9 for Court-approved fees and expenses incurred during the third quarter 2017 (their
10 twelfth fee application, which were approved during the first quarter), resulting in an
11 ending balance of \$36,247,323, as of March 31, 2018. A Standardized Fund
12 Accounting Report is attached hereto as Exhibit A.

13 In addition, the Receiver has already had significant recoveries from
14 Clawback settlements in April and May 2018. An additional \$299,326.97 has been
15 recovered.

16 **VIII. INVESTOR COMMUNICATIONS**

17 The Receiver has taken many steps to inform investors about the receivership,
18 including establishing a website (www.nasi-receivership.com), two dedicated
19 telephone lines (858-242-1161 and 858-242-1166), and a dedicated e-mail address
20 (receiver@nasi-receivership.com). The website is designed to be investors' primary
21 source of information about the receivership and provides basic information about
22 receiverships, answers to commonly asked questions, status updates, pleadings filed
23 in the case, and Court orders. In addition, the website has an investor questionnaire
24 designed to obtain information from investors, including their contact information,
25 investment amounts, ATM locations, and price paid per ATM. The investor
26 questionnaire is a cost-effective method of obtaining information from investors,
27 which the Receiver can then cross-reference and confirm or supplement with
28 existing information. Thus far, more than 1,300 investor questionnaire submissions

1 have been made via the Receiver's website. The Receiver will continue to update
2 the receivership website and review information and documents provided by
3 investors. The Receiver's staff will also continue to monitor the Receivership's
4 voicemail line, email address, fax line, and website questionnaires and respond
5 accordingly. Investors are reminded to promptly contact the Receiver's office and
6 provide their new contact information if their contact information changes.

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

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

23 **IX. RECOMMENDATIONS**

24 The Receiver recommends the receivership continue and his investigation and
25 accounting be allowed to proceed.

26 **A. ATM Operations**

27 As discussed above, the ATM operations generate a modest amount of net
28 revenue (\$3,119 per month during the first quarter). This revenue stream should be

1 preserved for as long as the ATM business generates positive revenue. Accordingly,
2 the Receiver intends to continue operating the ATMs pursuant to existing
3 agreements with the Servicers and ATM Locations.

4 **B. Clawback Claims**

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

11 **C. Claims Process**

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

24 **D. Distributions**

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

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: June 1, 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
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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 01/01/2018 through 03/31/2018

Fund Accounting (See Instructions):

		<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Line 1	Beginning Balance (As of 01/01/2018)	\$ 35,919,846		
	Increases in Fund Balance			
Line 2	Business Income	\$ 232,529		
Line 3	Cash and Securities			
Line 4	Interest/Dividend Income	\$ 13,026		
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income	\$ 621,547		
Line 8	Miscellaneous - Other			
	Total Funds Available (Lines 1-8)			\$ 36,786,948
	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>	\$ (313,727)		
Line 10b	<i>Business Asset Expenses</i>	\$ (225,989)		
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>	\$ -		
	Total Disbursements for Receivership Operations		\$ (539,716)	
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):		\$ (539,716)
Line 13	Ending Balance (As of 03/31/2018)		<u>\$ 36,247,232</u>
Line 14	Ending Balance of Fund - Net Assets		
Line 14a	Cash & Cash Equivalents	\$ 36,247,232	
Line 14b	Investments		
Line 14c	Other Assets or Uncleared Funds		
	Total Ending Balance of Fund - Net Assets		<u>\$ 36,247,232</u>
Other Supplemental Information:			
	<i>Report Items NOT To Be Paid by the Fund:</i>		
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		
	<u>Total Plan Implementation Expenses Not Paid by the Fund</u>		
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. Holman of Trigild, Inc.

Date: April 7, 2018