

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. Matthew F. Leitman

Defendants,

and

KINGDOM ASSET MANAGEMENT LLC
and CARLEEN RENEE HOLLEY,

Relief Defendants

RECEIVER' SIXTH STATUS REPORT

Patrick O'Keefe and O'Keefe & Associates Consulting, LLC (the "Receiver"), hereby submit the Receiver's Sixth Status Report (the "Status Report"), for the period January 1, 2019 through December 31, 2019.

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, which has been subject to various amendments, to bring additional assets under the Receiver's control (collectively, the

“Receivership Order”). Pursuant to 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 and since the Receivership began on March 28, 2017, 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 the physical records, tax and property information provided by the county treasurer’s office, meetings with the Defendants and a review of databases under the previous control of the Defendants. The Receiver met with the county treasurer’s office and obtained an extension through March 31, 2020 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 regularly visited the properties to address repair and maintenance issues and to determine

their overall condition. The Receiver met with the broker and toured various properties to obtain current opinions of value and has continuously met with the broker to update the 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 mortgages by more than 13% on the Brookstone property and 4% on the Beecher property, a significant savings to the Receivership Estates.

3. *Asset Disposition.*

The Receiver, based on the inventory of Receivership Estates' assets, undertook various steps to monetize those assets, including continued discussions with the county treasurer regarding the postponement of the foreclosure of properties subject to tax sale, discussions with potential purchasers of various properties and touring and sharing diligence materials on those properties with the potential purchasers. The Receiver also interfaced with existing and future tenants of the properties and reviewed and negotiated leases and lease addendums with existing tenants.

Specifically, the Receiver handled the following matters during the period covered by this report:

4488 West Bristol. The Receiver worked extensively with its counsel and with the title company to clear up old liens on this property in order to clear title to the same. A purchaser of this property, post-court approval, determined through its due diligence that it was not prepared, at that time, to proceed to close and therefore, the closing did not occur. The Receiver conferred with its counsel as to next steps regarding this property

and the Receiver, through its counsel, received an offer for the property from one of the lien claimants on this property, which was rejected. Additionally, several parties expressed verbal interest in acquiring this property for less than half of the asking price, which verbal offers were rejected.

In November 2019 the Receiver was contacted by another potential buyer, and in December 2019, the Receiver received an executed purchase agreement for \$550,000. During the due diligence period a second potential buyer surfaced in January, 2020. After several discussions with both parties, the Receiver conducted an auction process whereby each party was asked to submit higher bids, in writing to the Receiver. The Receiver then notified the other party, who had the option to bid higher or pass. Over a two-day period and several bids, the Receiver secured a final offer of \$680,000, with no conditions to close and has submitted a revised order to the Court for approval.

Additionally, the following properties were sold in 2019:

Residential

- 6059 Brookstone, Grand Blanc

Commercial

-
- 2033 Elms, Swartz Creek
 - 1174 Robert T. Longway, Flint
 - 3163 Flushing, Flint
 - 1161 N. Ballenger, Flint
 - 2710 W. Court, Flint

Remaining properties

The broker has continued to utilize 7 different web-based marketing platforms to market the commercial properties. In addition, the Receiver is negotiating with a buyer for the property at 2029 Elms in Swartz Creek, has received an offer on 3035 Pasadena and hopes to be filing a motion for approval of the sale of the same, in the next 30 days. Attached as **Exhibit A** is a list of the commercial properties sold, the one residential property sold and the land contracts paid off and the net proceeds received by the Receivership Estates, to date. Additionally, the list includes 4488 Bristol Rd., the property recently approved for sale by the court, and 3035 Pasadena where a purchase agreement is currently being negotiated. **Exhibit A** also lists the remaining salable properties and the potential proceeds that could be generated in the near future from land contract payoffs.

The Receiver continues to market the remaining commercial properties and the land contracts to potential investors. The Receiver is also considering turning over ownership of certain properties to the Genesee County Land Bank where the property taxes exceed the net available proceeds from the sale of such properties.

4. *Business Operations.*

The Receiver has developed a plan to wind down the Receivership in the next six months, with minimal cost to the estate and the potential to add approximately \$700,000 in proceeds to the estate (**Exhibit D**). Property prices and land contract payoffs are continuously evaluated, to bring in the most proceeds to the estate in the shortest period possible. The Receiver continues to maintain insurance coverage on the Receivership assets, engage in various discussions with tenants over maintenance/leasing issues, field

investor questions, pay invoices to vendors/utilities, process rent receipts, negotiate new leases where possible, hold meetings with landlord-tenant counsel to review the status of eviction proceedings and additional proceedings to be initiated, engage contractors for repair and maintenance items, review the overall utility obligations related to the properties and negotiate with the utilities regarding payment obligations due.

5. *Case Administration.*

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 has afforded 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’s counsel has validated most of the claims submitted by over 150 investors, presented a motion with the validated claims to the Court and after a hearing, the motion was approved by the Court. There is currently a motion pending that details the amounts of the initial distribution to the investors, based on the Court approved methodology.

6. *Tax Issues.*

The Receiver has resolved the State of Michigan tax lien that was overstated, bringing an additional forty thousand dollars into the Receivership Estates. 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 tax sale foreclosure actions, and has subsequently paid over \$1.0 million in back taxes from the proceeds of the property sales (**Exhibit A**).

B. As of December 31, 2019, the Receiver had cash on hand in three accounts of \$532,483.98 (of which \$33,225.29 is encumbered) and as of January 31, 2020, had no accrued but unpaid post-receivership administrative expenses (exclusive of the fees of the Receiver and its professionals).

C. Attached as **Exhibit B** is the Balance Sheet, as of December 31, 2019.

D. Attached as **Exhibit C** is the Operating Statement, for the period from March 27, 2017 through December 31, 2020 (the “Operating Statement”), which details each of the Receiver’s receipts and disbursements.

D. Attached as **Exhibit D** is a listing of the Receivership Estates’ commercial and residential real estate as well as the current land contracts the Receiver is administering, including the disposition strategy to wind down the Receivership over the next six months. Most of the assets on **Exhibit D** 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 and subsequently received additional extensions for the properties still in the Receivership Estates going forward.

E. 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.

F. The Receiver has established a website, where basic receivership information may be obtained: treasurereceiver.com.

G. The Receiver recommends that the receivership continue with the goal to wind down the Receivership over the next six months. 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: April 20, 2020

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

EXHIBIT A

Analysis of Sale and Land Contract Payoff Proceeds

See attached

EXHIBIT A

Treasure Enterprises, LLC
Analysis of Sale and L/C Payoff Proceeds
March 10, 2020

Closed Sales	Gross Proceeds	Security Deposit	Property Taxes	Transfer Taxes	Mortgage Paid	Leins Paid	Commission	Water Bills	Water/Tax Escrow	Closing Costs	Net Proceeds
2715 N. Averill	\$ 135,510.80	\$ -	\$ 18,240.54	\$ 1,892.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57.00	\$ 115,321.26
4403 Clio	660,000.00	-	198,522.67	5,676.00	-	-	39,600.00	1,604.96	-	10,425.00	404,171.37
3169 Beecher	1,150,000.00	31,000.00	47,004.95	9,890.00	430,148.49	55,365.00	69,000.00	4,446.06	-	3,295.00	499,850.50
2716 Wadsworth	90,000.00	-	20,765.86	774.00	-	-	5,400.00	146.16	-	1,275.25	61,638.73
3401 Emerson	50,000.00	-	27,133.17	430.00	-	-	3,000.00	-	-	1,486.72	17,950.11
932 Beach	100,000.00	-	15,115.05	860.00	-	-	6,000.00	-	-	1,317.25	76,707.70
1600 S Saginaw	95,000.00	-	71,608.34	817.00	-	14,022.83	6,150.00	135.58	-	1,766.25	500.00
4510 S Dort	267,000.00	-	-	-	-	-	-	-	-	-	267,000.00
6059 Brookstone	250,000.00	-	-	-	215,000.00	-	-	-	-	-	35,000.00
2033 Elms	275,000.00	-	193,153.06	2,365.00	-	15,000.00	16,500.00	1,764.08	2,500.00	2,420.50	41,297.36
1174 Robert T Longway	250,000.00	7,225.00	163,223.37	2,150.00	-	-	15,000.00	-	-	2,542.36	59,859.27
3163 Flushing	95,256.74	-	17,336.85	1,350.20	-	-	-	-	-	670.00	75,899.69
1161 N Ballenger	99,000.00	1,265.00	82,044.20	851.40	-	-	5,940.00	3,649.02	-	1,858.05	3,392.33
2710 W Court	165,000.00	-	146,365.83	1,419.00	-	-	9,900.00	-	-	2,025.80	5,289.37
Totals	\$ 3,681,767.54	\$ 39,490.00	\$ 1,000,513.89	\$ 28,474.60	\$ 645,148.49	\$ 84,387.83	\$ 176,490.00	\$ 11,745.86	\$ 2,500.00	\$ 29,139.18	\$ 1,663,877.69

Under Contract

4488 W Bristol	\$ 680,000.00	\$ 8,167.50	\$ 236,855.34	\$ 5,848.00	\$ -	\$ 175,000.00	\$ 40,800.00	\$ -	\$ 1,000.00	\$ 8,165.00	204,164.16
3035 W Pasadena	100,000.00	-	61,228.91	860.00	-	-	6,000.00	-	-	1,020.00	30,891.09
Totals	\$ 680,000.00	\$ 8,167.50	\$ 236,855.34	\$ 5,848.00	\$ -	\$ 175,000.00	\$ 40,800.00	\$ -	\$ 1,000.00	\$ 8,165.00	\$ 204,164.16

Estimated Sale

4215 W Pasadena	\$ 125,000.00	\$ 2,765.00	\$ 80,786.94	\$ 1,075.00	\$ -	\$ -	\$ 7,500.00	\$ 1,000.00	\$ -	\$ 1,586.93	30,286.13
2029 Elms	300,000.00	5,033.33	175,854.33	2,580.00	-	-	18,000.00	1,000.00	-	3,173.86	94,358.48
3142 Pasadena	125,000.00	1,000.00	18,726.43	1,075.00	-	-	7,500.00	-	-	1,904.32	94,794.25
Totals	\$ 550,000.00	\$ 8,798.33	\$ 275,367.70	\$ 4,730.00	\$ -	\$ -	\$ 33,000.00	\$ 2,000.00	\$ -	\$ 6,665.11	\$ 219,438.86

Land Contract Proceeds at 70% of Current Balance		Balance Due	Net Proceeds
3166 Comer (Offered a \$225,000 payoff)		\$ 306,186	\$ 225,000
3003 Pasadena (Offered a \$55,000 payoff - accepted 4/4)		78,438	55,000
			\$ 280,000.00
Total Remaining Net Proceeds		\$ 703,603.02	

EXHIBIT B

Balance Sheet

See attached

Treasure Enterprises, et al

EXHIBIT B

Balance Sheet

As of December 31, 2019

ASSETS	Dec 31, 2019
Current Assets	
Checking/Savings	
Cash - Security Deposits	\$ 33,225
Checking	494,382
KAM - Checking	4,877
Total Current Assets	532,484
Fixed Assets	
Commercial Real Estate	1,230,000
Total Fixed Assets	1,230,000
Other Assets	
Land Contract Receivable	973,000
TOTAL ASSETS	\$ 2,735,484
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Vendor's Payable (estimated)	\$ 43,000
Total Accounts Payable	43,000
Other Current Liabilities	
Investor Loans (estimated)	9,000,000
Security Deposit	33,225
Total Other Current Liabilities	9,033,225
Total Current Liabilities	9,076,225
Total Liabilities	9,076,225
Equity	
Equity	(6,340,741)
Total Equity	(6,340,741)
TOTAL LIABILITIES & EQUITY	\$ 2,735,484

EXHIBIT C

Operating Statement

See attached

Treasure Enterprises, et al
Profit & Loss

EXHIBIT C

March 28, 2017 through December 31, 2019

Mar 28, '17 - Dec 31, 19

Ordinary Income/Expense

Income

Consumers Energy Refund	\$	333.94
Furniture Sold		3,387.77
Insurance Refund		42,987.83
Land Contract Payments		252,124.50
Other Income		127.42
Rental Payments		2,071,645.55
Sales or Payoff of Properties		3,681,767.54

Total Income 6,052,374.55

Expense

Auto/Truck/Fuel		13,906.17
Bank Service Charges		1,406.65
Cleaning Supplies		45,147.57
Commissions Paid		176,490.00
Computer and Internet Expenses		12,760.09
Evictions		3,162.80
Expenses - Disp of Properties		
Closing Costs		29,139.18
Escrowed funds		2,500.00
Leins Paid		33,525.37
Mortgages Paid		645,148.49
Property Taxes Paid		1,000,513.89
Security Deposits Transferred		39,490.00
Transfer Taxes Paid		28,351.40
Water Bills Paid		11,046.00

Total Expenses - Disp of Properties 1,789,714.33

Insurance Expense		263,938.37
Mortgage Fee		120,091.38
Office Supplies		2,240.75
Outside Services		344,834.37
Professional Fees		1,517,361.38
Rent Expense		80,795.69
Repairs and Maintenance		583,069.14
Taxes - Property		54,723.69
Utilities		746,488.04

Total Expense 5,756,130.42

Net Income \$ 296,244.13

EXHIBIT D

Commercial Property Disposition Strategy

See attached

Treasure Enterprise Property List
Commercial Disposition Strategy

Exhibit D1

<u>Commercial Buildings</u>	<u>Parcel #</u>	<u>Disposition Strategy</u>
4488 Bristol	07-28-552-007	Under Contract to be Sold
4128 Clio Rd	46-35-307-012	Continue to Market; Collect Rent; Allow County to Foreclose
2029 Elms Rd. Bldg. B	07-19-601-002	Negotiating Purchase Agreement
3035 Pasadena	07-03-527-076	Negotiating Purchase Agreement
3142 W Pasadena	14-34-577-011	Continue to Market; Collect Rent; Allow County to Foreclose
4215 Pasadena	07-04-200-002	Continue to Market; Collect Rent; Allow County to Foreclose

<u>Commercial Buildings Foreclose</u>	<u>Parcel #</u>	<u>Disposition Strategy</u>
5508 Calkins	07-08-300-008	Return to County for Foreclosure
3201 Flushing Rd	07-10-526-002	Return to County for Foreclosure
3717 Van Slyke	40-24-352-001	Return to County for Foreclosure
5411 N Saginaw	14-24-200-024	Under Contract to be Sold

<u>Land Contracts</u>	<u>Parcel #</u>	<u>Disposition Strategy</u>
3242 Arizona	41-04-127-026	Market Building after Tenant Foreclosure
3166 Comer	11-34-577-053	Negotiate payoff
2707 Court	41-08-485-028	Market Building after Tenant Foreclosure
902 Huron	41-30-151-028	Continue to Market Land Contract; Collect Land Contract Payments
3003 Pasadena (3011-3015-3017)	07-03-527-001	Negotiate payoff
5601 N. Saginaw	46-25-437-029	Continue to Market Land Contract; Collect Land Contract Payments

**Treasure Enterprise Property Li:
Residential Disposition Strategy**

Exhibit D2

<u>Residential</u>	<u>Parcel #</u>	<u>Disposition Strategy</u>
1810 Arizona	41-05-129-015	Collect Rent; Allow County to Foreclose
512 W Baker	40-01-157-020	Collect Rent; Allow County to Foreclose
2205 Berkley	40-11-405-015	Collect Rent; Allow County to Foreclose
3826 Brownell	46-35-377-005	Collect Rent; Allow County to Foreclose
2402 Dartmouth St	40-02-107-045	Collect Rent; Allow County to Foreclose
3710 Gratiot Ave	40-14-157-019	Continue to Market; Allow County to Foreclose
3730 Gratiot Ave	40-14-157-014	Continue to Market; Collect Rent; Allow County to Foreclose
4705 Greenlawn	46-35-130-034	Collect Rent; Allow County to Foreclose
1095 Harding	12-06-553-110	Continue to Market; Collect Rent; Allow County to Foreclose
1322 Jean	40-12-158-008	Continue to Market; Collect Rent; Allow County to Foreclose
5416 Leslie	46-26-380-010	Collect Rent; Allow County to Foreclose
2006 McClellan	40-02-105-033	Collect Rent; Allow County to Foreclose
1708 Oxley	46-26-377-038	Continue to Market; Collect Rent; Allow County to Foreclose
1814 Parkfront	40-02-126-054	Collect Rent; Allow County to Foreclose
1513 W Paterson	40-02-454-002	Collect Rent; Allow County to Foreclose
1412 Prospect	40-12-303-023	Collect Rent; Allow County to Foreclose
3017 Prospect	40-10-230-007	Collect Rent; Allow County to Foreclose
3506 Robin	46-36-383-005	Collect Rent; Allow County to Foreclose
2527 Trumbull	40-02-180-027	Continue to Market; Collect Rent; Allow County to Foreclose
4108 Winona	46-35-327-007	Collect Rent; Allow County to Foreclose
5418 Winthrop	46-26-477-006	Collect Rent; Allow County to Foreclose
3002 Wolcott	40-11-108-012	Continue to Market; Collect Rent; Allow County to Foreclose

<u>Residential - Foreclose</u>	<u>Parcel #</u>	<u>Disposition Strategy</u>
246 Austin Ave	46-25-257-012	Return to County for Foreclosure
2617 W Court	40-14-451-001	Return to County for Foreclosure
201 E Genesee	40-01-203-034	Return to County for Foreclosure
1720 Mackin	40-11-279-054	Return to County for Foreclosure
1270 Peachtree	14-13-577-021	Return to County for Foreclosure
2526 Proctor	40-02-281-008	Return to County for Foreclosure
4229 Ryanbrook	59-27-751-255	Return to County for Foreclosure
2110 Wolcott	40-11-281-029	Return to County for Foreclosure

<u>Land Contracts</u>	<u>Parcel #</u>	<u>Disposition Strategy</u>
3014 Barth	40-02-359-025	Continue to Market Land Contract; Collect Land Contract Payments
1908 Dartmouth	40-02-131-017	Continue to Market Land Contract; Collect Land Contract Payments
2111 Dartmouth	40-02-155-001	Continue to Market Land Contract; Collect Land Contract Payments
201 W Eddington Ave	41-19-427-012	Continue to Market Land Contract; Collect Land Contract Payments
2531 Flushing	40-11-329-013	Continue to Market Land Contract; Collect Land Contract Payments
1450 Forest Hill Ave	40-11-204-003	Continue to Market Land Contract; Collect Land Contract Payments
708 S Franklin Ave	41-08-384-005	Continue to Market Land Contract; Collect Land Contract Payments
1827 Gilmartin St	41-16-329-010	Continue to Market Land Contract; Collect Land Contract Payments
3087 Hatherly Ave	07-10-527-011	Market House after Tenant Foreclosure
205 W Linsey Blvd	41-19-255-036	Continue to Market Land Contract; Collect Land Contract Payments
2521 Mallery	40-11-203-004	Continue to Market Land Contract; Collect Land Contract Payments
3279 Martharose Ct	14-22-580-025	Market House after Tenant Foreclosure
3901 Race	46-35-479-021	Market House after Tenant Foreclosure
3020 Raywood St	14-34-577-058	Continue to Market Land Contract; Collect Land Contract Payments

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TREASURE ENTERPRISE LLC,
PATRICIA ENRIGHT GRAY and LARRY
ALLEN HOLLEY

No. 17-cv-10963
Hon. Matthew F. Leitman

Defendants,

and

KINGDOM ASSET MANAGEMENT LLC
and CARLEEN RENEE HOLLEY,

Relief Defendants

_____ /

**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 April 20, 2020 using the Court's CM/ECF filing system.

/s/ Deon M. Goldberg