

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 THIRD QUARTERLY STATUS REPORT

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

INTRODUCTION

This civil action 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, as amended by the Second Order dated

June 9, 2017 (collectively referred to as 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, recovered records and gathered information from interviews with current employees, and updated the accounting records of the Receivership Estates. The Receiver processed for payment post-receivership invoices and collected post-receivership rents.

2. *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 First American 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 mortgages on 6059 Brookstone and 3169 Beecher, and interfaced with counsel regarding the restructuring, ultimately reducing the interest rate on the mortgage by more than 13% on the Brookstone property and 4% on the Beecher property, a significant savings to the receivership estate.

3. *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 a broker for the sale of the various Receivership Estates' assets.

In June of 2017, the Receiver engaged the services of Signature Associates ("Broker") to analyze, list and market the commercial properties for sale. Since that time, the Broker has marketed the properties for sale to the highest and best offer. The

Broker has utilized 7 different web based marketing platforms. This marketing process produced:

- Over 32,000 unique searches on LoopNet.
- 1,700 individual site searches of individual property profiles
- Over 50 official property tours
- Seven bona fide written offers

To date, we have received and accepted offers, subject to court approval, on the following 7 commercial properties:

- 932 Beach Street, Flint MI
- 3169 Beecher Road, Flint Twp., MI
- 4488 Bristol Road, Flint Twp., MI
- 4403 Clio Road, Mt. Morris Twp., MI
- 3401 Emerson, Flint, MI
- 3035 Pasadena, Flint Twp., MI
- 2716 Wadsworth, Saginaw, MI

Notices for the acceptance of the offer for each of these properties has been advertised in a newspaper of general circulation. The 3035 Pasadena offer has been terminated by the Purchaser during its inspection period and is back on the market for sale. Two of these properties, 2716 Wadsworth and 932 Beach Street are scheduled to close before the end of the year and 3401 Emerson will close in January 2017. There are a number of other interested parties in additional properties and we continue to market them.

4. *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 new insurance quotes, 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, standard commercial and residential lease forms to be used for new leases and lease renewals and developed a web site for investor communications and use.

5. *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. A game plan to compel production of documents 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.

6. *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 October 15, 2017, the Receiver had cash on hand of \$129,060.35 (of which \$14,727.50 is encumbered) and as of October 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 October 15, 2017.

D. Attached as **Exhibit B** is the Operating Statement, for the period from March 28, 2017 through October 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, including the asking price and current disposition status, which the Receiver has identified to date. Most all of the assets on Exhibit C were set to be sold at tax sale, three days after the Receiver was appointed. The Receiver was initially able to obtain a one-year postponement of those tax sales. The Receiver will be working on an additional extension for the properties still in the Receivership Estate going forward.

E. The Receiver, through its counsel, filed with the Court, and the Court ultimately approved, 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 was also 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 was shared with the Receiver. 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 developed a complete list of all known creditors with their addresses and the estimated amount of their claims based on information retrieved from records housed with the IRS. With that information, the Receiver notified all known creditors and investors of the Court approved claims process and provided them with a Proof of Claim form,

including instructions on how to complete the form and the necessary backup needed to file a claim. 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 website, 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: December 22, 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

11:53 AM
12/20/17
Accrual Basis

Treasure Enterprises, et al
Balance Sheet
As of October 15, 2017

	<u>Oct 15, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
Carleen Holley	3.58
Checking	129,060.35
KAM - Checking	4,892.29
Total Checking/Savings	<u>133,956.22</u>
Total Current Assets	<u>133,956.22</u>
Fixed Assets	
Commercial Real Estate	6,000,000.00
Residential Real Estate	500,000.00
Total Fixed Assets	<u>6,500,000.00</u>
TOTAL ASSETS	<u><u>6,633,956.22</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Vendor's Payable (estimated)	100,000.00
Total Accounts Payable	<u>100,000.00</u>
Other Current Liabilities	
Investor Loans (estimated)	9,500,000.00
Security Deposit	-550.00
Total Other Current Liabilities	<u>9,499,450.00</u>
Total Current Liabilities	<u>9,599,450.00</u>
Total Liabilities	<u>9,599,450.00</u>
Equity	
Opening Balance Equity	-2,867,010.15
Net Income	-98,483.63
Total Equity	<u>-2,965,493.78</u>
TOTAL LIABILITIES & EQUITY	<u><u>6,633,956.22</u></u>

EXHIBIT B

Operating Report

See attached

11:52 AM
12/20/17
Accrual Basis

Treasure Enterprises, et al
Profit & Loss
March 27 through October 15, 2017

	Mar 27 - Oct 15, 17
Ordinary Income/Expense	
Income	
Consumers Services Lease	14,875.00
Furniture Sold	3,387.77
Insurance Refund	1,911.16
Land Contract Payments	76,331.39
Rental Payments	696,032.29
Total Income	792,537.61
Gross Profit	792,537.61
Expense	
Auto/Truck/Fuel	2,588.05
Bank Service Charges	722.26
Cleaning Supplies	10,473.07
Computer and Internet Expenses	5,869.82
Insurance Expense	91,101.13
Miscellaneous	-0.81
Mortgage Fee	43,338.77
Office Supplies	1,806.32
Outside Services	101,171.72
Professional Fees	187,410.00
Rent Expense	64,274.92
Repairs and Maintenance	189,980.16
Taxes - Property	46,906.02
Utilities	145,379.81
Total Expense	891,021.24
Net Ordinary Income	-98,483.63
Other Income/Expense	
Other Expense	
Ask My Accountant	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	-98,483.63

EXHIBIT C

List of Real Estate

See attached

Treasure Enterprises, LLC and other Receivership Controlled Properties				
Residential Land Contracts	City	Parcel #	Balance due	Status
3014 BARTH	Flint	40-02-359-025	22,316	As of 1/1/18
1402 COPEMAN	Flint	40-02-458-024		
1908 DARTMOUTH	Flint	40-02-131-017	22,482	As of 1/1/18
201 W EDDINGTON AVE		41-19-404-008	20,290	As of 1/1/18
2531 FLUSHING RD		40-11-329-013	21,214	As of 1/1/18
1450 FOREST HILL AVE	Flint	40-11-204-003	31,019	As of 1/1/18
708 S FRANKLIN AVE	Flint	41-08-384-005	64,158	As of 1/1/18
1827 GILMARTIN ST	Flint	41-16-329-010	9,355	As of 1/1/18
1713 GRIGGS DR	Flint	46-26-378-010	3,595	As of 1/1/18
3087 HATHERLY AVE	Flint Twp	07-10-527-011	66,687	As of 1/1/18
205 W LINSEY BLVD		41-19-255-036	8,491	As of 1/1/18
2521 MALLERY	Flint	40-11-203-004	8,193	As of 1/1/18
3279 MARTHAROSE CT	Mt Morris Twp	14-22-580-025	64,729	As of 1/1/18
1260 NIAGARA AVE	Flint	40-12-301-005		
3901 RACE ST	Flint	46-35-479-021	15,710	
3020 RAYWOOD ST	Mt Morris Twp	14-34-577-058	7,218	As of 1/1/18
871 TACKEN ST	Flint	40-15-434-030	27,327	As of 1/1/18
Contracts	City	TRAILER	Asking Price	
4229 RYANBROOK		59-27-751-255		

RESIDENTIAL	City	Parcel #	Asking Price
1810 ARIZONA	Flint	41-05-129-015	9,000
246 E AUSTIN AVE	Flint	46-25-257-012	6,800
512 W. BAKER	Flint	40-01-157-020	6,000
2306 BARTH ST	Flint	40-11-252-017	5,600
2205 BERKLEY ST	Flint	40-11-405-015	8,000
6059 BROOKSTONE	Grand Blanc Twp	12-36-601-038	290,000
3826 BROWNELL	Flint	46-35-377-005	10,000
2617 W. COURT	Flint	40-14-541-001	12,000
2111 W DARTMOUTH ST	Flint	40-02-155-001	
2402 W DARTMOUTH ST	Flint	40-02-107-045	5,800
201 E GENESEE ST	Flint	40-01-203-034	6,000
3710 GRATIOT AVE	Flint	40-14-157-019	19,500
3730 GRATIOT AVE	Flint	40-14-157-014	19,000
4705 GREENLAWN DR	Flint	46-35-130-034	8,500
1095 HARDING	Grand Blanc Twp	12-06-553-110	15,000
1322 JEAN AVE	Flint	40-12-158-008	10,000
5416 LESLIE DR	Flint	46-26-380-010	12,000
1720 MACKIN RD	Flint	40-11-279-054	5,000
2006 MCCLELLAN	Flint	40-02-105-033	6,605
1708 OXLEY DR	Flint	46-26-377-038	14,000
1814 PARKFRONT	Flint	40-02-126-054	12,000
1513 W PATERSON ST	Flint	40-02-454-002	12,000
1270 PEACHTREE	Mt. Morris Twp	14-13-577-021	10,000
2526 PROCTOR AVE	Flint	40-02-281-008	10,000
1412 PROSPECT ST		40-12-303-023	6,500
3017 PROSPECT	Flint	40-10-230-007	10,000
2217 RASKOB ST	Flint	40-11-406-015	14,000
3506 ROBIN	Flint	46-36-383-005	9,000
305 E. RUSSELL	Flint	46-25-258-017	10,000
2527 TRUMBULL AVE	Flint	40-02-180-027	12,000
4108 WINONA ST	Flint	46-35-327-007	14,000
5418 WINTHROP BLVD	Flint	46-26-477-006	10,000
2110 WOLCOTT ST	Flint	40-11-281-029	9,000
3002 WOLCOTT ST	Flint	40-11-108-012	

1,000,090

Treasure Enterprise, LLC and other Receivership Controlled Properties				
Commercial Properties - Land Contracts	City	Tax Parcel No.	Balance Due	Status
3242 Arizona	Flint	41-04-127-026	10,194	Under Contract
2707 E. Court	Flint	41-08-485-028	108,792	Under Contract
3166 Comer	Genesee Twp.	11-34-577-053	310,642	Under Contract
3163 Flushing	Flint Twp.	07-10-527-008	132,177	Under Contract
902 Huron	Flint	41-30-151-028	89,422	Under Contract
3003 Pasadena	Flint Township		88,070	Under Contract
4517 N. Saginaw	Mt. Morris Township	46-36-277-029	34,995	Under Contract
5601 N. Saginaw	Flint	46-25-437-029	93,857	Under Contract
Commercial Properties	City	Tax Parcel No.	Asking/Contract Price	Status
1161 N. Ballenger	Flint	40-11-157-005	275,000	
932 Beach	Flint	41-18-162-007	100,000	Sold - 12/14/17
3169 Beecher Rd	Flint Twp.	07-15-526-003	1,150,000	Under Contract
3573 Beecher	Flint Twp.	07-15-501-049		Option
4488 Bristol	Flint Twp.	07-28-552-007	650,000	Under Contract
5508 Calkins	Flint Twp.	07-08-300-008	275,000	
4128 Clio Rd	Flint	46-35-307-012	250,000	
4403 Clio Rd	Flint Twp.	14-27-200-018	550,000	Under Contract
2710 W Court	Flint	40-14-332-027	350,000	
2029 Elms Rd. Bldg. B	Flint Twp.	07-19-601-002	425,000	
2033 Elms Rd. Bldg. C	Flint Twp.	07-19-601-003	350,000	
3401 Emerson	Flint Twp.	07-03-576-074	50,000	Under Contract
3201 Flushing Rd	Flint Twp.	07-10-526-002	49,000	
2483 Linden	Flint			Option
2503 Linden	Flint	07-21-300-010		Option
3035 Pasadena	Flint Twp.	07-03-527-076	250,000	
3142 W Pasadena	Mt. Morris Twp.	14-34-577-011	59,000	
4215 Pasadena	Flint Twp.	07-04-200-002	275,000	
1174 Robert T Longway	Flint	41-07-253-020	199,000	
1198 Robert T Longway	Flint	41-07-253-019	175,000	
1600 Saginaw	Flint	41-18-452-021	139,900	
5411 N Saginaw	Mt. Morris Twp.	14-24-200-024	99,000	
3717 Van Slyke	Flint	40-24-352-001	99,000	
2716 Wadsworth	Saginaw	21-2489-000-00	90,000	Under Contract

6,728,049.21

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Relief Defendants

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

I hereby certify that a copy of the Receiver's Third Quarterly Status Report and Certificate of Service were served upon all counsel of record on December 22, 2017 using the Court's CM/ECF filing system.

/s/ Janet K. Travick