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15 **UNITED STATES DISTRICT COURT**
 16 **CENTRAL DISTRICT OF CALIFORNIA**
 17 **WESTERN DIVISION**

18 SECURITIES AND EXCHANGE
 19 COMMISSION,

20 Plaintiff,

21 v.

22 NATIONWIDE AUTOMATED
 23 SYSTEMS, INC.; JOEL GILLIS; and
 24 EDWARD WISHNER,

25 Defendants,

26 OASIS STUDIO RENTALS, LLC;
 27 OASIS STUDIO RENTALS #2, LLC;
 28 and OASIS STUDIO
 RENTALS #3, LLC,

Relief Defendants.

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

**RECEIVER'S FOURTH REPORT
 AND RECOMMENDATIONS**

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

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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 ("Receivership Entities"),
5 hereby submits this fourth report on his activities and findings to date, as well as his
6 recommendations for the continued administration of the receivership estate
7 ("Report"). This Report focuses on the Receiver's activities during the second
8 quarter of 2015.

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 The ATM business generates a steady, but modest amount of revenue.

15 The Receiver spent significant time in the second quarter on (a) efforts to
16 identify, recover, and protect the assets of the Oasis Studio Rentals entities and their
17 affiliates, including efforts to recover amounts owed to the entities or transferred
18 from them to third parties, (b) preparing and issuing investor 1099-MISC tax
19 statements for the pre-receivership time period in 2014, (c) communication with
20 investors and reviewing documents provided, (d) reconstruction of accounting
21 necessary for Clawback Claims (as defined below), and (e) sending demand letters
22 outlining Clawback Claims to investors and third parties. All investors for whom
23 the Receiver has a social security number/EIN and valid address were mailed a
24 1099-MISC. Investors for whom the Receiver has a valid address, but no social
25 security number or EIN were sent a letter requesting they submit a completed W-9
26 to the Receiver.

27 The Receiver has continued his forensic accounting and investigation as
28 necessary and appropriate to identify assets and potential claims to recover investor

1 profits, referral fees, and other transfers to third parties ("Clawback Claims"). In
2 April 2015, the Receiver obtained authority from the Court to pursue Clawback
3 Claims, as well as approval of proposed procedures for such claims.

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

9 II. ATM OPERATIONS AND POTENTIAL SALE

10 The Receiver has continued operations of the NASI ATM machines, which
11 consist of 205 ATMs operating at various hotels and other locations around the
12 country and 36 non-operating ATMs that are outdated or need substantial repairs.
13 Further, the Receiver's staff has continued business relationships with the ATM
14 service vendors and the ATM locations to maximize the revenue into the
15 receivership estate.

16 Revenue and expenses from ATM operations vary on a monthly basis
17 depending on the amount of transactions for each ATM. Gross revenues for April,
18 May and June 2015 were \$186,849.00, \$186,087.00 and \$187,884.00, respectively.
19 The net income from ATM operations (after payments to the ATM servicers and
20 locations) were \$25,293.00, \$38,331.00, and \$33,094.00, respectively, for a total of
21 \$96,718.00. The monthly average net income for the quarter was \$32,239.33.

22 The revenue and net income is seasonal and increased substantially during the
23 second quarter as compared to the first quarter monthly average net income of
24 \$15,487.66. The Receiver expects revenue in the third quarter to be similar to the
25 second quarter due to higher demand resulting from summer vacations and travel.
26 For the same reason, the Receiver anticipates a decrease during the fourth quarter.

27 The Receiver has been actively seeking to sell the portfolio of ATMs. The
28 Receiver contacted the current ATM servicers, Cardtronics and National Link, who

1 initially showed interest in purchasing the ATMs. The Receiver's staff has also been
2 contacted by additional potential buyers, including one buyer specializing in ATMs
3 in hotels throughout the U.S. The Receiver is in the early stages of negotiations
4 with this buyer. Despite several variables complicating the sale, including the
5 condition of ATMs, remaining term on existing leases, locations of the ATMs, and
6 removal of ATMs from certain hotel locations, the Receiver believes a sale can be
7 completed before the end of the year.

8 III. OASIS STUDIO RENTALS

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

17 On November 18, 2014, the Court entered its Order Approving the Receiver's
18 First Report and Recommendations, which confirmed that the Oasis Entities are
19 affiliates of NASI, and therefore within the scope of the receivership. Accordingly,
20 the Receiver immediately took steps to identify, locate, and secure the assets of the
21 Oasis Entities. Although the exact location and revenue generated by each vehicle
22 is still being investigated, the Receiver continues to take necessary actions with the
23 goals of: (1) identifying all vehicles purchased with NASI or Oasis funds, (2) tracing
24 the purchase and sale of each vehicle to and from the Oasis Entities, (3) identifying
25 income generated from vehicles owned or leased by the Oasis Entities and the
26 recipients of these funds, (4) obtaining possession of the vehicles owned by Oasis
27 Entities, (5) pursuing potential claims against third parties who improperly benefited
28 from the leasing and/or sale of vehicles owned by Oasis Entities, and (6) selling

1 vehicles owned by the Oasis Entities to maximize the recovery for the receivership
2 estate.

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

11 Prior to the receivership, the day-to-day operations of Oasis vehicles,
12 including the arrangements to lease trailers to the studios, were managed by Robert
13 Keller, Jr. ("Keller") with assistance from Defendant Ed Wishner's staff. The
14 Receiver's counsel has served over a dozen subpoenas to parties associated with
15 Keller, including the current entity Keller leases vehicles with studios, Fiji Rentals.
16 The Receiver has received partial accounting and documents from a few parties, but
17 significant accounting and requested documentation has not been provided. The
18 Receiver attempted to work toward a consensual resolution of this issue. However,
19 due to a lack of cooperation and production of documents on the part of Keller, Fiji
20 Rentals, and related parties, the Receiver now intends to seek relief from the Court.

21 Wishner has stated that the Oasis Entities have as many as six trailers located
22 in Hawaii under the name Studio Maui Productions ("Studio Maui"). The Receiver
23 traced and confirmed the purchase of a business owning up to four vehicles, Akamai
24 RV, from accounts owned by Oasis and NASI that were leased by Studio Maui.
25 During a discussion between the Receiver's staff and counsel and Wishner, Wishner
26 confirmed (a) the purchase of Akamai RV, (b) the shipment of two additional
27 trailers owned by Oasis Entities from California to Hawaii and leased by Studio
28 Maui, and (c) two additional trailers may have been purchased by Studio Maui. The

1 Receiver continues to investigate the assets and operations of Studio Maui in an
2 effort to maximize the recovery from the assets.

3 The Receiver's investigation has also revealed that the Oasis Entities made
4 various loans, investments, and transfers to third parties. In the second quarter of
5 2015, the Receiver recovered a total of \$172,000 from third parties who received
6 funds from Oasis Entities. The Receiver continues to investigate, account for, and
7 pursue recovery of additional amounts.

8 IV. FORENSIC ACCOUNTING

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

16 Reconstruction of financial and accounting documents is a central task (a) to
17 determine who received funds from the Receivership Entities and how much they
18 received, (b) to prepare necessary tax filings, and (c) to determine the proper amount
19 of investor claims. The Receiver's accounting personnel has worked diligently to
20 create an accurate check register showing the checks paid by NASI to investors that
21 cleared, not bounced, which is a critical and time-consuming task.

22 Due to the large size and length of time the Ponzi scheme operated, an
23 enormous amount of information is required to be traced and verified. Reliable
24 information about NASI's check register and similar information was either not
25 available or not accurate, which required the Receiver's accounting personnel to
26 reconstruct the ledger of transactions. Information from bank statements and
27 cleared checks were used to create a schedule of checks paid by NASI to investors.

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1 On average, over 2,000 checks were paid by NASI to investors on a monthly basis
2 in 2014.

3 A substantial amount of time was spent by Receiver's staff to reconstruct
4 banking activity during 2006 and 2007. Banking records for these years are no
5 longer kept by financial institutions, which are only required to keep account
6 records going back seven years. Reconstruction and analysis of the payments from
7 NASI to investors and third parties in 2006 and 2007 is essential to the calculation
8 of Clawback Claims and was completed during the second quarter 2015.

9 In order to pursue Clawback Claims, an accurate accounting of transactions
10 between NASI and the applicable transferees is necessary. During the second
11 quarter, the Receiver's staff was able to complete the payment and deposit
12 reconstruction necessary to pursue Clawback Claims against select investors and
13 third parties. The Receiver will continue to complete the forensic accounting
14 required to pursue Clawback Claims for investor profits, referral fees, and other
15 transfers.

16 **V. TAX RETURNS AND INVESTOR 1099-MISC**

17 The Receiver filed extensions for 2014 federal and state tax returns for
18 Receivership Entities. Upon completion of reconstructing the financial statements
19 and accounting in 2014, the Receiver will file the appropriate tax returns.

20 The Receiver filed 1099-MISC forms with the IRS and mailed a copy to the
21 payee for payments for machine rentals (Box 1: Rents) and payments for services to
22 non-employees (Box 7: Non-Employee Compensation). The Receiver performed
23 the necessary accounting work and filed all 1099-MISC forms during the second
24 quarter.

25 **VI. SALE OF OFFICE FURNITURE AND EQUIPMENT**

26 Office furniture and equipment, including desks, chairs, copier, tables and
27 shelves ("Office Furniture") from the Receiver's takeover of NASI has been stored
28 in a storage unit for the purpose of a bulk sale. The Receiver has contacted over ten

1 office furniture and equipment liquidators to sell the Office Furniture and decrease
2 monthly storage expenses. Most liquidators offered to remove the Office Furniture
3 for no cost, but were unwilling to pay anything for it. The Receiver was able to find
4 a buyer who paid \$500.00. As a result, the monthly lease with the storage company
5 was terminated early in the second quarter.

6 **VII. FUEL DOCTOR**

7 NASI made loans and other large transfers to an entity called Fuel
8 Doctor, LLC ("Fuel Doctor"). Fuel Doctor apparently licenses technology used in
9 several products that it claims increase a car's gas mileage. The Receiver has issued
10 subpoenas to Fuel Doctor and its principal, Mark Soffa ("Soffa"), has reviewed
11 documents produced and met with Soffa in person. The ownership of Fuel Doctor
12 changed several times over the last few years in connection with various failed
13 attempts to take the company public. The Receiver continues to gather and review
14 documents to determine the current ownership and financial condition of the
15 company. According to Soffa, Fuel Doctor's current inventory and operations are
16 very limited and sales are limited to one catalogue.

17 **VIII. CRIMINAL CASE**

18 On December 16, 2014, Gillis and Wishner were indicted on federal criminal
19 charges of mail fraud, wire fraud, conspiracy, and aiding and abetting. Gillis and
20 Wishner have both since entered guilty pleas and are awaiting sentencing, which is
21 set for September 21, 2015.

22 **IX. POST-RECEIVERSHIP RECEIPTS AND DISBURSEMENTS**

23 At the time the Receiver was appointed on September 30, 2014, NASI had
24 approximately \$461,000 in cash. By the end of 2014, the balance in the receivership
25 estate had increased to approximately \$553,000. By the end of the first quarter
26 2015, the balance in the receivership estate had increased to \$602,440.

27 During the second quarter of 2015, business operations received positive
28 cash-flow of \$82,877 (total business income of \$560,820 minus total business

1 expenses of \$477,943), and the Receiver obtained a total of \$399,542 from third-
2 party recoveries (\$227,541.65 from investor Clawback Claims and \$172,000 in
3 funds returned to the Oasis Entities), and paid total disbursements of \$488,326 to the
4 Receiver and his counsel for Court-approved fees and expenses incurred during the
5 fourth quarter 2014 and first quarter 2015 (their first two fee applications, both of
6 which were approved during the second quarter), leaving an ending balance of
7 \$596,533 as of June 30, 2015. A Standardized Fund Accounting Report is attached
8 hereto as Exhibit A.

9 In addition, the Receiver has already had significant recoveries from
10 Clawback settlements in July 2015. Another \$891,804.24 has been recovered from
11 investors who have accepted the Court-approved settlement offer.

12 **X. INVESTOR COMMUNICATIONS**

13 The Receiver has taken many steps to inform investors about the receivership,
14 including establishing a website (www.nasi-receivership.com), a dedicated
15 telephone line (858-242-1161), and a dedicated e-mail address ([receiver@nasi-](mailto:receiver@nasi-receivership.com)
16 [receivership.com](mailto:receiver@nasi-receivership.com)). The website is designed to be investors' primary source of
17 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, 1,250 investors have completed and submitted
25 investor questionnaires. The Receiver will continue to update the receivership
26 website and review information and documents provided by investors.

27 During the second quarter 2015, the Receiver received 295 emails and
28 270 voicemails from investors related to tax filings, 1099-MISC, and other issues

1 regarding the receivership. The procedures put in place by the Receiver allowed
2 him to efficiently (1) obtain and review information and supporting documentation
3 provided by investors, (2) respond to investors within a few days, and (3) resolve
4 any issues by explaining the issue to the investor or filing a corrected 1099-MISC
5 when required. The Receiver's staff will continue to monitor the Receivership's
6 voicemail line, email address, fax line, and website questionnaires and respond
7 accordingly.

8 **XI. RECOMMENDATIONS**

9 The Receiver recommends the receivership continue and his investigation and
10 accounting be allowed to proceed.

11 **A. ATM Operations**

12 As discussed above, the ATM operations generate a modest amount of net
13 revenue (\$32,239.33 per month during the second quarter). This revenue stream
14 should be preserved until the ATM business can be marketed and sold.
15 Accordingly, the Receiver intends to continue operating the ATMs pursuant to
16 existing agreements with the Servicers and ATM Locations.

17 **B. Clawback Claims**

18 The Court has authorized the Receiver to pursue Clawback Claims and
19 approved the Receiver's proposed procedures for prosecuting such claims. The
20 Receiver is moving forward with settlement demand letters and will file complaints
21 against profiting investors who choose not to accept the authorized settlement offer.

22 **C. Claims Process**

23 The Receiver will evaluate the most efficient and effective method of
24 receiving and analyzing investor and creditor claim information and, at the
25 appropriate time, will seek Court approval of procedures for the administration of
26 claims.

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XII. CONCLUSION

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

Dated: August 3, 2015

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: _____ /s/ Ted Fates
TED FATES
Attorneys for Receiver
William Hoffman

EXHIBIT A

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 04/01/2015 to 06/30/2015

Fund Accounting (See Instructions):

		<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Line 1	Beginning Balance (As of 04/01/2015)	\$ 602,440		
	Increases in Fund Balance			
Line 2	Business Income	\$ 560,820		
Line 3	Cash and Securities			
Line 4	Interest/Dividend Income			
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income	\$ 399,542		
Line 8	Miscellaneous - Other			
	Total Funds Available (Lines 1-8)			\$ 1,562,802
	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>	\$ (488,326)		
Line 10b	<i>Business Asset Expenses</i>	\$ (477,943)		
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		\$ (966,269)	
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):		\$ (966,269)
Line 13	Ending Balance (As of 06/30/15)		\$ 596,533
Line 14	Ending Balance of Fund - Net Assets		
Line 14a	Cash & Cash Equivalents	\$ 596,533	
Line 14b	Investments		
Line 14c	Other Assets or Uncleared Funds		
	Total Ending Balance of Fund - Net Assets		\$ 596,533

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 Trigild, Inc.

Date: July ____, 2015

1 I am employed in the County of San Diego, State of California. I am over the
2 age of 18 and not a party to the within action. My business address is 501 West
Broadway, 15th Floor, San Diego, California 92101-3541.

3 On August 3, 2015, I served on interested parties in said action the within:

4 ➤ **RECEIVER'S FOURTH REPORT AND RECOMMENDATIONS**

5 **BY U.S. MAIL:** by placing a true copy thereof in sealed envelope(s),
6 addressed as indicated below. I am readily familiar with this firm's practice
7 of collection and processing correspondence for mailing. Under that practice
8 it would be deposited with the U.S. Postal Service in San Diego County on
9 that same day in the ordinary course of business. I am aware that on motion
of party served, service is presumed invalid if postal cancellation date or
postage meter date is more than one day after date of deposit for mailing in
affidavit.

10 Jeffrey D. Nadel
11 Jeffrey D Nadel Law Offices
12 16000 Ventura Boulevard, Suite 908
Encino, California 91436

Attorney for Third Party Claimant
Alejandro "Alex" Trejo
Tel: (818) 784-4914

13 **BY OVERNIGHT DELIVERY:** by placing a true copy thereof in sealed
14 envelope(s), addressed as indicated below. I am readily familiar with this
15 firm's practice of collection and processing correspondence for mailing.
16 Under that practice it would be deposited in a box or other facility regularly
17 maintained by express service carrier, or delivered to a courier or driver
authorized by said express service carrier to receive documents, a true copy of
the foregoing document(s) in sealed envelopes or packages designated by the
express service carrier, with fees for overnight delivery paid or provided for.

18 **BY FACSIMILE:** by transmitting a true copy of said document from
19 facsimile machine whose telephone number is (619) 233-1158, pursuant to
20 California Rules of Court, Rule 2005. The facsimile machine I used complied
with Rule 2003(3) and no error was reported by the machine. Pursuant to
Rule 2008(e), I caused the machine to print a record of the transmission.

21 **BY ELECTRONIC MAIL:** by electronic mail direct to the attorney(s) of
22 records and/or the person or persons as stated above. I am readily familiar
23 with this firm's Microsoft Outlook electronic mail system and this
document/these documents were duly served electronically on the date stated
above, and the transmission was reported as complete and without error.

24 I declare under penalty of perjury under the laws of the State of California
that the foregoing is true and correct.

25 Executed on August 3, 2015, at San Diego, California.

26 Ted Fates
27 _____
(Type or print name)

/s/ Ted Fates

(Signature)