

Richard B. Roper, the Court-appointed Receiver in this action submits this Second Motion for Approval of Interim Fee Application and Brief in Support, seeking the Court's approval to pay invoices for interim fees and expenses, incurred between August 1, 2009 and August 31, 2010, in the amount of \$497,015.23, to the firms that have rendered professional services on behalf of the Receivership Estate ("Fee Application"), and in the amount of \$31,248.00 for the Receiver's own work. The tasks and challenges presented by this Receivership have been numerous and, in many instances, complex and time-consuming. The primary work of Receiver's accountants and counsel, which comprises the bulk of the fees sought in this Application, has revolved around the accounting and analysis necessary to detail how money was spent through the course of the Millennium scheme. This process has been undertaken with significant obstacles and difficulty, due in no small part to the inaccuracy and ineptitude with which any internal record-keeping was done for the Defendant entities. In addition, the Receiver and his counsel have continued their significant efforts to communicate with investors and consider the hundreds of claims made by the defrauded victims in this matter.

Thompson & Knight LLP, the law firm representing the Receiver and providing primary, daily assistance in seizing and liquidating assets of the Estate, analyzing documents and evidence seized from the Defendants, analyzing the figures and details provided by the forensic accountants, applying knowledge from other evidence to make sense of the accounting itself, analyzing "claw-back" and third-party litigation matters, and more, has again provided an aggregate twenty percent (20%) discount of all fees incurred in the course and scope of the firm's still ongoing and extensive work. Furthermore, Thompson & Knight has demonstrated billing judgment by writing off unproductive, possibly excessive and/or redundant work, as well as by waiving significant fees related to the review and analysis required in the ongoing investor

claims process. Additionally, Thompson & Knight has not charged the Estate for attorney time spent preparing this Fee Application, preparing underlying billing statements, or preparing the Receiver's Reports filed in 2009 and 2010.

Litzler, Segner, Shaw, & McKenney, LLP (LSS&M) is a forensic accounting firm retained by the Receiver in order to assist with the data entry and analysis necessary to develop forensic picture of the Defendants' cash flow. LSS&M utilized all of the bank records subpoenaed by Receiver's counsel to create a comprehensive analysis of how and when money was taken into and out of the Defendants' accounts. This work was intended to assist the Receiver in determining exactly how much money was invested in the Millennium scheme, how the money was spent, and whether significant assets may be located in places heretofore unknown to the Receiver or available witnesses. Because the record-keeping of the Defendants was exceedingly poor, the task presented to LSS&M was extremely significant to the Receiver's ability to do his work.

The work of these accounting and legal professionals (the "Professionals") is described in detail in the attached invoices, as well as in the Report of the Receiver Dated November 22, 2010 (the "Report"), which the Receiver submits in support of this application as Exhibit A. The information contained in the invoices and Report demonstrates the necessity for the Professionals' services and the reasonableness of their fees and expenses in this case.

I. BACKGROUND

On March 26, 2009, the Securities and Exchange Commission (the "Commission") filed this lawsuit alleging that Defendants engaged in a fraudulent "Ponzi scheme" involving the purported sale of Certificates of Deposit with higher-than-legitimate interest rates, through which Defendants obtained at least \$68 million from hundreds of investors. The Receiver now knows that, since 1996, the Defendants took in more than \$100 million of investor money. This Court

found that it was both necessary and appropriate to appoint a receiver, who assumed exclusive jurisdiction over all assets and records of the Defendants and any entities they owned or controlled worldwide. Order Appointing Receiver, Doc. 10 at ¶¶ 1-2 and Amended Order Appointing Receiver, Doc. 46 at ¶¶ 1-2 (collectively, the “Orders Appointing Receiver” or the “Orders”). The Orders Appointing Receiver charged the Receiver with the responsibility of acquiring exclusive control and possession over the Receivership Estate including the tangible and intangible, real and personal property of the Defendants (and property of Relief Defendants traceable to the fraud), and performing all acts necessary to conserve, manage, and preserve the Receivership Estate. Orders Appointing Receiver at ¶ 5.

A. SUMMARY OF DEFENDANTS’ FRAUD.

The Defendant entities were comprised of Millennium Bank; United Trust of Switzerland S.A.; UT of S, LLC; Millennium Financial Group; Sterling Administration; Sterling Investment Services; and Millennium Aviation. These entities were aligned in a fairly simple infrastructure, and were controlled primarily by Defendant William J. Wise. Wise was the chief architect of the fraud, with the assistance of Defendants Kristi Hoegel and Jacqueline Hoegel. Essentially, Millennium Bank solicited funds from investors, primarily through internet advertising and targeted marketing to individual investors, for the purchase of self-styled “certificates of deposit” promising various guaranteed rates of return, most of which far exceeded the rate of return on a traditional bank certificate of deposit (“CD”). Defendants had two stateside offices, one in Napa, California, and another in Raleigh, North Carolina. The third primary Millennium location was the actual bank itself, located on the island of St. Vincent. All United States offices were closed upon the filing of this lawsuit and the Receiver and his team seized all documents and materials located therein, including computers.

B. HOW INVESTOR FUNDS WERE RECEIVED AND ROUTED.

The following description of the Millennium scheme is largely repeated from the Receiver's first Fee Application, filed on December 4, 2009, but is included here for the sake of completeness. The Defendant entities had very little corporate structure. Investors would simply mail in checks for purchase of CDs to the Napa, California location, typically made payable to UT of S, LLC (though some investors did send checks and wires payable to Sterling and Millennium Bank). Investors often negotiated their purchases through telephone conferences with the Hoegel Defendants and/or other Defendant employees including Scott Christopher, David Jones, and Robert Kelty. Investors were most often instructed by these individuals to make checks payable to UT of S, LLC and mail them to Millennium Bank in St. Vincent and the Grenadines. Once received by Defendants on the island of St. Vincent, these investor checks would simply be re-routed to Defendants' Napa, California office. Once received in California, Defendants' staff would deposit the funds into a single UT of S, LLC bank account ending 9648 and maintained with Washington Mutual/JP Morgan Chase Bank. Any investor funds delivered by wire transfer were deposited into the same, single UT of S account. Sterling investments were deposited into a WaMu account.

C. MILLENNIUM BANK WAS NOT A TRUE BANK AND INVESTOR MONEY WAS *NEVER* INVESTED.

Neither Millennium Bank nor United Trust of Switzerland, S.A. were banks in the traditional sense, nor were they registered securities dealers. Millennium Bank was chartered in St. Vincent, where investors believed their funds were being used for investment purposes. However, *none* of the funds remitted to Millennium Bank, or other Defendant entities, for the purchase of CDs were invested. Rather, a majority of investor funds were diverted to and misappropriated by the various Defendants. While Defendants were constantly diverting

investor dollars to themselves, significant portions of these funds were used to carry on their fraudulent scheme in an attempt to create the appearance of a solvent, legitimate investment business. Specifically, funds received from new investors were utilized to pay redemptions and make interest payments to earlier investors under the terms of an investor's CD. As the Commission has alleged, Defendants sold CDs with guaranteed rates of return. Hence, earlier investors who chose to cash out their investments when the term of a CD concluded were paid the full amount of their investment, plus interest, with later investors' money. Likewise, investors who received interest payments from time to time during the term of one or more CDs were not receiving interest, as there were no underlying investments generating any return. Rather, they too were simply receiving other investors' money in an amount equal to the interest rate Defendants quoted when the investor purchased the altogether fake CD.

In the last Fee Application, the Receiver noted that a significant amount of investor money, possibly the vast majority of it, was squandered on the Defendants' personal lifestyles and luxuries based on the information available at that time. This sort of spending included, for example, money paid for foreign escorts, multi-thousand-dollar meals, international travel, and \$12,000 weekly allowance payments to Mrs. Wise and could not be recovered into the Estate. Accountants with LSS&M analyzed Defendants' banking and business records (and worked in conjunction with Receiver's counsel) to conclusively determine, among other things, (a) specific amounts of funds used to pay interest and redemptions to investors; and (b) specific amounts of funds diverted to Defendants and *how* those funds were used. The Receiver's counsel at Thompson & Knight then undertook the process of applying knowledge about the various individuals involved to further ascertain exactly how money was spent and should be characterized. The Receiver's Report of November 22, 2010 details at length how money moved

through the Defendants' bank accounts at the direction of William Wise. The accounting analysis confirmed what the Receiver suspected at the time of his last Report to this Court—that the Defendants paid some older investors back with interest over time in order to perpetuate the scheme, and then largely squandered the rest of the money on luxurious lifestyles and purchases. When the Receivership was instituted in March 2009, very little of the amount taken in over the previous years remained in the Defendants' accounts.

D. CONSTITUTION OF THE RECEIVERSHIP ESTATE.

Because the majority of the funds remitted to Defendants by various investors were simply misappropriated for the personal gain of Defendant William J. Wise and other individual and Relief Defendants, the Receivership Estate was originally comprised primarily of limited cash seized from Defendants' and Relief Defendants' bank accounts, real property holdings, and personal property assets purchased with proceeds of the fraud. Despite investigation by international asset search professionals, accounting analysis, and a thorough review of Defendants' records, the Receiver has not identified or located any significant, still-existing source of funds maintained by or on behalf of Defendants, with the exception of certain fraudulent transfers discussed in the November 22, 2010 Receiver's Report and later in this Fee Application.

Upon his appointment, the Receiver seized a total of \$482,237.45 from bank accounts maintained by Defendants and Relief Defendants, which accounts were identified by the Commission and business records and were placed under the Court's Asset Freeze Order. Likewise, the Estate received deposits of cash from the sale of William Wise's stateside wine collection (\$197,280.07); the sale of William and Lynn Wise's home (\$810,780.93); auction of William and Lynn Wise's personal property (\$647,978.25); the liquidation of the Hoegel

Defendants' real and personal property (\$43,569.32); cash seized from the Defendants' personal possession (\$15,000.00); proceeds received after an airplane originally purchased by Defendants was surrendered to a secured lien holder (\$100,000); proceeds from the sale of a limousine (\$3,000 to date with additional \$1,000 monthly payments forthcoming); proceeds from an account maintained by Brijesh Chopra at Bank of China (\$11,015.14); funds traceable to the Defendants' fraud and repatriated in the United States by JPLs at KPMG (\$73,985.90), and proceeds from the sale of an Escalade in which Wise had very little equity (\$7690.31). The cash on deposit in the Receivership Estate's interest-bearing money market account has only been spent to pay some necessary costs for administration of the Receivership and those amounts approved in this Court's order of December 31, 2009.

Since the Receiver's last Report and Fee Application in December 2009, the Receiver learned that approximately \$7,000,000 had been paid out in fictitious interest to domestic investors who also received all of their principal back. The Receiver sent a demand letter to these "net winning" investors, explained that the "interest" they received was really just money belonging to newer investors, and asked that the net winning investors return the amounts they received beyond the principal they originally invested. This process has resulted in a return of over \$600,000 as of the date of this Fee Application, further increasing the current body of the Receivership Estate. It is anticipated that additional third-party litigation against individuals and entities to whom monies were fraudulently transferred will further increase the size of the Estate.

E. WORK PERFORMED FOR THE BENEFIT OF THE RECEIVERSHIP ESTATE

The bulk of the initial work performed by the Receiver and his team was related to (1) locating and securing the assets of the Estate; and (2) locating, collecting, organizing, and analyzing necessary information about assets and liabilities of the Estate, so that the Receiver

can take the appropriate steps recover and monetize assets, and to properly address claims and liabilities. Some of this work is captured in the fees detailed with this Application, as the last bill submitted to the Court represented the work done only through July 31, 2009.

Also, the Receiver's attorneys invested significant time communicating with investors, cataloging investor claims and investment information, obtaining banking records for Defendants and Relief Defendants, reviewing Defendants' corporate and financial records, analyzing investor claim forms and correspondence, negotiating with lien-holders regarding their interests in Estate assets, and contacting foreign authorities and financial institutions in an effort to obtain information pertaining to Defendants' assets.

Additionally, since the last Fee Application was filed, the Receiver's accountants and counsel have undertaken an extensive and complicated analysis of the manner in which Defendants' funds were expended since the inception of the scheme. Further, the Receiver and his counsel have continued to perform those tasks necessary to advance both this enforcement action and other ongoing investigations into the activities of the Defendants, and to communicate with and consider the claims of numerous investors. A complete and detailed discussion of the Receiver's work to date is provided in the Receiver's Report filed on November 22, 2010 and attached hereto as Exhibit A.

F. ADDITIONAL WORK REMAINING TO INCREASE THE ASSETS AVAILABLE FOR DISTRIBUTION TO INVESTORS AND COMPLETE A CLAIMS PROCESS

As he has publicly stated several times, the Receiver believes that the total value of the assets of the Estate is likely to be a mere fraction of the millions of dollars that would be needed to pay all anticipated claims against the Estate. Nevertheless, the amount of value yet to be recovered, as discussed above, is expected to exceed the amount now in the Estate's bank account. The Receiver is hopeful that future recoveries will exceed future costs of administering

the Estate based on the initial response to his demand letter on the first contemplated clawback action. A series of clawback lawsuits to recover fraudulently transferred money is contemplated, which could add significant value to the Receivership Estate.

Taking all of this into consideration, and pursuant to the Orders Appointing Receiver, the Receiver respectfully requests that this Court approve this second interim Fee Application..

II. REQUEST FOR APPROVAL OF FEES FROM AUGUST 1, 2009 TO AUGUST 31, 2010

The Orders Appointing Receiver direct and authorize the Receiver to retain and compensate professionals in connection with the administration of the Receivership Estate:

[T]he Receiver is specifically directed and authorized to perform the following acts and duties:

Enter into such agreements in connection with the administration of the Receivership Estate, including, but not limited to, the employment of such managers, agents, custodians, consultants, investigators, attorneys, and accountants as Receiver judges necessary to perform the duties set forth in this Order and to compensate them from the Receivership Assets.

Orders Appointing Receiver ¶ 5(h). Accordingly, shortly after his appointment, the Receiver hired the Professionals discussed herein, who were needed to carry out his Court-ordered duties.

The Amended Orders Appointing Receiver direct the Receiver to “[f]ile with this Court requests for approval of reasonable fees to be paid to the Receiver and any person or any entity retained by him and interim and final accountings for any reasonable expenses incurred and paid pursuant to order of this Court.” Orders Appointing Receiver. ¶ 5(m). Accordingly, the Receiver files this Fee Application and requests that the Court approve the fees and expenses billed by the Receiver and his retained Professionals for work performed from August 1, 2009 through August 31, 2010.

A. BASED UPON THE WELL-SETTLED LAW, THE COURT SHOULD APPROVE THE PAYMENT OF ALL REASONABLE AND NECESSARY PROFESSIONAL FEES AND EXPENSES IN THIS CASE.

Courts examining a request for fees and expenses incurred by a receiver must determine whether the time spent, services performed, expenses incurred, and hourly rates charged are reasonable and necessary under the factors set forth by the Fifth Circuit.¹ *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974); *SEC v. Megafund Corp.*, 3:05-CV-1328-L, 2008 WL 2839998, *2 (N.D. Tex. June 24, 2008); *SEC v. Megafund Corp.*, 3:05-CV-1328-L, 2006 WL 42367, *1 (N.D. Tex. Jan. 9, 2006); *SEC v. Funding Res. Group*, 3:98-CV-2689-M, 2003 WL 145411, *1 (N.D. Tex. Jan. 15, 2003).

This examination of reasonableness and necessity should take into account all of the circumstances surrounding the receivership. *See SEC v. W.L. Moody & Co., Bankers (Unincorporated)*, 374 F. Supp. 465, 480 (S.D. Tex. 1974), *aff'd*, 519 F.2d 1087 (5th Cir. 1975). Because all receiverships are different, a court's analysis of the fees and expenses must be tailored to the particular case. *Id.*; *see SEC v. Tanner*, No. 05-4057, 2007 WL 2013606, *3 (D. Kan. May 22, 2007). The characteristics cited in the following cases are similar to this Receivership and support an award of the fees and expenses requested herein.

The complexity and difficulty associated with the receivership are highly relevant factors in determining the reasonableness of professional fees. *See SEC v. Fifth Ave. Coach Lines, Inc.*,

¹ These factors, often referred to as the *Johnson* factors, are: (1) the time and labor required for the litigation; (2) the novelty and complication of the issues; (3) the skill required to properly litigate the issues; (4) whether the attorney was precluded from other employment by the acceptance of this case; (5) the attorney's customary fee; (6) whether the fee is fixed or contingent; (7) whether the client or the circumstances imposed time limitations; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorney; (10) the "undesirability" of the case; (11) the nature and length of the attorney-client relationship; and (12) awards in similar cases. *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974). In applying the *Johnson* factors, "the district court must explain the findings and the reasons upon which the award is based. However, it is not required to address fully each of the 12 factors." *Curtis v. Bill Hanna Ford, Inc.*, 822 F.2d 549, 552 (5th Cir. 1987) (citation omitted).

364 F. Supp. 1220, 1222 (S.D.N.Y. 1973) (awarding interim fees and expenses to law firm for role in receivership and noting that it involved wide variety of complex legal matters requiring the time, competence, and diverse resources of a law firm of high caliber); *W.L. Moody & Co.*, 374 F. Supp. at 484 (“An equitable receivership is by its very nature, a legally complex process.”); *Tanner*, 2007 WL 2013606 at *3 (the identification of investors and the location of their funds was made “excruciatingly difficult” by lack of assistance from defendants); *Funding Res. Group*, 2003 WL 145411 at *1 (finding fees and expenses were reasonable in light of difficulties receiver encountered). In the instant case, the Receiver and his team of Professionals have had to conduct their work without meaningful assistance from the Defendants or Relief Defendants and even without significant documentary evidence, as the Defendants maintained inadequate and incomplete accounting records *and* William Wise disclosed very little detailed information to his employees.

The degree of success achieved in solving legal and practical problems should be considered when calculating the fees awarded. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222; *W.L. Moody & Co.*, 374 F. Supp. at 484-85; *Johnson*, 488 F.2d at 718. In this case, the Receiver and his team of Professionals have worked diligently to wind up Defendants’ businesses, terminate contracts, identify and secure assets, records, and evidence, to investigate leads, to recover fraudulently transferred assets, and to communicate with investors and cooperate with all governmental authorities. This work, while admittedly not resulting in the recovery of significant funds that were frittered away by the Defendants, has allowed the Receiver to determine the scope of the fraud and the status of possible recoveries to the Estate sooner rather than later. Additionally, the Receiver and his counsel and accountants now have determined how Defendants’ funds were spent and have identified several sources of

Receivership assets which can be retrieved through fraudulent transfer litigation. The early returns of fictitious interest by net winning investors suggest that the Estate will continue to grow as a result of this work to “claw back” monies fraudulently transferred to others in the course of this scheme.

Courts examine the credentials, experience, reputation, and other professional qualities required to carry out the Court’s orders when assessing the reasonableness of the rates charged for services to a receivership. *See W.L. Moody & Co.*, 374 F. Supp. at 481 (holding that a court should give “considerable weight” to “a receiver’s abilities, as required by the tasks of the receivership”); *Tanner*, 2007 WL 2013606 at *3 (granting receiver’s fee request, despite investors’ concerns over amount requested, in part because the court recognized that the receiver and his counsel were experienced in the relevant areas of law); *SEC v. Aquacell Batteries, Inc.*, No. 6:07-cv-608-Orl-22DAB, 2008 WL 276026, *4 (M.D. Fla. Jan. 31, 2008) (“The Receiver retained well qualified, experienced counsel and such representation does not come cheap.”).

When the receivership commands full-time attention and prevents professionals from accepting other engagements, the fee award should reflect it. *See Moody*, 374 F. Supp. at 483-84, 486. Likewise, courts should consider the usual and customary fees charged and the evidence presented to support the application for fees. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (fees awarded in full because based on law firm’s usual hourly rate and supported by meticulous records); *see Johnson*, 488 F.2d at 718 (the customary fee for similar work in the community should be considered). In this case, the Receiver and his team of Professionals, including his attorneys, have devoted considerable time to conducting the many tasks required in this case, including conducting legal research, drafting and arguing motions, identifying, securing and liquidating assets, communicating with investors, the media, opposing counsel, the

Commission, and government authorities, and more – all at a discounted rate. Hence, all of the above-described factors weigh in favor of approving the request for fees and expenses in this case.

B. THE FEES AND EXPENSES ARE REASONABLE AND NECESSARY IN LIGHT OF THE CIRCUMSTANCES OF THIS CASE.

The Receiver requests approval of fees and expenses for the Professionals identified herein, which have provided the services summarized below, in the amounts noted (which reflect billings for work from August 1, 2009 through August 31, 2010). As noted above, both Thompson & Knight and LSS&M have agreed to 20% discounts of their customary fees, and the amounts requested reflect those discounts. The time spent, services performed, hourly rates charged, and expenses incurred by the Professionals have been at all times reasonable and necessary, and indeed essential, for the Receiver to perform his Court-ordered duties.

1. THOMPSON & KNIGHT LLP SENIOR PARTNER RICHARD ROPER, RECEIVER

Thompson & Knight LLP (“Thompson & Knight”) is a Dallas-based, international full-service law firm in which Richard Roper, the Court-appointed Receiver herein, is a senior partner. Mr. Roper has been licensed to practice law in Texas since 1982. He is the former United States Attorney for the Northern District of Texas, a position in which he served from 2004 until 2008, when he joined Thompson & Knight. Prior to his appointment as United States Attorney, Mr. Roper was a career prosecutor, serving as an Assistant United States Attorney between 1987 and 2004 and, previously, as the Assistant District Attorney for Tarrant County District Attorney’s Office in Fort Worth, Texas from 1982-1987. Mr. Roper’s private practice is concentrated in, among other things, SEC and state securities compliance and enforcement matters. Mr. Roper regularly represents clients on a full range of corporate and securities law issues. Mr. Roper has previously served as counsel for other court-appointed equity receivers.

See W.L. Moody & Co., 374 F. Supp. at 481 (receiver's qualification relevant to fee awarded); *Tanner*, 2007 WL 2013606 at *3; *Aquacell Batteries, Inc.*, 2008 WL 276026 at *4; *Johnson*, 488 F.2d at 718, 719.

The Receiver has had to discharge his duties with little assistance from the individual Defendants. *See Tanner*, 2007 WL 2013606 at *3 (receiver's tasks "excruciatingly difficult" without help from defendants); *Moody*, 374 F. Supp. at 471, 480 (defendant impeded receiver's progress and had to be subpoenaed to testify). Indeed, William Wise, the chief architect and operator of the Ponzi scheme, remains at large and has been wholly unwilling to communicate or cooperate with the Receiver, even one year since the last Receiver's Report and Fee Application were filed.

The Receiver delegated tasks appropriately to Professionals, and utilized the information provided by them to develop and execute a plan to maximize the value of a limited-value Receivership Estate while still accomplishing the tasks required of him. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222; *W.L. Moody & Co.*, 374 F. Supp. at 480; *Mobley*, 2000 WL 1702024 at *2; *Johnson*, 488 F.2d at 718.

The fees charged by Thompson & Knight for Mr. Roper's work as the Court-appointed Receiver include all compensation being paid for his services during the applicable period. A bill for those services from August 1, 2009 through August 31, 2010 is attached as Exhibit B. The Receiver requests approval of payment to Thompson & Knight for \$31,248.00 in fees for his work.

2. THOMPSON & KNIGHT LLP AS COUNSEL REPRESENTING THE RECEIVER.

Thompson & Knight LLP is an international law firm headquartered in Dallas with offices throughout the United States and Latin America. Thompson & Knight has provided critical legal expertise and manpower for every aspect of this Receivership. The lawyers working

on this case have included senior partners, junior associates, legal assistants, and support staff as warranted by the relevant tasks. *See Johnson*, 488 F.2d at 718-19 (compensation often reflects degree of experience). While ensuring proper and effective representation, the Receiver has only utilized the services of a limited team of lawyers in order to limit fees and ensure a lean and nimble team of Professionals.

Thompson and Knight has undertaken numerous tasks to further the goals of the Receivership during the period covered by this Fee Application including, but not limited to:

- Making necessary filings to obtain jurisdiction in the various localities around the country where assets of the Defendants were located or believed to be located;
- Obtaining records through subpoenas and other discovery methods;
- Analyzing bank records and accounting information in the context of known relationships and information related to the scheme in order to determine how and where money was spent by Defendants;
- Determining the source of fraudulent transfers and analyzing the benefit of third-party litigation to retrieve monies believed to be Receivership assets for the benefit of the Receivership Estate;
- Representing the Receiver in matters pertaining to the valuation and liquidation of seized assets including conducting extensive legal research, developing procedures for the seizure and sale of assets, drafting and arguing motions, conducting evidentiary hearings, and overseeing the actual monetization and liquidation of assets;
- Communicating with investors, government agencies, and the media as necessary and warranted;
- Undertaking a claims process for investors who have lost money to the Defendants;
- Analyzing investor account information and relevant banking records to determine the legitimacy and appropriate amounts of investor claims;
- Communicating with investors who received fictitious interest in addition to the full return of their principal to secure repayment of the “interest” to the Receivership Estate for distribution in the claims process and administration of the Estate; and

- Undertaking legal research, drafting, and the development of evidence relevant to various litigation against third parties in an effort to return additional monies to the Receivership Estate.

Thompson & Knight has served as lead trial counsel to the Receiver and has represented the Receiver in all proceedings in this case. Thompson & Knight has also been the Receiver's principal counsel on non-litigation matters. These matters have required expertise in a wide range of legal subject matters, including bankruptcy, marital property rights, labor and employment, securities, landlord-tenant, real estate, banking, trust law, liens, tax law, fiduciary issues, insurance, private equity, and aircraft. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (awarding interim fees and expenses to law firm for role in receivership and noting that it involved wide variety of complex legal matters requiring the time, competence, and diverse resources of a law firm of high caliber); *W.L. Moody & Co.*, 374 F. Supp. at 484; *Tanner*, 2007 WL 2013606 at *3; *Funding Res. Group*, 2003 WL 145411 at *1; *Mobley*, 2000 WL 1702024 at *2; *Johnson*, 488 F.2d at 718 (attorneys should be rewarded for accepting the challenges of a difficult case).

The firm has also made reports to governmental and regulatory agencies and worked diligently to make seized and subpoenaed records, data, information, and equipment available to them in the course of their ongoing investigations. Further, Thompson & Knight prepared and maintains the Receiver's website and has distributed other communications (most of which required detailed knowledge of legal matters) to various constituents such as investors, claimants, creditors, Defendants, Relief Defendants, lien holders, and others. All such tasks were necessary and essential to the work of the Receiver.

A bill for Thompson & Knight's services from August 1, 2009 through August 31, 2010 is attached as Exhibit C. The complete, unredacted bills have been provided to the Court for *in camera* review. The bills submitted *in camera* reflect deep discounts with regard to work undertaken in order to catalogue, analyze and respond to investor claims, and to maintain a database related to same. Further, the bills submitted *in camera* also demonstrate billing judgment on behalf of the Receiver and his counsel, whereby unproductive, possibly excessive and/or redundant work has been subtracted from the total fees charged and submitted in this Fee Application. The hours expended and identified as unproductive or redundant have been reduced from the total in calculating the final fees for which the Receiver now seeks approval. *SEC v. AmeriFirst Funding, Inc.*, No. 3:07-CV-1188-D, 2008 U.S. Dist. LEXIS 42166, *7 (N.D. Tex. 2008) (J. Fitzwater); *Saizan v. Delta Concrete Prods. Co.*, 448 F.3d 795, 799 (5th Cir. 2006). Therefore, the Receiver requests approval of payment to Thompson & Knight for \$363,772.90 in fees and \$10,879.33 in expenses, for a total payment of \$374,652.23 This amount also reflects the agreed 20% discount on Thompson & Knight's usual and customary fees, and the fee schedule remains identical to that presented to the Court in the Receiver's first Fee Application.

3. LSS&M, LLP

LSS&M, LLP ("LSS&M") is an accounting and insolvency consulting services firm. This firm was engaged by the Receiver to analyze Defendants' corporate and financial records in order to provide forensic accounting and investigative support services to the Receiver. LSS&M's work product helped to determine *where* and *how* investor money was spent and what parties should be pursued through claw-back, fraudulent transfer or disgorgement claims.

LSS&M has reviewed, and continues to analyze as needed, company books and records, including electronic and paper-based evidence. They have determined the total number of investors, total number of CDs, the entities in which investors invested, and the total amount of

investor dollars received. They analyzed the amount of “rollover” investments, the total sum of cash paid back out to investors, and numerous banking records and financial statements, and assisted Receiver’s counsel to determine which individual investors qualify as “net winners” and other individuals who may have been complicit in the fraud.

The billable rates for LSS&M’s work is as follows:

- Partner: \$300-\$395/hour
- Senior Associate: \$210-\$295/hour
- Associate: \$160-\$185/hour
- Paraprofessional: \$35-\$135/hour

LSS&M’s bill reflects 645.7 hours of accountants’ work and 756.8 hours of clerical work performed, for total fees of \$152,898.00 and expenses of \$44.60. The total amount invoiced to the Receiver, which is attached as Exhibit D, is \$152,942.60. This amount is offset by an agreed discount of 20% to professional fees, which brings that total for which the Receiver seeks approval for payment to LSS&M to \$122,363.00.

C. THE FEES REQUESTED BY THE RECEIVER ARE IN LINE WITH OTHER CASES.

The fees associated with complex receivership cases often have been substantial percentages of the total assets found. *SEC v. Megafund Corp., et al.*, 2008 WL 2839998 at *2 (N.D. Tex. 2008); *SEC v. Funding Res. Group*, 2003 WL 145411 at *1 (N.D. Tex. 2003). Courts have noted that compensation to equitable receivers is analogous to compensation to receivers in bankruptcy. *See SEC v. W.L. Moody & Co., Bankers (Unincorporated)*, 374 F. Supp. 465, 481 (S.D. Tex. 1974), *aff’d*, 519 F.2d 1087 (5th Cir. 1975). The United States Department of Justice has reported that from 1994 to 2000, in Chapter 7 asset cases, 30% – 40% of total estate

receipts were disbursed as fees and expenses to trustees and other professionals. This was true *regardless* of the size of the case. *Id.*

D. THERE ARE SUFFICIENT FUNDS ON DEPOSIT IN THE RECEIVERSHIP ESTATE TO SATISFY THE OUTSTANDING FEES OF THE RECEIVER AND HIS PROFESSIONALS FROM AUGUST 1, 2009 TO AUGUST 31, 2010, AND TO COVER ANTICIPATED FUTURE COSTS AND EXPENSES ASSOCIATED WITH ADMINISTRATION OF THE ESTATE.

As of the filing of this Fee Application, the Estate has sufficient funds to pay all of the Professionals' and Receiver's fees as requested herein. Currently, the Estate holds \$2,401,327.19 in deposits and this Fee Application requests authority to disburse a total amount of \$528,263.23. The total deposits include those amounts obtained from certain net winning investors as the return of fictitious interest, and additional amounts are expected to be recovered from the litigation of fraudulent transfer claims against other net winning investors and third parties who received funds without consideration.

III. ANTICIPATED FUTURE WORKLOAD FOR RECEIVER AND RETAINED PROFESSIONALS

The work of this Receivership is not yet complete; much has been done but significant work remains to be done. All additional work to be undertaken, however, will be driven by (a) the costs to the Estate associated with such work; (b) the ability of the Estate to pay for such work; and (c) the likely result to be achieved, and proceeds to be recovered for the Estate, as a result of such work.

The fees and expenses in the early months of this Receivership were substantial. However, those expenses peaked at times when Professionals were engaging in the bulk of their work, such as forensic imaging of seized computers; review and analysis of corporate records; the seizure, securing, and sale of Estate Assets; and the initial investigation for and litigation of assets. After these initial "peaks" the workload of the Receiver and his Professionals leveled out. This type of reduction is typical in receiverships. *SEC v. Aquacell Batteries, Inc.*, No. 6:07-cv-

608-Orl-22DAB, 2008 WL 276026, *4 (M.D. Fla. Jan. 31, 2008); *SEC v. W.L. Moody & Co., Bankers (Unincorporated)*, 374 F. Supp. 465, 486 (S.D. Tex. 1974), *aff'd*, 519 F.2d 1087 (5th Cir. 1975).

Over the thirteen months detailed in *this* Application, the work performed by the Receiver, his counsel, and other professionals has tapered off and focused primarily on a few discrete but extremely important tasks, namely analyzing the flow of cash through Defendants' accounts and determining where recoverable assets may lie. The fees requested in this Application represent the work performed over a thirteen month period, as opposed to the prior Fee Application, which covered only the first four months of the Receivership. As the Court can see, the Receiver has been mindful of keeping fees expended to a minimum following the significant burst of work at the inception of the Receivership, while ensuring that the goals and needs of the Receivership, investors, and ongoing government investigations are met. The Receiver still believes that the funds that might be available for ultimate distribution to those with claims against the Defendants will almost certainly be *far less* than anyone may have hoped for or expected. Indeed, investors stand to recover little cash, if any, on their investments. In light of this extremely unfortunate circumstance, the Receiver and his team continue to focus on reducing expenses.

The Receiver expects a continued reduction in professional fees while conducting work that is necessary and consistent with his duties. Nevertheless, in addition to the work that still must be performed, the Receiver unquestionably will need to address unforeseen events, crises, and emergencies pursuant to the Court's requirement that the Receiver prevent any irreparable loss, damage, or injury to the Estate. Orders Appointing Receiver at ¶ 5(g). As stated in the

Report, the Receiver anticipates that his major activities and priorities will include, or continue to include:

- Continuing to search for and secure cash for the Estate from a variety of potential sources, and determining how unaccounted-for funds were dispersed;
- Continuing to reduce costs of administering the Estate;
- Analyzing and cataloging potential claims against the Estate, including by collecting and processing claims through the Receiver's online procedure;
- Developing and implementing plans to initiate litigation to recover value for the Estate as appropriate;
- Responding to claims and litigation initiated by others;
- Assisting, reporting to and responding to governmental and regulatory agencies as appropriate, including inquiries from the Commission, Department of Justice, FBI, U.S. Attorney's Office, and the Internal Revenue Service in connection with their investigations;
- Communicating with this Court, investors, Defendants and Relief Defendants, claimants, other constituents of the Estate, and the public, including through the Receivership website;
- Working with the Joint Provisional Liquidators appointed in St. Vincent as possible; and
- Developing a plan for distribution of remaining Receivership Estate funds for the benefit of defrauded investors and other claimants.

IV. CONCLUSION

The relief requested herein is necessary and appropriate to carry out the most basic provisions of the Orders Appointing Receiver. Accordingly, the Receiver requests that the Court enter an order approving of the fees and expenses incurred from August 1, 2009 to August 31, 2010.

Respectfully submitted,

THOMPSON & KNIGHT, LLP

/s/ Jennifer Rudenick Ecklund

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CERTIFICATE OF SERVICE

On December 10, 2010, I electronically submitted the foregoing document to the Clerk of the Court for the United States District Court for the Northern District of Texas using the electronic case filing system of the Court. I hereby certify that I have served all counsel and/or pro se parties of record electronically or by other manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Jennifer Rudenick Ecklund
Jennifer Rudenick Ecklund

EXHIBIT A

Richard B. Roper, III (“Receiver”) files this Report to the Court regarding the affairs and findings of the Receivership, respectfully showing as follows:

By order dated March 26, 2009, this Court appointed Richard B. Roper as Receiver for the assets and records of the Defendants and Relief Defendants in the above-referenced case and all entities they own or control. The Receivership Order directs the Receiver to prepare and submit written periodic reports to the Court and to the parties. This report is intended to brief the Court on the status of matters undertaken for the benefit of the Receivership Estate.

I. OVERVIEW

The Receiver’s Report of December 4, 2009 detailed at length the structure of the Millennium Entities and the manner in which the fraud on the investors occurred. For the sake of brevity, those details will not be repeated here at length. Essentially, Millennium Bank and its related entities functioned as a simple Ponzi scheme, under the direction of Defendant William Wise. Investors in the various entities purchased a “certificate of deposit” for a set term of years, and for a set interest rate. The “interest,” however, was fictitious, as Wise simply paid out matured CDs with the money of new investors who believed they were also purchasing CDs. The rest of the money was appropriated by Wise and his associates for personal use, in the manner detailed at length later in this Report. It was never invested. The Millennium Entities had very little corporate structure, and maintained a physical presence in Napa, California; Raleigh, North Carolina; and offshore on the island of St. Vincent and the Grenadines.

No actual investment of investor funds has been identified throughout the course of the Receivership. Instead, Wise spent the money on a lavish lifestyle, literally

spending tens of millions of dollars for an island resort, airplanes and pilots, an extensive wine collection, boats, luxury automobiles and drivers, world travel, and large sums paid to his wife and various girlfriends, among other things. The findings of the forensic accountants, detailed in this report, explain the misappropriation of funds as thoroughly as possible in light of the poor recordkeeping of the Millennium businesses and the unavailability of William Wise himself.

The previous Receiver's Report discussed the following tasks and matters undertaken by the Receiver in order to satisfy his appointed duties and responsibilities:

- Determination of relationships between Defendants and Relief Defendants
- Understanding of the work undertaken in St. Vincent by the Joint Provisional Liquidators appointed there
- Review, seizure, and relinquishment of Millennium office locations
- Extending the Receivership Court's jurisdiction and staying pending litigation
- Location and securing of assets
- Liquidation of assets
- Interviews of Defendants and Relief Defendants
- Established website and email address for Receivership
- Engagement of professionals to assist in Receivership administration
- Communication and cooperation with government authorities
- Communication with foreign government authorities
- Communications with investors
- Review and analysis of investor claims
- Address investor queries and concerns
- Communications with the media

- Subpoena of various banking and business records of Defendants
- Extensive legal research
- Litigation of claims by Defendants and Relief Defendants

The bulk of the Receiver's work in locating and liquidating assets had been accomplished as of the December 2009 Report to this Court. The Receiver has only a few updates to that process to provide to the Court at this time. Likewise, the Receiver has not had to engage in additional litigation or significant negotiations with Defendants or Relief Defendants since December, and the preliminary work setting up the administrative aspects of the Receivership has been maintained with minimal effort.

This Report will not revisit those topics on which new, additional work has not been undertaken. Rather, the Receiver intends to inform the Court about work that has been performed since the time of the December 2009 Report, providing updates where relevant.

The Receiver's primary focus over the past few months has been developing a meaningful determination of where Defendants' funds were spent. This task is central to the Receivership Estate, both because it may provide insight as to how to recoup some of the lost funds and also because the Court, along with investors and other creditors, needs a clear explanation of what happened to those investor funds which cannot be recovered. This Report will detail the results of the forensic accountants' investigation, and will discuss those actions the Receiver is taking and will continue to pursue in order to get investors' money back into the Receivership Estate for distribution, where possible.

II. RESULTS OF FORENSIC ACCOUNTING INVESTIGATION

A. Overview of accounting & its limitations

As the Court is aware, the Receiver obtained the assistance of forensic accounting firm Litzler, Segner, Shaw & McKenney LLP in order to analyze the bank deposits and withdrawals of Millennium Bank and its sister entities in an effort to determine how funds were used. The first and likely most important conclusion from this analysis is that investor funds were deposited into bank accounts, but never invested by Millennium Bank, William Wise, or any other Defendant or representative thereof. Rather, the activity of the bank accounts demonstrates that investor funds were deposited into one primary account, and that the money was appropriated by William Wise and his associates to fund a lavish lifestyle and little more, paying off earlier investors in order to perpetuate the scheme.

However, the bank records paint a somewhat incomplete picture of the overall financial reality of the Millennium Entities. In many instances, checks, credits, withdrawals, debits, transfers and wires do not have a discernible source or payee according to the records provided by the banks. Because of this missing detail, the forensic analysis is necessarily limited. Additionally, the Defendants did not keep a general ledger or any other accounting of their business at all, except for several databases that were maintained simply in order to keep track of investors. The databases themselves are sometimes inaccurate, and wildly inflate the actual cash invested in the Ponzi scheme, as described below.

The bank accounts demonstrate that no investments were made with investor funds. The databases, however, calculate that the investments were actually earning

interest, and in many cases investments were “rolled over” such that interest “earned” on an old CD was wrapped up with original principal in order to purchase a new investment. In these instances, the database would reflect that a new, higher investment was made, but no new cash actually was deposited into the bank accounts.

The resulting issue for accounting purposes is that new money deposited into the Millennium accounts is impossible to discern from the databases. In many cases, the databases may reflect investments for a particular investor at more than twice the actual cash invested. Therefore, the databases are of limited use in terms of understanding exactly how much money came into and out of the scheme. Likewise, the bank records only explain those transactions occurring since 2004, and detail on many transactions is missing. These limitations affect the Receiver’s ability to fully sort out the financial affairs of Millennium Bank and its related entities.

B. Amounts invested in and paid out of the Ponzi scheme

Approximately \$84.5 million from investors was clearly deposited into the Millennium Entities bank accounts from 2004 forward, according to the bank records. An additional \$15.3 million was paid into the Millennium entities by an investor whose precise relationship with the Defendants is unknown, but this amount cannot be fully and summarily categorized as a CD “investment” at this time.¹ Thus, bank records substantiate \$100.1 million deposited into the Millennium Entities from likely investor funds from 2004 until the institution of this Receivership. Additionally, the bank records show approximately \$27.7 million in additional cash into the Millennium accounts which cannot be identified. Because the *only* sources of money into the Millennium bank

¹ Because the Millennium Entities operated as a Ponzi scheme, paying old investors with new investors’ money, there were no actual CD investments, only purported purchases of CDs.

accounts that *can* be identified are comprised of investor deposits and some money moved from one Defendant affiliate to another, it is likely that much \$27.7 million of unidentified funds represents additional investor money paid into the scheme for the purchase of CDs.

However, the Ponzi scheme pre-dated 2004, and the Millennium databases seized by the Receiver indicate that more than \$29.4 million was invested in the Defendant entities throughout the course of the scheme from 2001 to 2004. Some of this amount may represent “rollover” investments, which would artificially inflate the amount of money actually paid into Millennium accounts and attributable to investors. However, because no general ledger or accounting system *whatsoever* was used by the Defendants, there is literally no way to accurately determine whether investments included in the databases represent actual money versus some conflation of real money and artificial interest. When the amount listed in the database for investments from 2001-2004 is combined with the money attributable to investors and substantiated by the bank records from 2004 forward, it appears that, at most, approximately \$156.9 million was deposited in Millennium Entities’ bank accounts over the entire course of the Ponzi scheme

The bank records substantiate that a total of \$29.8 million was definitely paid out to investors as principal and purported interest from 2004 until the Order Appointing Receiver was issued in March 2009. The chart below shows the flow of money into and out of Millennium Entities’ accounts during that period:

Millennium Entities Cash Flow Analysis as of September 2010

Bank Activity – Investor deposits	\$84.5M
Bank Activity – Unknown, possible deposits from investors	\$27.7M
Pre-2004 Deposit Amounts from Database	\$29.4M
Potential Investor Deposits	\$15.3M
Money Deposited into the Millennium Entities	<u>\$156.9M</u>
Bank Activity – Identifiable payouts to investors	\$29.8M
Less: Money Paid Out to Investors	<u>\$29.8M</u>
Bank Activity – Categorized Post-2004 Spending	\$70.6M
Bank Activity – Uncategorized Post-2004 Spending	\$47.8M
Less: Post-2004 Unidentified or Non-Investor Spending	<u>\$118.4M</u>
Non-identifiable Pre-2004 Spending	\$8.7M

C. Spending by William Wise and other Defendants

Very few funds were found in the Defendants' bank accounts when the Receivership was instituted, given the breadth of the scheme; only \$466,047.94 was frozen by the orders of this Court in March 2009. Obviously, with a possible \$157 million into the Millennium scheme and only \$466,047.94 remaining in known bank accounts, a large deficit exists. The forensic accountants are able to provide the following breakdown of how money was spent through the course of the scheme from 2004 to 2009, according to the bank records subpoenaed by the Receiver. The table below illustrates the various categories of spending that the forensic accountants and counsel for the Receiver were able to isolate from their investigation and the bank records:

Spending Analysis from Millennium Bank Accounts from 2004-2009

<u>Category of Spending</u>	<u>Money Spent</u>
Money to acquaintances ²	\$385,631.36
Aircraft and related costs	\$8,540,876.53
ATM withdrawals	\$2,768,913.82
Automobile expenses	\$55,204.55
Bank fees	\$140,757.19
Cash withdrawals	\$1,228,880.31
Cashiers checks	\$10,787,005.48
Click 2 Pay—Citibank payments	\$660,165.20
Other credit card payments	\$21,793,139.93
Payments to employees	\$2,314,051.30
Health insurance costs	\$89,708.75
Payments to insiders ³	\$12,410,911.66
Wine	\$648,999.38
Bank withdrawals	\$6,398,020.40
Island property	\$2,444,250.99
Total non-investor categorized spending	\$70,666,516.85
Uncategorized spending	\$47,750,130.47
Known cash to investors	\$29,814,011.96
TOTAL SPENDING	\$148,230,659.28

For purposes of the following analysis, the uncategorized spending is not taken into consideration. The known spending amounts total \$70,666,516.85. When known payments to investors are added in, the cash out of the Millennium accounts from 2004 to 2009 totals \$100,480,528.81. The Receiver believes that some significant portion of the uncategorized spending is appropriately attributed to cash returned to investors because Millennium databases suggest that approximately \$31 million in interest alone was paid

² Acquaintances included Wise's girlfriends, friends, and extended family members.

³ Insiders included the individual Defendants and Relief Defendants, including Lynn Wise.

over the course of the scheme. However, because our accountants cannot substantiate all spending to investors based on the bank detail provided, it is not counted here for purposes of the analysis below.⁴

With \$156.9 million in investor funds taken into the Millennium scheme, \$100.5 million in spending is identified and \$56.5 million remains unidentified. Of this amount, the bank records show that \$47.8 million of spending took place which cannot be identified by the bank records provided in response to the subpoenas issued by the Receiver. When the uncategorized spending is subtracted from the unaccounted for \$56.5 million, a total of \$8.7 million remains. However, the Receiver has no records pre-dating 2004 which would document the amount of money spent until that point. From 2004-2009, Wise and his associates were spending approximately \$28.2 million per year. If money paid to investors is not considered, Wise and his associates were spending money at a rate of almost \$22.5 million per year. At this rate, it seems likely that Wise and his associates spent the \$8.7 million that cannot be accounted for between 2001 and 2004. The Receiver currently does not believe there is another source of funds or other assets unknown to him. Rather, it seems likely that the money has simply been spent.

It is possible that Wise took money in cash to hide elsewhere. The cash withdrawals, cashier's checks, and ATM withdrawals detailed above comprise a significant portion of the money withdrawn from the Millennium Entities' bank accounts, a total of \$21,182,820.01. However, Wise has never been available for questioning, and the efforts of the Receiver and his forensic agents in attempting to locate any additional bank accounts which may hold this money have been futile.

⁴ Part II, Section D of this Report explains why the Receiver believes "uncategorized spending" includes significant monies returned to investors.

D. Accounting issues & caveats

The figures detailed in this Report are necessarily inexact, but reflect conservative estimates of the net amounts *spent* in each category. The amount of effort required to produce these numbers has been significant, and still the process has yielded more than 11,000 transactions that the forensic accountants cannot identify without further research and analysis. The Receiver did attempt to obtain additional information from the various banks so that some of the most significant transactions of unknown origin and destination could be classified. However, the numbers discussed in this Report provide the Court with a general estimate of the money spent, based on what is clear to the accountants at this time. Currently, it seems that much more accounting research and work may not be productive or in the best interest of the Receivership Estate, because the work itself is costly and the completed work has not yielded any additional sources of recoverable funds.

Another significant caveat to these numbers is that detail on transactions less than \$1000 was frequently not provided pursuant to the bank subpoenas. Practically, this means that checks or other debits of a relatively low amount are not properly categorized in the total money paid out described above. This may be most relevant with regard to “interest” payments made to certain investors who may have received such payments on a monthly or periodic basis. It is possible that the money paid out to investors would actually register significantly higher were these periodic payments accurately reflected in the accountants’ breakdown. Simply put, many investors likely received checks under \$1000 on a regular basis, but because the accountants lack sufficient detail to attribute those amounts to specific investors, the estimate of cash paid to investors is realistically

higher, not lower than what is estimated here. The databases maintained by Defendants suggest that the total “interest” actually paid out to investors was \$31,425,861.05. This number is *exclusive* of amounts paid to refund principal amounts upon redemption of CDs. The \$29.8 million figure reflected in the accounting includes the return of principal to investors. Therefore, the Receiver believes that the actual total cash out to investors is significantly higher than our accountants can report based on the bank detail available, and that some portion of the “uncategorized spending” listed above actually includes additional money paid to investors over time.

One other aspect of note is that the amount of money withdrawn from the bank accounts in cash may belong in another category of spending, but more specific categorization cannot be substantiated from bank records. For example, it is possible that William Wise withdrew cash funds to pay sums to girlfriends or family, or to his employees, but those transactions cannot be categorized. What the bank accounts can and do clearly show is \$118.4 million was paid *out* of Millennium accounts from 2004 forward. With funds paid out to investors, the total cash paid out from 2004 through commencement of this proceeding in March 2009 was \$148.2 million.

III. COOPERATION WITH GOVERNMENT AUTHORITIES

Since the onset of the first orders in this case, the Receiver has worked extensively with agents of the SEC, IRS, FBI, U.S. Attorneys’ offices, Secret Service, and state securities boards, in order to assist with their various investigations. This cooperation has involved sharing information, documents, background research, interviews, computer files, databases, accounting results, and numerous meetings and calls to aid government officials in their work for their respective agencies. Because

numerous investigations have been undertaken and are ongoing, the Receiver and his counsel have gone to great lengths to provide those materials which will further each investigation in the hopes of coordinating the best possible effort and result on behalf of the Receivership Estate and the aggrieved investors it should benefit.

The investigative process has been more complex in this case because of the complete disorganization and lack of accounting records or corporate structure of the Defendant Entities. In order to perpetuate the fraud and keep others in the dark, it appears that Wise controlled all money deposited into or withdrawn from the scheme at his sole direction, ensuring that unraveling the source and location of all funds would be difficult. What is easy to understand is that no real business took place—money came into Millennium Bank and the other entities from defrauded investors, and that money was simply moved to other accounts and spent. While there is no indication that any investment ever took place (and Wise has admitted as much to his wife’s attorney in this matter), funds were intermingled and moved from account to account only to be spent by Wise himself. The complexity arising from all of this movement has made it difficult for the Receiver (and presumably other government agents) to fully discover the extent of the fraud.

To that end, the Receiver’s counsel and forensic accountants undertook great effort to quantify what amounts were paid in by investors, spent by Wise and his associates, and returned to certain investors in perpetration of the Ponzi scheme. This knowledge is integral to the Receiver’s ability to document and report to the Court whether or not other assets are believed to exist, and what steps could be taken to retrieve and liquidate them. This information is also essential to the government’s ability to

prove the fraud in a criminal context. Information-sharing is thus central to the Receiver's responsibility to the Court and investors in the pursuit of those responsible for the fraud, and this task has been and continues to be taken very seriously by the Receiver.

However, despite his cooperation and communication with the agencies described above, the Receiver is not privy to the status or intent of any government investigation, and cannot report to this Court or investors as to what steps will be taken on behalf of criminal or civil authorities outside the scope of this SEC action. The Receiver can only confirm that he will continue to provide any assistance requested of him by government authorities. The Receiver understands that William Wise has not yet been apprehended. Questioning of William Wise could be extremely helpful to locate any additional funds or assets which have been hidden and remain unknown to the Receiver at this time.

IV. COOPERATION WITH ST. VINCENT JOINT PROVISIONAL LIQUIDATORS

The Receiver has been in contact with KPMG Bermuda, who was appointed in St. Vincent and the Grenadines to handle the tasks of liquidating the Millennium Bank entity and assets there. The Receiver further understands that KPMG has solicited investor claims and is conducting its own claims and estate distribution process. The Receiver has no access or authority over the funds held by KPMG for the benefit of its own liquidation estate. At this time, the Receiver does not know how much money has been recovered pursuant to the JPL's authority in St. Vincent, or how much will be available for return to defrauded investors. The Receiver will *not* be able to exercise any discretion or authority over the liquidation process in St. Vincent, nor the ultimate distribution of funds there.

V. ANCILLARY LITIGATION

In the course of the Receiver's work, some illegitimate transfers of funds have come to light. The transactions are deemed illegitimate because no reasonably equivalent exchange was made by the persons/entities who received certain funds from Millennium Bank or any of its sister entities. *See SEC v. Resource Development International, LLC*, 487 F.3d 295, 301 (5th Cir. 2007); *Warfield v. Byron*, 436 F.3d 551, 559 (5th Cir. 2006). Because those transactions amount to "fraudulent transfers" under the applicable law, the Receiver intends to seek to recoup those funds paid out to these certain individuals as detailed below.

A. Trenholm Healy

Trenholm Healy has been identified as a friend and possible accomplice of William Wise in perpetrating the Ponzi scheme. The Receiver believes that Healy received in excess of \$980,000 from Wise and Millennium Entities. Some interviews suggest that Healy may have "loaned" money to Wise during the course of the fraud, but the Receiver cannot substantiate a reasonably equivalent exchange at this time. Further, based on his close friendship with Wise, the Receiver believes that Healy may have had knowledge of and/or been complicit in the fraud. Because Healy is in possession of funds ultimately traceable to investors, the Receiver intends to file a lawsuit against him, if possible, to recoup funds which should rightly be a part of the Receivership Estate and available for distribution to defrauded investors. Additional investigation is necessary in order to fully flesh out the manner in which Healy may have been involved in the ongoing scheme.

B. Scott Christopher

Scott Christopher is another person to whom Wise and the Millennium entities paid substantial money, ostensibly in commissions for the sale of fraudulent CDs. While the complete extent of the amounts paid to Christopher is unknown, the Receiver understands that he worked alongside Wise for years, selling CDs and traveling extensively between Napa and St. Vincent to visit Wise, with and on behalf of numerous investors. Christopher was compensated according to a formula devised by Wise, and had direct communication with Wise during most of the course of the Ponzi scheme.

Scott Christopher is also the ex-husband of Defendant Kristi Christopher (Kristi Hoegel). He has undertaken direct communications with various investors and groups of investors since the Receivership began in efforts to incite additional frustration and place blame on others. However, the Receiver believes that Scott Christopher received investor funds throughout the course of the Ponzi scheme for no reasonably equivalent exchange, and those funds should properly be restored to the Receivership Estate. Further, the evidence may establish that Scott Christopher had knowledge of the fraud, in which case *any* monies received by him from Defendants as a part of the Ponzi scheme would be recoverable for distribution to defrauded investors through the Receivership Estate. The Receiver anticipates filing a lawsuit to recover monies fraudulently transferred to Christopher in the near future.

C. Atlanta Northside Aviation

Atlanta Northside Aviation has been identified as a business that received significant funds from the Millennium Entities during the course of the Ponzi Scheme. While some funds may have been provided in exchange for services, the Receiver has

identified two unusual transactions through which Atlanta Northside Aviation received large amounts of cash from Millennium which were denominated as “loans.” Those loans should be repaid to the Receivership Estate, and the funds recoverable for administration of the Estate and ultimately, for distribution to investors. A lawsuit to recoup these fraudulently transferred funds will be instituted shortly.

D. Brokers

Robert Kelty and David Jones were the two primary brokers working to sell Millennium CD products over the years Wise perpetuated his Ponzi scheme. At this time, the Receiver is uncertain how much Kelty or Jones may have known about the viability or illegitimacy of the investments. However, Kelty and Jones sold hundreds of CDs to unknowing investors, and received ongoing commissions for each CD they sold. The Receiver believes, according to the work done by his forensic accountants, that Kelty received more than \$750,000 in commissions, and Jones received over \$620,000. This money represents investor funds that are no longer available for distribution, having been fraudulently transferred to Kelty and Jones. The Receiver intends to file suit to retrieve this money for the benefit of defrauded investors.

E. Net Winning Investors

Finally, the Receiver has determined that while numerous investors have been defrauded and lost most, if not all, of their investment in the Millennium Entities, other investors were paid back in full, with interest (the “Net Winning Investors”). While the Receiver does not wish to inflict any additional difficulty on any of the investors, the fact remains that certain investors receiving “interest” were really just receiving money belonging to other investors. Because no investments were made and most of the Ponzi

scheme money was spent, the Receiver deems it necessary to seek to retrieve those funds denominated as “interest,” which were really just fictitious profits provided to some in order to keep the Ponzi scheme afloat.

Because no reasonably equivalent exchange was made for those interest payments, the Receiver has asked those winning investors to return the gains they received so that the monies may be distributed equitably among all investors who experienced a loss. To date, the Receiver has received in excess of \$599,852.32 in response to a demand letter sent to Net Winning Investors. A number of Net Winning Investors have additionally agreed to repay amounts owed via installment plans over the next twelve months. Those who do not respond to the Receiver’s request or refuse to comply will be named in a lawsuit to recover the fictitious interest to be filed shortly in this Court. The Receiver believes that the fictitious interest paid to winning investors who have not paid back the amounts requested totals \$5,241,683.50, which would be the largest source of potential recovery for those investors who lost most, if not all, of their investments.

Each of these “clawback” complaints will be filed in this Court, either contemporaneously with this Report or shortly thereafter. The Receiver undertakes this ancillary litigation in pursuit of the tasks assigned to him by the Court, namely to recoup as many assets and funds possible on behalf of the Receivership Estate to best ameliorate the effects of the Defendants’ fraud. The Receiver, in accordance with the Receivership Order entered by this Court, will litigate these matters in an attempt to bring additional funds back into a Receivership Estate that is comprised of very little in relation to the Defendants’ ultimate fraud. While William Wise reaped the benefit of over

\$100,000,000, only a fraction of that remains to return to defrauded investors. These clawback lawsuits are brought in an effort to restore more money to those to whom it truly belongs.

VI. ANALYSIS OF INVESTOR CLAIMS

Since the inception of the Receivership, the Receiver has actively solicited and obtained claims and supporting documentation from those persons and investors who believe they are owed money by Millennium Entities and/or the Individual Defendants. At this time, 637 investors have made claims with the Receivership Estate.

The Receiver has asked investors to provide him with documents substantiating the amount of their investment in the Millennium Entities. This process has proven to be somewhat complex, as it is evidently difficult for some investors to sort out the money they actually, physically deposited into CDs from fictitious interest or profits they may have rolled over into a “new” investment. Other investors simply believe their investment is larger than the principal they originally invested based on fictitious accounting statements generated by Defendants and provided to the investors over time. An analysis of the amounts owed to each investor is ongoing. Further, the Receiver has to match bank records showing amounts *paid* to each investor with these claims in order to ensure that all investors are treated fairly according to their actual, real dollars left in the Ponzi scheme.

The analysis of investor claims is a time-consuming and detail-oriented process, and one which will not be completed for some time. Currently, the Receiver is primarily focused on getting as many assets into the Estate as possible, and determining where all other funds and assets ended up so that the Court (and the investors) can understand the

extent of the loss in this matter. Once this liquidation and accounting process is fully complete, the Receiver will turn to completing the analysis of investor claims and proposing an equitable plan for distribution of Receivership funds. Because certain investors lost far more than others, a pro rata plan is currently envisioned. However, because the losses at this point are obviously inequitable among the investors, the Receiver is reserving a comprehensive analysis of their claims until such time as distribution is on the horizon.

VII. MISCELLANEOUS ASSET LIQUIDATION

Most of the liquidation of known assets took place before the Receiver's last report to this Court. The sale of real and personal property as of December 2009 resulted in a gain of \$1,789,035.70 to the Receivership Estate. Since the beginning of this year, the Receiver additionally liquidated another of William Wise's automobiles, a 2009 Escalade which was sold for \$50,000. Wise owed \$42,309.69 on the note, so the sale resulted in a gain of \$7,690.31 for the Receivership Estate.

One additional piece of real property owned by the Hoegels exists in Washington State. The Receiver has seized this property; however, the Hoegels have no equity in the property given the depressed real estate economy, and it is worth only a few thousand dollars currently. This property will be disposed of in the most efficient way possible in order to maximize any value to the Receivership Estate.

VIII. REMAINING TASKS

The Receiver is moving toward the process of developing a plan for distribution of funds to defrauded investors and other creditors. While some additional accounting remains to be done regarding the known accounts and assets of the Defendants, the

Receiver anticipates that his next steps are to commence and complete the third-party litigation discussed herein, and to propose an equitable plan for distribution of funds among defrauded investors and other creditors. The distribution plan will require a complete analysis of all claims made against the Receivership Estate. The distribution of funds must wait until the completion of the third-party litigation in order to get as much money into the Estate as possible.

IX. CONCLUSION

The Receiver has devoted the bulk of his time since his last report to this Court to analyzing as completely as possible how and where money was spent in the course of the Millennium Ponzi scheme in order to provide as clear a picture as possible to this Court and to defrauded investors. The analysis contained in this Report represents the best possible picture of Millennium Bank's financial affairs in light of the extremely poor recordkeeping of the Defendants, the limitations of the bank records provided in response to the Receiver's subpoena, and the unavailability of the master of the scheme, William Wise. The Receiver will continue to undertake those tasks required to faithfully and most efficiently administer the Estate. But unfortunately, unless new information is located, based on the accounting analysis to date, the Receiver does not anticipate that additional meaningful assets will be available for distribution to claimants. Once the remaining questions related to this accounting are answered, the Receiver anticipates turning his attention to a distribution plan for claimants, and continuing the ongoing work of responding to requests for information from investors and government authorities.

Respectfully submitted,

THOMPSON & KNIGHT, LLP

/s/ Jennifer Rudenick Ecklund

William L. Banowsky
State Bar No. 01697125

Jennifer Rudenick Ecklund
State Bar No. 24045626

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Tel. (214) 969-1700
Fax (214) 969-1751

**COUNSEL FOR THE RECEIVER,
RICHARD B. ROPER**

CERTIFICATE OF SERVICE

On November 22, 2010, I electronically submitted the foregoing document to the Clerk of the Court for the United States District Court for the Northern District of Texas using the electronic case filing system of the Court.

/s/ Jennifer Rudenick Ecklund
Jennifer Rudenick Ecklund

EXHIBIT B

THOMPSON & KNIGHT LLP

ATTORNEYS AND COUNSELORS

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December 10, 2010

Millennium Bank, et al
Richard Roper, Receiver
Thompson & Knight
1722 Routh Street, Suite 1500
Dallas, Texas 75201

INVOICE SUMMARY

For Services Rendered Through August 31, 2010

Our Matter # 515587.000002
RECEIVERSHIP

Fees for Professional Services*	\$	31,248.00
Reimbursable Costs		0.00
Net Current Billing For This Matter	\$	<u>31,248.00</u>

*Reflects 20% discount on gross fees for professional services.

SUMMARY OF WORK PERFORMED TO DATE

Initial Analysis

- Coordination of resources and establishment of protocols for locating, securing and creating inventory of Receivership Assets and Records
- Consultation and coordination with the SEC, the Department of Justice, and the US Marshals Service regarding initial location and collection of Receivership Assets and Records
- Inspect and secure Raleigh office; inspect and secure Wise residence
- Engage counsel and put team of attorneys and other professionals into place
- Cooperation, communication, and coordination with Securities and Exchange Commission
- Oversee identification and securitization of real and personal property
- Communication with St. Vincent government and Joint Provisional Liquidators appointed there
- Analysis of bankruptcy concerns

Securing of Offices

- Oversaw and directed securing of offices in Napa, California and Raleigh, North Carolina
- Coordinated with local law enforcement in North Carolina and California
- Oversaw process of securing Receiver's jurisdiction in various states where property is or was believed to be located
- Oversaw analysis of Receivership records and equipment
- Fielded and responded to communications from Defendants' vendors regarding leased office equipment and office contracts
- Performed a thorough search of Raleigh office and home and oversaw same in California

Communication with Vendors, Employees and Customers

- Fielded and responded to communications and inquiries from Defendants' vendors regarding retrieval of leased office equipment, status of office service contracts, and liens against real and personal property
- Fielded and responded to communications and inquiries from Defendants' employees and Relief Defendants
- Fielded and responded to communications from investors, media, Department of Justice, United States Attorneys, and other interested parties regarding case status and access to records
- Engaged forensic accountants and conferred with them to develop plan for handling and review of data

Liquidation of Assets

- Oversaw engagement of appraisers and auctioneers

- Oversaw cataloguing of property seized from Defendants
- Reached resolution and obtained Court authority regarding sale and surrender of assets
- Oversaw preparation of evidence and motions and participated in evidentiary hearings concerning sales of seized property
- Negotiated and closed sales of real and personal property, including Wise's North Carolina residence and Hoegel property in California
- Oversaw auction of Wise personal property in Raleigh, North Carolina

Management of Third-Party and Pending Litigation

- Oversaw search for pending pre-Receivership litigation and arbitration matters
- Analyzed strategy and options for proceeding with third party lawsuits including claw backs, fraudulent transfers, and disgorgement
- Fielded inquiries and responded to issues raised by non-parties and unrelated counsel related to pre-Receivership litigation
- Oversaw discovery, including subpoena of records pertinent to Defendants and their business and personal and corporate finances
- Participated in evidentiary hearings, established basis for Court's finding that Defendants did conduct a Ponzi scheme since at least 2004

Miscellaneous

- Oversaw investigation and asset search and recovery efforts
- Communicated and negotiated with counsel for Defendants and Relief Defendants
- Analyzed and implemented case management strategy
- Communicated with investors and reviewed correspondence and materials submitted by investors and began process of analyzing claims against the Estate and procedures for handling same
- Provided extensive cooperation to various government authorities and agencies, including the SEC, DOJ, FBI and IRS
- Oversaw work of forensic accountants and analysis of results
- Provided periodic reports to the Court and investors

SUMMARY OF FEES

<u>Name</u>	<u>Title</u>	<u>Hours</u>	<u>Discounted Rate/Hr</u>	<u>Amount</u>
Richard Roper	Receiver	74.4	\$420.00	\$31,248

Reimbursable Costs

Air fare, lodging, ground transportation, and other vendors (e.g., locksmiths, utility providers, vehicle storage) to complete work performed:

Total Reimbursable Costs	\$	0
TOTAL CURRENT FEES AND COSTS FOR THIS MATTER*	\$	31,248.00
NET CURRENT BILLINGS FOR THIS MATTER.....		<u>\$31,248.00</u>

*Reflects 20% discount on gross fees for professional services

EXHIBIT C

THOMPSON & KNIGHT LLP

ATTORNEYS AND COUNSELORS

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RIO DE JANEIRO
SÃO PAULO
VITORIA

December 10, 2010

Millennium Bank, et al
Richard Roper, Receiver
Thompson & Knight
1722 Routh Street, Suite 1500
Dallas, Texas 75201

INVOICE SUMMARY

Our Matter # 515593.000002

REPRESENTATION OF RECEIVER

Total Fees for Professional Services*	\$494,342.70
Net Fees for Professional Services **	363,772.90
Reimbursable Costs	10,879.33
Net Current Billing For This Matter **	<u>\$374,652.23</u>
Total Balance Due This Matter	<u>\$ 374,652.23</u>

*Reflects 20% discount on gross fees for professional services.

**Net of time recorded, but not billed, for preparation of Fee Application, Receiver's Report, and certain paralegal time, as well as all attorney and paralegal time which may be nonproductive or duplicative.

SUMMARY OF WORK PERFORMED TO DATE

Initial Analysis

- Coordination of resources and establishment of protocols for locating, securing and creating inventory of Receivership Assets and Records
- Research regarding existence of offices to be closed
- Consultation and coordination with the SEC, the Receiver, the Department of Justice and the US Marshals Service regarding initial location and collection of Receivership Assets and Records
- Close offices, secure and transfer records and interview employees and unrepresented Defendants
- Research regarding and confirmation of filings under 28 U.S.C. §754 in each jurisdiction where Thompson & Knight LLP located Receivership Assets and file same
- Identify and secure real and personal property
- Analysis of bankruptcy concerns
- Review and analyze seized records and equipment

Securing of Offices

- Secured offices for the Receiver in Napa, California and Raleigh, North Carolina
- Coordinated with local law enforcement, where necessary, and property management companies for access to each office location; changed locks and disabled electronic access where in use; coordinated with property management and private security, where necessary, to assure future access was limited to the Receiver or his representatives
- Prepared detailed written and photographic inventories of assets in each location
- Coordinated with Defendant employees for monitored retrieval of personal items from Defendant offices
- Compiled report containing personal contact information, computer user names and passwords and voice-mail passwords of employees from each office
- Identified and interviewed employees regarding office operations and the location of Receivership assets and records
- Analyzed Receivership records and compiled preliminary list of accounts, players, and company structure
- Compiled inventories of all electronic equipment and coordinated with Stroz Friedberg regarding securing of electronic assets and imaging of office servers and individual computers
- Disposed of perishable items
- Fielded and responded to communications from Defendants' vendors regarding leased office equipment and office contracts
- Performed thorough searches of offices and homes of individual Defendants and Relief Defendants
- Prepared numerous boxes of materials and equipment which were packaged and forwarded to the Receiver

- Coordinated with US Marshals, local police and private security service providers to further secure Receivership assets and records

Communication with Vendors, Employees and Customers

- Fielded and responded to communications and inquiries from Defendants' vendors regarding retrieval of leased office equipment, status of office service contracts, and liens against real and personal property
- Fielded and responded to communications and inquiries from Defendants' employees and Relief Defendants
- Fielded and responded to communications from investors, media, Department of Justice, United States Attorneys, and other interested parties regarding case status and access to records
- Engaged forensic accountants, supervised work, and analyzed accounting results

Communication with Landlords

- Formally notified all landlords/property managers of the Receivership
- Communicated with landlords to forestall lockout and repossession of leased office premises based on lease provisions listing "receivership" as an event of default by the tenant

Closing and Liquidation of Offices and Assets

- Took steps to limit expenses incurred by Defendants in their offices upon determination by the Receiver that Defendants did not operate a viable business.
- Coordinated with other professionals hired by the Receiver; closed and completed process of liquidating property located in offices
- Coordinated with and supervised employees' final opportunity for access to remove personal belongings
- Secured all flash drives, compact discs, and other portable media for boxing and shipping to Receiver
- Coordinated the packing of all IT equipment containing data for shipment to Receiver
- Prepared and placed Chain of Custody forms for each box and item to be shipped to Receiver
- Coordinated the transfer of keys and facilitated the eventual return of leased premises to landlords
- Engaged appraisers and auctioneers
- Catalogued property seized from Defendants
- Reached resolution and obtained Court authority regarding sale and surrender of assets
- Negotiated and closed sales of real and personal property
- Conducted and oversaw auction of Wise personal property in Raleigh, North Carolina

Management of Third-Party and Pending Litigation

- Searched for pending pre-Receivership litigation and arbitration matters

- Analyzed pending matters and conferred with Receiver and counsel regarding strategy and options for proceeding
- Prepared correspondence and communicated with opposing counsel regarding the effect of receivership and of orders entered by the Northern District of Texas
- Fielded inquiries and responded to issues raised by non-parties and unrelated counsel related to pre- Receivership litigation
- Researched and analyzed options regarding pursuit by Receiver of potential claims against third-parties
- Subpoenaed records pertinent to Defendants and their business and personal and corporate finances
- Conducted legal research regarding authority to liquidate property
- Drafted numerous motions and briefs regarding authority to liquidate property
- Conducted evidentiary hearings, resulting in finding that Defendants did conduct a Ponzi scheme since at least 2004
- Communicated with St. Vincent Joint Provisional Liquidators
- Drafted various third party lawsuits in effort to recover funds for Receivership Estate
- Prepared communications to persons holding fraudulently transferred funds to recover same for Estate
- Handled queries and negotiated settlements of more than \$500,000 in fraudulent transfer claims in order to avoid unnecessary and costly litigation
- Addressed contempt issues related to the asset freeze orders entered by the Court and prepared pleadings and negotiation of same with all involved parties
- Filed notice of Receivership in each district that newly discovered property subject to recovery may lie
- Interviewed potential witnesses for clawback litigation to obtain evidence to assist in the recovery of additional Receivership funds
- Developed procedures for use in third-party litigation

Miscellaneous

- Analyzed investor returns in order to discern those persons who held fraudulently transferred funds
- Supervised and analyzed forensic accounting results
- Communicated with and directed the work of forensic accounting firm for specific purposes in ascertaining the location of Receivership monies
- Prepared periodic reports to the Court on the status of the Receivership
- Prepared periodic reports to investors on the work of the Receiver and information pertinent to investors' claims
- Determined the location of monies transferred by Defendants that may be recoverable for Receivership Estate

- Performed extensive analysis of forensic accounting to develop complete picture of cash flow through Defendants' accounts
- Cooperated with various government agencies to assist in their investigations
- Maintained database of investor claims
- Developed information pertinent to the possible location of additional Receivership assets

SUMMARY OF FEES

Name	Title	Hours	Discounted Rate/Hr	Amount
Bill Banowsky	Partner	25.40	\$460.00	11,684.00
Richard Roper	Receiver	.50	\$420.00	210.00
Richard Phillips	Partner	.10	\$385.00	38.50
Jessica Magee	Associate	317.70	\$340.00	108,018.00
Allison Byman	Associate	60.10	\$325.00	19,532.50
Jennifer Ecklund	Associate	547.80	\$308.00	168,722.40
Brian Goodrich	Associate	3.60	\$308.00	1,108.80
Tim Evans	Associate	409.60	\$215.00	88,064.00
Janet P. Jardin	Associate	3.20	\$340.00	1,088.00
Janice L. Graves	Legal Assistant	145.80	\$170.00	24,786.00
Caroline Lemire	Legal Assistant	12.90	\$160.00	2,064.00
Laurie M. Infante	Legal Assistant	24.60	\$155.00	3,813.00
Polly Bates	Legal Assistant	20.50	\$155.00	3,177.50
Melody Paradise	Legal Assistant	395.80	\$150.00	59,370.00
Liza De La Garza	Case Clerk	4.30	\$90.00	387.00
Angela Kennedy	Information Speci	4.00	\$110.00	440.00
Colleen M. Pincumbe	Information Speci	7.80	\$100.00	780.00
Deinna Mims-Johnson	Information Speci	7.70	\$100.00	770.00
Laurie Miraglia	Information Speci	1.90	\$100.00	190.00
Valarie J. Rodawalt	Information Speci	1.00	\$99.00	99.00
TOTAL FEES		2068.70		\$494,342.70

Reimbursable Costs

Air fare, lodging, ground transportation, and other vendors (e.g., locksmiths, utility providers, vehicle storage) to complete work performed:

Total Reimbursable Costs	\$	10,879.33
TOTAL CURRENT FEES AND COSTS FOR THIS MATTER*	\$	494,342.70
TOTAL FEES SUBTRACTED**	\$	130,569.80

NET CURRENT BILLINGS FOR THIS MATTER..... \$374,652.23

*Reflects 20% discount on gross fees for professional services

** Reflects all professional time netted out of fees for preparation of the Fee Application, Receiver's Report and certain paralegal time, in addition to all time which may reflect nonproductive or duplicative work.

EXHIBIT D

LITZLER, SEGNER, SHAW & MCKENNEY, LLP INVOICE

The following Fee Application Summary Sheet details fees for work performed by the Receiver's forensic accountants, Litzler, Segner, Shaw, & McKenney, LLP ("LSS&M"). The work performed by LSS&M at the Receiver's request included but is not limited to:

- Creation and maintenance of a database of every financial transaction conducted by the Defendants and Relief Defendants since 2004, based on financial records provided by the SEC and the Receiver's subpoena efforts
- Analysis of the records and reports kept by the Defendants, including an investor database, to support the Receiver's understanding of the underlying fraud and its effects on individual investors
- Analysis of the Defendants' financial transactions to aid the Receiver in his understanding of the flow of assets through the Defendant entities and the search for assets potentially recoverable into the Receivership Estate
- Generation of reports requested by the Receiver to aid in third-party litigation, updates to the Receivership Court and investors, and in the Receiver's general oversight of the Receivership

The following summary sheet does not reflect the 20% discount in professional fees discussed in the foregoing fee application. The correct amount for reimbursement after applying that discount is **\$122,363.00**

FEE APPLICATION SUMMARY SHEET

Invoice of Litzler, Segner, Shaw, & McKenney, LLP

Period: April 15, 2009 through August 31, 2010

Capacity: Accountants for the Receiver

Debtor: SEC v. Millenium Bank, *et als.*

Case No. 7:09-CV-050-O

Amount Previously Paid:

Fees: \$0.00 Expenses: \$0.00

Holdback Amount: \$0.00

Amount Requested:

Fees: \$152,898.00

Expenses: \$44.60

Total: \$152,942.60

Reductions:

Fees: \$0.00

Expenses: \$0.00

Total: \$0.00

<u>Hourly Rates:</u>	<u>Accountant</u>	<u>Clerical</u>
Highest Rates:	\$235.00	\$95.00
Hours Billed:	645.70	756.80
Average:	\$125.45	\$95.00

/s/ Milo H. Segner, Jr.
Signature

September 23, 2010
Date