

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN**

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiff,

v.

TREASURE ENTERPRISE LLC,
PATRICIA ENRIGHT GRAY and LARRY
ALLEN HOLLEY

No. 17-cv-10963
Hon. Marianne O. Battani

Defendants,

and

KINGDOM ASSET MANAGEMENT LLC
and CARLEEN RENEE HOLLEY,

Relief Defendants

RECEIVER'S SECOND QUARTERLY STATUS REPORT

Patrick O'Keefe and O'Keefe & Associates Consulting, LLC (the "Receiver"), hereby submit the Receiver's Second Quarterly Status Report (the "Status Report"). This Status Report covers the time period April 15, 2017 through July 15, 2017.

INTRODUCTION

This lawsuit was initiated by the United States Securities and Exchange Commission against the above named defendants and relief defendants

(collectively, the “Defendants”) on the basis that they had, among other things, engaged in unlawful conduct in offering investments to various investors, in violation of existing law. As part of the lawsuit, a Sealed Order Appointing Receiver was entered by the Court on March 28, 2017 (the “Receivership Order”). Per the Receivership Order, the Receiver was appointed over all of the assets of the Defendants (the “Receivership Estates”).

RECEIVER’S REPORT

A. During the time period covered by this Status Report, the Receiver has undertaken a multitude of tasks.

1. *Accounting/Auditing.*

The Receiver received various information from the Defendants, records recovered and information gathered from interviews with current employees, to update the accounting records of the Receivership Estates. The Receiver processed for payment post-receivership invoices and collected post-receivership rents.

b. *Asset Analysis.*

The Receiver took possession of various property records of the Receivership Estates, to create a master list of owned properties, a tenant list and rent roll. This included an extensive review of physical records, information provided by the county treasurer’s office, meetings with the

Defendants and the review of databases under the previous control of the Defendants. The Receiver met with the county treasurer's office, to obtain a one-year extension on all pending tax foreclosure sales of the Receivership Estates' assets. The Receiver engaged Banker's Title to undertake various title searches of the Receivership Estates' assets, to confirm ownership, reviewed various leases to determine extension deadlines and terms to be negotiated and reviewed the SEV of the Receivership Estates' assets to develop an overall analysis of the value of the Receivership Estates' assets. The Receiver visited various properties to address repair and maintenance issues and to determine their overall condition, met with brokers and toured various properties with those brokers to obtain broker opinions of value and to determine the broker to be engaged and met with the chosen broker to outline a sales strategy and offering prices for the Receivership Estates' assets. The Receiver, through his attorney, also negotiated the restructuring of the mortgage on 6059 Brookstone and interfaced with counsel regarding the restructuring, ultimately reducing the interest rate on the mortgage by more than 13%, a significant savings to the receivership estate.

c. Asset Disposition.

The Receiver, based on the inventory of Receivership Estate assets, undertook various steps to monetize those assets, including continued

touring and review of the various properties, continued discussions with the county treasurer regarding the properties subject to tax sale, merged information from the SEC with information the Receiver had received and assembled regarding the master list of properties in the Receivership Estates, engaged in negotiations with Premier Properties regarding alleged usurious loans made to the Defendants, carried on discussions with various potential purchasers of various properties and toured those properties with the potential purchasers, interfaced with existing and future tenants of the properties, assembled information needed to bring the Beecher Road property in as a Receivership Estate asset, reviewed and negotiated lease addendums, and negotiated with and engaged the broker for the sale of the various Receivership Estates' assets.

d. *Business Operations.*

The Receiver contacted insurance companies to verify coverage on the Receivership Estates' assets, engaged in various discussions with tenants over maintenance issues, held various meetings with certain of the Defendants, to transition the business operations to the Receiver and identify key personnel and contractors, fielded investor questions, held tenant meetings to advise of going forward duties of the Receiver and tenants, responded to utility shutoff notices, paid invoices to contractors and

processed rent receipts, negotiated new leases, held meetings with landlord-tenant counsel to review the status of eviction proceedings and additional proceedings to be initiated, engaged new contractors for repair and maintenance items, reviewed the overall utility obligations related to the properties and negotiated with the utilities regarding payment obligations due and reviewed relationships with property managers and determined modifications and changes needed to property management arrangements. The Receiver also reviewed new lease proposals and negotiated the same, obtained quotes of insurance, reviewed various documents under the control of the IRS, created investor lists and a master matrix for initiation of a claims process, receive and respond to numerous investor calls, developed, with the assistance of counsel, form commercial and residential lease forms to be used for new leases and lease renewals and developed a web site for investor communications and use.

e. *Case Administration.*

The Receiver held various meetings with the SEC and the IRS upon the filing of the receivership proceeding. The Receiver attended the initial Court hearings and planned strategy with the SEC and the IRS related to the seizure of records to occur and the division of duties between the Receiver, the SEC and the IRS. The Receiver held various interviews with each of the

Defendants, some on multiple occasions, to obtain an understanding of the business operations of the Defendants and the extent, scope and value of the Receivership Estates' assets. The Receiver, with the assistance of counsel, determined the extent of pending litigation against the Defendants, as of the receivership filing date and worked to provide notice to all such parties of a stay of such proceedings, based on the receivership having been filed. The Receiver interfaced with the SEC and the Receiver's counsel regarding documents which had been ordered to be produced by the Defendants, but which were never submitted for review, and a game plan to compel production was developed and implemented. The Receiver also prepared required filings for the Court, including the Receiver's initial report to the Court and the liquidation plan. In conjunction with the efforts of special counsel, the Receiver assisted in the eviction proceedings against hold-over tenants and pursued eviction judgments against tenants.

f. *Tax Issues.*

The Receiver, based on meetings with the various counties where the Receivership Estates' assets are located, worked to address the massive tax debt owed by the Defendants, to avoid initial and subsequent tax sale foreclosure actions. The Receiver, with the assistance of counsel, undertook

an extensive analysis of the taxable values of each of the Receivership Estates' properties, to determine if any tax appeals should be pursued.

B. As of July 15, 2017, the Receiver had cash on hand of \$296,594.05 (all of which is unencumbered) and as of July 15, 2017, had no accrued but unpaid post-receivership administrative expenses (exclusive of the fees of the Receiver and its professionals).

C. Attached as **Exhibit A** is the Balance Sheet, as of July 15, 2017.

D. Attached as **Exhibit B** is the Operating Statement, for the period from March 28, 2017 through July 15, 2017 (the "Operating Statement"), which details each of the Receiver's receipts and disbursements.

D. Attached as **Exhibit C** is a listing of the Receivership Estates' real estate, which the Receiver has identified, to date. This list is still being refined, based on the lack of direct access to certain of the records of the Defendants, which are under the control of the IRS. The Receiver has determined the approximate values of the commercial real estate assets set forth on Exhibit C. Most all of the assets on Exhibit C were set to be sold at tax sale, as of the time of the date this litigation was filed. The Receiver was able to obtain a one-year postponement of those tax sales, in light of the receivership having been initiated.

E. The Receiver will be filing with the Court a Motion of Receiver to Establish Claims Procedure (the "Claims Procedure Motion"). Pursuant to the

Claims Procedure Motion, the Receiver will be affording all investors and creditors with the opportunity to file a proof of claim and supporting documents, to confirm the amount claimed to be owed by each creditor and investor. A claims resolution process will also be incorporated into the Claims Procedure Motion, relating to any disputed claims asserted against the Receivership Estates. The Receiver will continue to use counsel to assist the Receiver to collect monies owed to the Receivership Estates, primarily from tenants of properties owned by the Receivership Estates. The United States Securities Exchange Commission has taken the laboring oar regarding the forensic review of the Defendants' past banking records, which information will be shared with the Receiver, when finalized. With that information, the Receiver will be in the position to pursue any identified transfers which should be brought back into the Receivership Estates.

F. The Receiver has not yet been able to develop a complete list of all known creditors with their addresses and the amount of their claims. Recently, the Receiver has been provided access to the records housed with the IRS, which is enabling the Receiver to develop a master matrix of the known creditors and their addresses. With that information, the Receiver will be able to establish a direct line of contact with the creditors and investors, to enable them to have timely updates of the Receiver's activities. Through the process set forth in the Claims Procedure Motion, the Receiver will be in a position to assign values to each of the

creditors' and investors' claims. The Receiver has established a web site, where basic receivership information may be obtained: treasurereceiver.com.

G. The Receiver recommends that the receivership continue. The receivership provides the best mechanism for collection and disposition of the Receivership Estates' assets and the determination and payment of creditor and investor claims.

Respectfully submitted,

**Patrick O'Keefe and O'Keefe
and Associates Consulting LLC, Receiver**

Dated: August 14, 2017

By: /s/ Patrick O'Keefe
Patrick O'Keefe, on behalf of himself and
on behalf of O'Keefe and Associates
Consulting, LLC

EXHIBIT A

Balance Sheet

See attached

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Treasure Enterprises, et al

Balance Sheet

As of July 15, 2017

08/11/17

Accrual Basis

	<u>Jul 15, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
Checking	296,594.05
Total Checking/Savings	<u>296,594.05</u>
Total Current Assets	296,594.05
Fixed Assets	
Commercial RE (estimated)	6,000,000.00
Residential RE (estimated)	500,000.00
Total Fixed Assets	<u>6,500,000.00</u>
TOTAL ASSETS	<u>6,796,594.05</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Vendor's Payable (estimated)	100,000.00
Total Accounts Payable	100,000.00
Other Current Liabilities	
Investor Loans (estimated)	9,500,000.00
Total Other Current Liabilities	<u>9,500,000.00</u>
Total Current Liabilities	<u>9,600,000.00</u>
Total Liabilities	9,600,000.00
Equity	
Opening Balance Equity	-2,871,906.02
Net Income	68,500.07
Total Equity	<u>-2,803,405.95</u>
TOTAL LIABILITIES & EQUITY	<u>6,796,594.05</u>

EXHIBIT B

Operating Report

See attached

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08/07/17

Accrual Basis

Treasure Enterprises, et al
Operating Statement
March 28 through July 15, 2017

Mar 28 - Jul 15, 17

Ordinary Income/Expense	
Income	
Consumers Services Lease	14,875.00
Land Contract Payments	31,259.51
Rental Payments	321,788.29
Total Income	367,922.80
Gross Profit	367,922.80
Expense	
Auto/Truck/Fuel	633.59
Bank Service Charges	525.77
Cleaning Supplies	2,554.19
Computer and Internet Expenses	5,869.82
Insurance Expense	52,037.75
Office Supplies	4,154.06
Outside Services	67,555.87
Professional Fees	128.40
Rent Expense	11,420.00
Repairs and Maintenance	92,842.95
Utilities	61,700.33
Total Expense	299,422.73
Net Ordinary Income	68,500.07
Net Income	<u>68,500.07</u>

EXHIBIT C

List of Real Estate

See attached

Treasure Enterprises in Receivership
Commercial Property List

COMMERCIAL PROPERTY	units	SQ FT - Est	TERMS	ENTITY	2016 SEV	2017 SEV
Arizona 3242		1,000	L/C	TREASURE	5,200	
Ballenger 1161 N		12,000		TREASURE	189,500	196,100
Beach St 932		8,000		TREASURE	137,200	141,300
Beecher_3573		60,000	LEASE OPT	SJ FIN	1,080,200	
Bristol 4488 W		40,000		TREASURE	747,200	852,500
Calkins 5508 ****		24,000		ALMS	550,400	649,700
Clio Rd 4128		15,000		TREASURE	436,700	482,900
Clio Rd 4403		170,000		TREASURE	748,900	
Comer 3166			L/C	TREASURE		
Court 2710 W		16,000		TREASURE	250,800	260,800
Court St 2707 E.		4,000	L/C with L/C		73,300	75,500
Elms Rd. Bldg. B 2029 S.		14,000		TREASURE	441,500	492,200
Elms Rd. Bldg. C 2033 S.		24,000		TREASURE	606,500	675,800
Emerson 3401		8,000		TREASURE	160,000	179,500
Flushing 3163		12,000		SEV LC	157,500	
Flushing Rd 3201		3,000		TREASURE	64,000	72,400
Huron 902		6,000	Balance LC	TREASURE		
Linden_2483		14,000	LEASE OPT	SJ FIN	397,800	
Linden_2503		24,000	LEASE OPT	SJ FIN	690,800	
Pasadena 3015		12,000	Balance LC	TREASURE		
Pasadena 3035		16,000		TREASURE	173,400	194,100
Pasadena 3142 W		4,000		TREASURE	45,600	
Pasadena 4215				TREASURE	232,400	264,900
Robert T Longway 1174		15,000		ANGELS	329,100	339,000
Robert T Longway 1198				ANGELS	241,900	249,200
Saginaw 1600		15,000		TREASURE	191,400	197,100
Saginaw 4521 N.		30,000	L/C	TREASURE	41,200	
Saginaw 5411 N.		8,000		TREASURE	132,800	
Saginaw 5601 N.		8,000	L/C	TREASURE		
Van Slyke 3717		12,000		TREASURE	202,600	210,700
Wadsworth 2716				TREASURE	70,133	64,687
Current COMMERCIAL Asset					8,398,033	
PROPERTY NOT IN TREASURE ENTERPRISE'S NAME			TERMS	ENTITY	2016 SEV	2017 SEV
Beecher Rd 3169 ***		30,000		M & M	659,900	748,100
Averill 2715				ALMS	175,000	
Clio Rd 5402				ALMS	275,000	
Dort Hwy 4510 S		40000	mortgage	ALMS	513,000	
					963,000	

Treasure Enterprises in Receivership
Residential Properties

Land Contracts	Parcel #
3014 BARTH	40-02-359-025
1402 COPEMAN	40-02-458-024
1908 DARTMOUTH	40-02-131-017
201 W EDDINGTON AVE	41-19-404-008
2531 FLUSHING RD	40-11-329-013
1450 FOREST HILL AVE	40-11-204-003
708 S FRANKLIN AVE	41-08-384-005
1827 GILMARTIN ST	41-16-329-010
3730 GRATIOT AVE	40-14-157-014
1713 GRIGGS DR	46-26-378-010
3087 HATHERLY AVE	07-10-527-011
205 W LINSEY BLVD	41-19-255-036
1720 Mackin	
2521 MALLERY	40-11-203-004
3279 MARTHAROSE CT	14-22-580-025
1260 NIAGARA AVE	40-12-301-005

3901 RACE ST	46-35-479-021
3020 RAYWOOD ST	14-34-577-058
305 E. RUSSELL	
871 TACKEN ST	40-15-434-030
3002 WOLCOTT ST	40-11-108-012

Contracts	Parcel #
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RESIDENTIAL RENTALS	Parcel #
1810 ARIZONA	41-05-129-015
246 E. AUSTIN	
512 W. BAKER	
2306 BARTH ST	
2205 BERKLEY ST	40-11-405-015
3826 BROWNELL	
2617 W. COURT	40-14-541-001
2111 W DARTMOUTH ST	40-02-155-001
201 E GENESEE ST	40-01-203-034
3710 GRATIOT AVE	40-14-157-019
4705 GREENLAWN DR	46-35-130-034
1095 Harding	12-06-553-110
1322 JEAN AVE	40-12-158-008
5416 LESLIE DR	46-26-380-010
2006 Mc Clellan	40-02-105-033
1708 OXLEY DR	46-26-377-038
1412 PROSPECT ST	40-12-303-023
1513 W PATERSON ST	40-02-454-002
1270 Peachtree	14-13-577-021
2526 PROCTOR AVE	40-02-281-008
1814 PARKFRONT	40-02-126-054
3017 PROSPECT	40-10-230-007
2217 RASKOB ST	40-11-406-015
2527 TRUMBULL AVE	40-02-180-027
4108 WINONA ST	46-35-327-007
5418 WINTHROP BLVD	46-26-477-006

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TREASURE ENTERPRISE LLC,
PATRICIA ENRIGHT GRAY and LARRY
ALLEN HOLLEY

No. 17-cv-10963
Hon. Marianne O. Battani

Defendants,

and

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and CARLEEN RENEE HOLLEY,

Relief Defendants

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**CERTIFICATE OF SERVICE REGARDING
RECEIVER'S FIRST QUARTERLY STATUS REPORT**

I hereby certify that a copy of the Receiver's Second Quarterly Status Report and Certificate of Service were served upon all counsel of record on August 14, 2017 using the Court's CM/ECF filing system.

/s/ Deon M. Goldberg