

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.

I. OVERVIEW OF THE MILLENNIUM ENTITIES AND THE ESTATE

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 (the “Millennium Entities” and “Defendant Entities”). These entities were aligned in a fairly simple infrastructure, and were controlled primarily by William J. Wise, with the assistance of Kristi and Jacqueline Hoegel. Essentially, the Millennium Entities solicited funds from investors for the purchase of self-styled “certificates of deposit” in Millennium Bank for various guaranteed rates of return, most of which far exceeded the rate of return on a traditional bank CD, often by as many as six to seven points above traditional banks. The Millennium Entities had two stateside offices, one in Napa, California, and another in Raleigh, North Carolina. Defendants’ third primary location was the actual “bank” itself, located offshore on the island of St. Vincent, the largest island of the St. Vincent and the Grenadines chain, located in the Caribbean.

The Millennium Entities had very little corporate structure. Investors would simply send checks or wire transfers for purchase of Defendants’ CD product to the bank location in St. Vincent, which were then bundled with other investor checks and then sent by FedEx to the Napa location, typically made out to UT of S, LLC (though there were also investments in the other Defendant entities). Upon receipt, the staff in the Napa office, comprised primarily of Kristi and Jacqueline Hoegel, would deposit all of the funds for UT of S and Millennium Bank

CDs into a single UT of S bank account ending 9648 at Washington Mutual/JP Morgan Chase Bank through remote deposit machines located onsite at Millennium's Napa office. Sterling investors' funds were deposited into a separate an account ending 9656, also maintained at Washington Mutual/JP Morgan Chase.

Millennium Bank was not a bank in the traditional sense. The "bank" was chartered in St. Vincent, where investors believed their funds were being used for investment purposes. However, analysis by the Receiver, his accountants, and even the admission of Defendant William Wise establish that none of the funds remitted to Defendants for the purchase of CDs were invested, but rather were diverted to and misappropriated by the various Defendants. Based on interviews with the Hoegel Defendants and Laurie Walton and the ongoing analysis of Defendants' books and records, the Receiver has determined that funds received from new investors were utilized to pay redemptions to earlier investors when their CDs matured, or to pay interest distributions to certain investors through the life of their investment. CDs were sold to investors with guaranteed rates of return.

While many early investors who redeemed their CDs seem to have actually received the guaranteed rate of return promised to them, investor funds were not invested by Defendants on behalf of the investors as represented—the redeeming investors were simply receiving the "principal" that new investors were contributing to the Millennium Entities for purchase of their own CDs. In other words, investors who cashed out their CDs at maturation or who received interest payments were only receiving other investors' dollars, misappropriated and turned into the very proceeds of the fraud.

The latest count of investors located by the Receiver in cooperation with the SEC ("the Commission") shows that 1,091 people invested in the Defendant Entities since 1996, through

deposits made to UT of S, Sterling, or Millennium Bank. Total monies remitted to purchase Defendants' CDs between 1996 and 2009 total \$246,468,193, representing a total of 4,224 CDs (this sum is a gross figure from which "rollovers" have not yet been netted out) broken down as follows:

- Sterling: 2602 CDs;
- Millennium Bank: 97 CDs; and
- UT of S, LLC: 1525 CDs.

However, a significant portion of this amount (still being determined by the Receiver's accountants) was repaid to investors in redemption payments prior to the commencement of the Receivership, either for investors whose CDs had ostensibly matured and were cashed out, or for persons holding non-matured CDs who nonetheless sought redemptions and were paid. Likewise, as stated above, many investors "rolled over" their initial investment into a new CD or CDs upon maturation. The Receiver is still determining how many current investor claims exist against the Receivership Estate, and how much money those claims represent, as investors continue to contact him with their investment information. To date, the Receiver has received 1563 claims from 819 investors, asserting investments which total more than \$119,188,545 with Millennium Bank and the Defendant Entities.

Because the majority of the funds provided by investors to the Millennium Entities were simply misappropriated for the personal gain of Defendant William J. Wise and other individual and Relief Defendants, and to make redemption and interest payments to earlier investors, the Receivership Estate is comprised of a very limited amount of cash seized from Defendants' bank accounts and gained through liquidation of Defendants' real property holdings and those personal property assets purchased with investor funds, including a plane, several cars, jewelry,

and other personal belongings. Bank accounts to which investor funds were diverted for the personal benefit of Wise and the other Defendants have been frozen and secured to the extent possible. The total, combined proceeds deposited into the Estate from sales of various Receivership assets and seizure of cash and accounts has been \$2,374,385.50 thus far.

II. RELATIONSHIPS BETWEEN THE DEFENDANT ENTITIES

It appears from the Defendants' records that the most recent investors believed they were investing in Millennium Bank (as opposed to another entity). While numerous accounts were held in various Defendant entities' names, the other corporate entities, including Sterling, UT of S, United Trust of Switzerland, and Matrix Administration, appear to have had no real corporate purpose. No documents were found in either the Napa or Raleigh office locations to indicate that these corporate entities were involved in doing any legitimate investment business, or other business, whatsoever.

Rather, money from investors was simply put into bank accounts for later use by Wise and other Defendants. The funds were used to pay employees, provide regular stipends to William Wise's wife and various girlfriends, cover company overhead to run the Millennium offices, maintain the Millennium Bank website, guarantee loans to other business ventures, pay for domestic and international marketing, travel for Defendants, various employees and their friends and families, to make redemption and interest payments to investors in order to perpetuate the fraud, and to fund myriad lifestyle and luxury expenses of Wise and others. Where appropriate, those who have received ill-gotten funds will be pursued in order to "clawback" these monies for the Receivership Estate.

Defendants' employees and "business expenses," including salaries, leases, marketing, and other overhead, were paid primarily from a UT of S account with Washington Mutual/JP

Morgan Chase Bank, and ending with the digits 9648. As of the date of this report, despite diligent work to determine what investments may have been made, Receiver has no information which suggests that *any* actual investments were made by Defendants in the course of Millennium business. On the contrary, it has been represented to the Receiver by persons in touch with William Wise (who remains abroad, and has refused all attempts at communication by the Receiver or his counsel) that he has acknowledged and admitted that Defendants *never* invested *any* funds received from Millennium investors.

Because the Millennium Entities evidently conducted no real business beyond keeping the Ponzi scheme running, the Entities were not viable once the scheme was shut down when the Commission filed its Complaint and the Receivership Order was entered in this case. It is well-settled that a Ponzi scheme is deemed insolvent from day one.¹ With continued maintenance and functioning of the business(es) out of the question and hence no hope of generating funds for the Receivership Estate out of the continued operations of Defendants' "business," the Receiver began to focus on recovering assets and establishing the most effective and efficient mechanisms for their liquidation, for the ultimate benefit of investors and other creditors of the Estate.

III. RELATIONSHIPS BETWEEN THE INDIVIDUAL DEFENDANTS

As alleged by the Commission's complaint in this matter, Defendant William Wise was the chief architect and operator of a multi-state/multi-national scheme to defraud investors. His activities were based primarily out of Napa, California; Raleigh, North Carolina; and the island of St. Vincent. In Raleigh, Wise was supported by Relief Defendant Laurie Walton and another employee, Jutilia Jackson, who primarily handled travel, payroll, and day to day support for all

¹ See, e.g., *In re Mark Benskin & Co.*, 161 B.R. 644, 650 (Bankr. W.D. Tenn. 1993); *In re Int'l Loan Network, Inc.*, 160 B.R. 1, 12 n.15 (Bankr. D. D.C. 1993); Taubman, 160 B.R. at 978; *In re Ramirez Rodriguez*, 209 B.R. 424, 430-31 (Bankr. S.D. Tex. 1997). See also *In re Financial Federated Title & Trust, Inc.*, 309 F.3d 1325, 1332 (11th Circ. 2002).

Millennium employees (and others they may have traveled with), planned logistics for business events, and paid bills for the organization. Their stated roles were primarily executive assistance, and after interviewing them and analyzing Defendants' records, they seem to have had little to no access to client accounts and information. However, a review of Millennium Bank's seized documents and computer data indicate that Relief Defendant Laurie Walton also had limited involvement in the receipt and forwarding of certain investors' wire transfers and related business.

Defendants Jackie Hoegel and Kristi Hoegel were based in Napa, California, where they recruited and signed up investors to purchase Defendants purported CD products. The Hoegels were responsible for maintaining client files and account information, bringing in new customers, and providing customer service. Sales agents Robert Kely and David Jones, among others, including a former employee named Scott Christopher, were responsible for bringing in new customers. Defendant Brijesh Chopra, a citizen and resident of Canada, was listed in Millennium materials as Managing Director of Millennium Bank. Defendant Phillippe Angeloni reportedly served as a director, previously having been listed as an executive vice-president of the bank. The full extent of Chopra and Angeloni's involvement in the Millennium scheme is currently unclear because they have not returned to the United States at this time for questioning, but it is believed the Mr. Chopra and Mr. Angeloni were involved in marketing Millennium Bank to investors in various capacities and locations.

The Receiver has determined that Chopra travelled to and worked on behalf of Defendants in China trying to establish relationships with other banks. Chopra was paid for his work with the proceeds of the fraud. Additionally, he received tuition money from Defendants as well as several trips for him, his family, and his friends to St. Vincent and other locations.

Further, Chopra wired \$50,000 to his prior counsel at Allen and Overy, LLP despite, and in violation of, the Asset Freeze Order in this case, which was provided to Chopra and his attorneys *before* the wire transfer was made.

The Receiver and his counsel have met with counsel for Defendants Chopra and Angeloni, alongside the Commission, and they have indicated a willingness to cooperate with the Receiver and the Commission through discovery once the Court enters a scheduling order, in order to resolve matters related to their involvement in the Ponzi scheme. On October 5, 2009, a proposed scheduling order was filed in this case (Doc. 100) and, once it is entered, the Receiver will proceed with obtaining discovery from these Defendants in an expeditious manner.

IV. APPOINTMENT OF FOREIGN JOINT PROVISIONAL LIQUIDATORS

The Receiver has not been authorized by the government in St. Vincent, where Millennium Bank's offices were located, to oversee the Defendants' business dealings, unwind the fraud, or recover assets for creditors and defrauded investors. It is well-known that English law governs in many areas of the world, including the Caribbean Islands, many of which are considered to be tax havens for U.S. Citizens. Due to the strict confidentiality laws throughout the Caribbean Islands, including St. Vincent, and the tax incentives offered to those who move money to the financial institutions located in these jurisdictions, there has been an increase in the number of Ponzi schemes and multi-tiered marketing schemes that have crossed international lines. This issue presents an obstacle to receivers who attempt to recover assets for defrauded investors.

The courts and governmental authorities in the Caribbean, including on the island of St. Vincent, have laws to appoint their own quasi-receivers. In this case, the government in St. Vincent appointed its own "Joint Provisional Liquidators" ("JPL"), who are employed with

international accounting firm KPMG. The JPLs control certain international accounts by virtue of their own court orders, and that money is not accessible to the U.S. Receivership Estate but will be presumably be used to satisfy claims made against *that* Estate.

The U.S. Receiver is attempting to cooperate with the Joint Provisional Liquidators whenever possible in order to maximize the benefit to investors, but is mindful of the responsibilities with which he is tasked by this Court and proceeds first and foremost in accordance with those obligations. The Receiver has communicated with the JPLs on numerous occasions in an effort to share and obtain information pertinent to unwinding the Defendants' fraud and recovering as many assets as possible into the domestic and foreign Estates. However, this Court's Orders Appointing Receiver have not been recognized by the St. Vincent government, as that body has rested authority for the proper handling and winding down of Defendants' business and payment of claims to creditors and defrauded investors squarely in the hands of the JPLs. This Report discusses the work performed by the Receiver, and while reference is made to continued communications and sharing of information with other governmental agencies and authorities, this Report does not summarize such other parties' work or investigation to date concerning the Defendants.

V. REVIEW OF MILLENNIUM OFFICE LOCATIONS

Immediately after the Order Appointing Receiver was entered, the Receiver secured the Millennium offices in Raleigh, North Carolina and Napa, California. The locks at each location were changed, and the Receiver and his counsel traveled to each location in order to locate and marshal as many assets as possible. The Receiver and his counsel conducted interviews with Defendants and Defendants' employees in order to discern where additional bank accounts may

be located, and where other personal and real property assets could be found. The services of employees at each location were terminated immediately.

The Receiver shipped documents and materials seized from Defendants' offices (including cell phones and computers) to the Fort Worth offices of Thompson & Knight, LLP, where the Receiver's attorneys undertook a high-level search for asset and account information. The business documents of the Millennium entities were quickly reviewed in order to provide the Receiver and his counsel a better understanding of the logistics and practices of the business and the scope of investors and the scheme to defraud them. An inventory of bank and credit card account information was created from the information retrieved from the Raleigh and Napa offices, and the Receiver has taken steps to identify and ascertain the continued existence and location of any assets for the various Defendants and Millennium-related entities. Defendants maintained and accessed bank accounts offshore, and the Receiver has been communicating with the Commission to develop and file the appropriate materials with jurisdictions outside of the United States in order to try to secure monies held internationally where possible.

The hard drives of all computers found in the Raleigh and Napa offices were imaged in order to fully preserve evidence related to the Millennium business. The Receiver secured the services of computer forensics firm Stroz Friedberg to handle the imaging, which totaled 5.46 terabytes of information. Because of the extremely large amount of information contained within these drives, the majority of which was duplicative "back up" data or otherwise irrelevant to Defendants' fraud (*e.g.* personal family and medical records and the like), the Receiver was faced with a choice as to how to most efficiently review the materials. A full-scale forensic review would be very costly to a Receivership Estate with extremely limited funds. Because of the limited funds available to the Estate, and the intelligence gathered throughout the

Receivership process, the Receiver first undertook a high-level review of the pertinent materials through his counsel, in order to be able to prove those elements necessary to secure known and located assets and monies whose ownership was challenged by Defendants and Relief Defendants. The materials have since been provided to the Receiver's forensic accountants at LSS&M for further analysis in order to garner a full picture of the Estate's assets and liabilities. Once complete, a claims reimbursement process can be fully developed in light of the accountants' findings. It is also hoped that the forensic analysis may shed light on any additional, hidden sources or locations of funds.

Defendants did not own the offices where they conducted domestic operations, so the Receiver worked with the landlords for the Raleigh and Napa offices in order to develop the most efficient and cost-effective plan for relinquishing the properties. The Receiver filed motions with the Court proposing procedures for relinquishing the Napa and Raleigh properties, and thereafter relinquished them in accordance with the Court's orders. Because the Millennium business(es) were not viable, retaining the leases provided no benefit to the Receivership Estate, or to investors. The Receiver was able to extricate the Defendants from their long-term lease contracts for less than \$5,000 although the total exposure on their lease contracts exceeded \$30,000.

The Receiver conducted a thorough review of the assets and equipment located in each office, as well as a complete review of the lease obligations at each location. The Receiver additionally removed all documents and materials from the offices and secured them, leaving behind only nominal furniture and equipment to be liquidated by the landlords in partial satisfaction of the lease obligations. Because the leases for each domestic office were in arrears for tens of thousands of dollars and the landlords were owed additional sums for cancellation of

the leases under the contracts, the Receiver negotiated with each landlord in order to relinquish the properties for far less than the amounts owed in exchange for the nominal furniture and equipment, in addition to a complete release by the landlords of any and all claims against the Estate. The Receiver undertook these steps with the Court's permission in an effort to preserve the value of the Receivership Estate for all other claimants, including investors.

**VI. EXTENDING THE RECEIVER'S AND RECEIVERSHIP COURT'S
JURISDICTION AND STAYING LITIGATION**

Notifications of the Commission's lawsuit, commencement of the Receivership, and the Receiver's exercise of jurisdiction over the Estate assets were timely filed, pursuant to 28 U.S.C. § 754, in each United States judicial district where offices or assets of the Receivership were believed to exist, as well as those locations where assets may have been located at one time. The filing of these "754 notifications" authorized the Receiver to stay any litigation filed against the Defendants or Estate, to institute new litigation as warranted, and to secure, seize, and sell assets belonging to the Estate. A discussion of the assets located, secured, seized, and sold follows later in this Report.

Only one pending litigation matter against Defendants was identified. On April 2, 2009, Sound Profiles, Inc., a home-entertainment company, filed a complaint against William and Lynn Wise in Wake County, North Carolina small claims court to recover approximately \$5,000 for goods sold and delivered to the Wises. The court rendered a \$4,923.82 judgment against the Wises on May 18, 2009, as they did not appear at trial. After being contacted by counsel for the Receiver (when the Receiver learned of the lawsuit), Sound Profiles released its judgment against the Wises and has instead filed a claim for \$4,923.82 against the Receivership Estate.

On June 29, 2009, attorneys for the Receiver contacted Reginald L. Yates, a North Carolina attorney who had been retained by American Express to file suit against Lynn Wise for

payments owed on an American Express credit card. The Receiver's attorneys requested that the lawsuit be dismissed in light of this action and the orders entered herein. Mr. Yates agreed to dismiss the lawsuit and then forwarded to the Receiver documents he had received from American Express. Those documents, evidenced charges made by William Wise on an American Express Card ending 52002 during the billing periods ending January 18, 2008, to March 20, 2009. Those charges are discussed *infra*. No documents pertaining to Mrs. Wise's American Express charges, if any, were provided and the Receiver has identified no American Express card registered to Mrs. Wise. Mrs. Wise remains under Court order to turn over her accounts and refrain from using credit cards or other sources of funding that is in any way traceable to the fraud.

Because this is the only identified litigation involving Defendants, the Receiver has spent no time establishing stays of pre-existing claims. Also, no other known claims have been filed against Defendants or the Receiver since the Court's Order Appointing Receiver took effect. If any litigation pending in a United States court against Defendants or the Receiver comes to the Receiver's attention, Receiver will take appropriate steps to stay such litigation (where it is brought in contravention of this Court's order) and see that any and all claims against the Receivership Estate are considered equitably at such time as assets become available for disbursement to investors and other creditors. The Receiver has made and continues to make regular audits of state and federal filings to determine if any Defendants have been sued.

VII. LOCATION AND SECURING OF ASSETS

As defined in the Order (and Amended Order) Appointing Receiver, the assets of the Estate include:

- Monies;
- Securities;
- Real and personal properties;
- Other tangible and intangible belongings and assets, of whatever kind and description;
- The legally recognized privileges of the Defendants and Relief Defendants and all entities they owned or controlled; and
- The books, records, client lists, account statements, financial and accounting documents, computers, computer hard drives, computer disks, internet exchange servers telephones, personal digital devices and other informational resources of the Defendants or Relief Defendants, or issued by Defendants or Relief Defendants and in possession of any agent or employee of the Defendants or Relief Defendants.

As stated above, the Receiver seized all books, records, and equipment located in the Defendants' homes and offices. Thereafter, the Receiver and his representatives, including legal counsel, undertook a review of the documents and other materials in the Napa and Raleigh offices in order to ascertain what assets and accounts held by or in the name of Defendants might exist. The Receiver also interviewed various witnesses to determine where certain real and personal property assets were located. In the course of his investigation, the Receiver located the following assets:

- Real property
 - Raleigh, North Carolina home of William and Lynn Wise (sold);
 - American Canyon, California home of Hoegels (being sold subject to two priority liens);
 - Vallejo, California home of Hoegels (lacked equity and was in default when Receivership commenced; surrendered to lien holder);
 - Lincoln, California home of Hoegels (released to lien holder due to lack of equity); and

- Anderson Island, Washington vacant lot owned by Hoegels (will be sold)
- 2009 Cadillac Escalade ESV Platinum, VIN 1GYFK36279R137213 (being sold);
- 2009 Cadillac Escalade, VIN 1GYFK36269R137395 (sold);
- 2009 Mercedes SL 600; VIN WDBSK77F09F145988 (sold);
- 2008 Mercedes S 600, VIN WDDNG76X28A173061 (sold);
- Mercedes SL 500, VIN WDBSK75F64F077711 (sold);
- Two boats (located in St. Vincent) (subject to JPL control)
- One aircraft, Challenger 601-1A, Registration Number N105UP (lacked equity and was surrendered to lien holder in exchange for receipt of \$100,000);
- Extensive wine collection housed in the United States and St. Vincent (majority of domestic wines sold, remainder of domestic wines being sold, wines located on the island are subject to JPL control);
- Personalty of William and Lynn Wise, including various jewelry, art, décor, furniture, and designer apparel and accessories (sold for \$647,978.25);
- Personalty of Hoegels (sold for \$43,569.32);
- St. Vincent resort property (subject to JPL control); and
- Miscellaneous goods and equipment seized from offices (sold and being sold).

In addition, the Receiver has communicated with the JPLs and the Commission to identify numerous bank accounts held in Defendants' names or utilized by Defendants to deposit or transfer investor funds. While many of these accounts have been frozen and the funds therein seized and deposited into the Receivership Estate's account, a number of additional, unknown accounts held outside the United States may still be active. The Receiver is working with the Commission and other domestic and foreign government authorities to locate and freeze these accounts where possible. Likewise, the JPLs at KPMG are attempting to have their own St. Vincent order recognized in order to secure funds for claimants of Millennium Bank. Such

accounts are under the control of the Joint Provisional Liquidators and not subject to inclusion in the assets collected or collectible by the Receiver. The Receiver is making every effort to maintain open communications with the JPLs, but understands that they will have their own claims and reimbursement process approved by the St. Vincent government, and the Receiver may have little to no control over that distribution. The Receiver has aggressively searched for other bank accounts which may contain funds traceable to investments or the Defendants' fraud, and is issuing additional subpoenas to institutions where Defendants may have maintained or moved funds traceable to their fraudulent scheme.

VIII. DISPOSITION OF ASSETS

The Receiver obtained Court approval of his proposed procedures for disposing of the Receivership assets which have already been located and seized. The Receiver made great efforts to determine how the assets could be disposed of with the greatest return to the Receivership Estate, and took steps to ensure that liquidation was handled as swiftly and efficiently as possible. To that end, the Receiver took the following actions:

- Secured and seized Defendants' and Relief Defendants known bank accounts for a total recovery to the Estate of \$482,237.45;
- Reached an agreement with the bank holding a secured lien against the seized aircraft and negotiated surrender of the plane, which was determined to be worth less than the lien amount, while still realizing a \$100,000 recovery for the Estate;
- Located and engaged an expert in fine wines to find buyers for the collections located in the United States and St. Vincent, resulting in a recovery by the Estate of \$197,280.07 to date, with additional wines scheduled for sale in the coming weeks;
- Conferred with jewelers regarding the appraisal and sale of various pieces of jewelry seized from Defendants, which jewelry was sold at auction in November 2009;

- Contacted and engaged auction houses and automobile brokerage firms regarding the most lucrative manner of sale for various vehicles owned by Defendants, which vehicles have been sold, except one being marketed for sale;
- Engaged a real estate expert experienced with luxury properties and with high net-worth contacts to market the Wise home and locate buyers for the real property in Raleigh, North Carolina, which efforts resulted in a recovery to the Estate of \$810,780.93;
- Engaged a real estate expert in Napa, California to appraise and list real property seized there; which property may not yield a return to the Estate insofar as it is subject to priority liens;
- Negotiated with lien holders for satisfaction of Defendants' obligations on real and personal property;
- Contacted and subpoenaed a jeweler in Raleigh, North Carolina to obtain a full listing and accounting of jewelry pieces purchased by Defendants;
- Contacted third party vendors for assistance in developing online auction options for certain personal property, resulting in the forthcoming auction of personal property seized from the Wise residence and Defendants' Raleigh, North Carolina office on November 18, 2009;
- Obtained appraisals of all assets of significant value;
- Ensured personal property assets were properly and safely secured; and
- Made efforts to determine and document ownership of certain personal property assets currently held by non-Defendants, but believed to belong to the Receivership Estate.

The liquidation process is ongoing. The Hoegel Defendants' personal property items were inventoried and liquidated in accordance with Court order. Lynn and William Wise's personal property was sold at a public auction on November 18, 2009. The auction was estimated to return gross proceeds of approximately \$300,000 to \$400,000 to the Receivership Estate, but actually provided a return of \$647,978.25 after all efforts were completed. That figure is net of all fees due to the auction houses assisting with the sale, detailed at length in the Receiver's application for fees filed contemporaneously with this report.

The Receiver has provided a full accounting of the assets located in the process of seizure and liquidation (through motions presented to this Court, documents 28-34, 50, and 75-76 in the docket report for this cause), and has ensured that their value is maximized for the benefit of the Receivership Estate. Assets that did not add value to the Estate have been abandoned or surrendered with the Court's consideration and permission. These assets were detailed for the Court in exhibits to the Receiver's motion to compromise Hoegel claims (document 81), as well as in the Receiver's motion to surrender property of negligible value to Lynn Wise (document 105), both approved by this Court. The details of the Receiver's procedures for sales were described at length in the Receiver's various motions filed with the Court, and were approved by various corresponding Court orders.

IX. OTHER TASKS THE RECEIVER HAS UNDERTAKEN

In addition to the Receiver and his team's search for, securitization, and liquidation of assets to date, these additional tasks have been undertaken:

- Interviews of Defendants (excluding William Wise, who remains at large)
- Establishment of an email account for contacting the Receiver;
- Establishment of a website on which court documents, status reports, and answers to frequently asked questions are provided;
- Engagement of professionals to assist in administration of the Receivership including, but not limited to, attorneys, accountants, computer forensic specialists, international asset search and recovery specialists, realtors, wine brokers, and appraisers;
- Communication with governmental authorities and provision of documents and data to same;
- Communication with foreign governments, agencies, and representatives thereof, including JPLs, Royal Canadian Mounted Police, Law Society of Upper Canada, and others;
- Communications with investors;

- Communications with counsel for Defendants;
- Review and analysis of investor correspondence and claims;
- Fielding of investor phone calls and email correspondence;
- Communications with the media;
- Subpoena of banking and business records of the Defendant entities and individuals;
- Extensive legal research; and
- Preparation of legal motion, briefs, and memoranda.

X. LITIGATION/RESOLUTION OF ASSET CLAIMS

Throughout the course of the Receivership, various Defendants, Relief Defendants and other claimants have asserted ownership interest in or liens against assets which were believed to be a part of the Receivership Estate because they were purchased with the proceeds of the fraudulent scheme alleged in detail in the Commission's Complaint. As the Receiver demonstrated, and pursuant to which this Court issued a finding on July 9, 2009, Defendants conducted a Ponzi scheme since at least 2004, rendering all assets purchased with the proceeds of that fraud Receivership assets.

Hence the Receiver undertook necessary steps to determine the legitimacy of the claims made against the assets by purported secured creditors and lien holders, the extent to which they should be considered in light of the particular factual circumstances, the relevant law relating to their claims and rights, and the most cost-efficient and expedient means of resolving any legitimate claims while still maximizing value and recovery to the Receivership Estate. Pursuant to Court authority, many assets including real property (Lincoln, California and Vallejo,

California residences) and personal property (the airplane and certain leased vehicles) have been surrendered to lien holders.

Additionally, Relief Defendant Lynn Wise and various other Wise family members made numerous claims to personal property assets located in Raleigh, North Carolina. Lynn Wise also challenged the Receiver's authority to sell the Raleigh real property which she and Mr. Wise had owned since 2001, which the Receiver and his attorneys presented evidence was paid for with proceeds of the fraud. The Receiver conducted a thorough review of the facts and accounting documents to establish that these assets were purchased with monies received from fraud, and developed the evidence to demonstrate to the Court that the receipt of funds by Mrs. Wise was a fraudulent transfer of investor monies to which she had no legitimate claim of ownership.

In fact, the Receiver discovered and established through the evidence that Mrs. Wise received a weekly allowance of approximately \$12,000 from William Wise and/or Millennium Entities, all derived from the proceeds of Defendants' fraudulent activities. Record evidence collected and submitted by the Receiver's attorneys establish allowance payments in excess of one million dollars, while documentation further analyzed by the Receiver and his team (and not yet presented to the Court in an evidentiary hearing) clearly establishes that Mrs. Wise received far more than \$1,000,000 in allowance proceeds over the course of the fraud. The process of considering Mrs. Wise's interest in various assets required briefing on various legal issues as well as the procurement and analysis of extensive evidence as to the source and transfer of investor monies.

Ultimately, the Receiver demonstrated to the satisfaction of the Court that the assets in question were derived from the proceeds of the fraud, showed that the actions by Defendants were in fact fraudulent, and that Mrs. Wise had no legitimate claim of ownership to the assets

under the law. The Receiver ultimately sought to abandon those assets which would *not* enhance the value of the Receivership Estate in order to avoid the expenses of liquidation for items of negligible value. The Wise home in Raleigh was sold on August 31, 2009 and the proceeds from that sale were deposited into the Receivership Estate's bank account.

Toni Benson, an experienced realtor with extensive knowledge of the luxury market in Raleigh, North Carolina, assisted the Receiver with numerous issues which arose in the course of marketing and sale of the Wise residence, going far above and beyond the expectations of a realtor because she understood the harm that had come to investors and other claimants as a result of the fraud perpetrated by the Defendants in this case. Ms. Benson worked long hours, interacted with the Receiver's representatives including attorneys and appraisers, coordinated with local maid services, water and electricity providers, and local authorities, and advanced her own money to ensure proper maintenance and security of the Wise residence during the pendency of the contract under which the residence was ultimately sold.

The personal property within the Wise home was sold at the November 18, 2009 auction, and the proceeds from that sale will be placed in the Receivership Estate's bank account immediately upon receipt. Mrs. Wise and her family consented to the auction (Doc. 105), and the Receiver moved the Court to surrender those personal property assets of negligible value which would not enhance the Receivership Estate through sale. The anticipated recovery to the Receivership Estate from auction of the Wise personal property was between \$300,000 and \$400,000, according to the appraisals and estimates given by those professionals engaged to conduct the sale. The final recovery to the Estate was actually \$647,978.25. While ultimately Mrs. Wise agreed to the sale of her real and personal property, agreement was only reached after the Receiver and his attorneys undertook extensive negotiations, collection of evidence,

evidentiary hearings, presentation of legal authority to Mrs. Wise and her counsel, all of which required a significant investment of time and effort.

The Hoegel Defendants and Relief Defendants also objected to the Receiver's sale of those real property and personal property assets seized from their possession in California. The Receiver once again demonstrated to the Court that the Millennium business was in fact a Ponzi scheme, that the Hoegel Defendants received funds in excess of the value of the assets seized and that the assets could be traced to the proceeds of fraud, where applicable. The Receiver further responded to numerous objections and motions from the Hoegels as required to resolve the disputes which arose with them. Again, significant attorney time was required to adequately respond to the Hoegels' motions and objections and to prepare for and conduct the hearings conducted by the Court with regard to disposition of the Hoegel's seized belongings. The sale of the Hoegels' personal property assets was accomplished through auction(s), certain personal property of negligible value was released to the Hoegels, those assets which had no value or equity to the Estate were surrendered to lien holders, and the real property was sold in accordance with the Court's orders. All proceeds from these sales will be, or have been, deposited in the Receivership account.

Sovereign Bank asserted a secured claim/lien against the Millennium aircraft listed as an asset of the Receivership. As the Court was made aware at an early stage, Sovereign Bank retained a secured lien against the aircraft for \$4,300,000. Ultimately, the value of the aircraft declined in the market, contrary to the hopes and predictions of those persons engaged to help market and sell that asset. Evidence was presented to the Court regarding the appraised value of the airplane and regarding the drastic changes in market conditions for its sale. The impact of the current economic state and the declining value of the property necessitated a decision on sale

of the aircraft, as the mounting costs of maintaining it in marketable condition totaled several thousands of dollars per month.

In order to secure an expedient and cost-cognizant resolution to these issues, the Receiver agreed to exchange the aircraft with the lien holder, Sovereign Bank, in satisfaction of the lien and in return for a payment of \$100,000 upon sale of the aircraft. The aircraft was sold in early November for well less than Sovereign Bank's lien amount and the Estate received \$100,000 out of the sale as promised. This result, while not netting the Estate a capital gain on the asset itself, did function in the best interest of the Estate because the asset had declined in value to a point which was actually less than the existing lien. The agreement by Sovereign Bank to remit \$100,000 to the Estate resulted in actual gain and value to the Receivership Estate despite the dire financial circumstances that diminished the value of the aircraft. This arrangement also resulted in the Court's granting of the Receiver's objection to Sovereign Bank's attempt to intervene in the lawsuit, which attempt was moot in light of the Receiver's surrender and subsequent receipt of funds.

At this juncture, all identified assets have either been liquidated as detailed above, or are in the process of being marketed and sold in accordance with the Court's orders. The Receiver continues to evaluate all information which may lead to the recovery of additional assets heretofore unknown to the Receiver or government authorities, but it is unlikely that many more liquidatable tangible assets (real and personal property or domestic bank accounts) will be identified.

If and as any other Receivership assets are located, including bank accounts, they will be seized, evaluated, appraised, and liquidated in accordance with the general procedures already approved by the Court and, where appropriate, additional Court approval will be sought. The

Receiver will address claims and objections regarding any additional assets as they arise, and will seek the express direction of the Court on those objections prior to undertaking liquidation of any disputed assets.

XI. ANALYSIS OF ACCOUNTS & LIABILITIES

In the process of identifying all pertinent accounts and liabilities of the Receivership Estate, the Receiver subpoenaed and obtained bank records from March 1, 2007 to March 31, 2009 in order to develop a complete picture of Defendants' and Relief Defendants' business and other affairs, and to be able to prove the fraud alleged by the Commission in order to begin recovery for the Estate.

The Receiver engaged Kroll, Inc. to perform an international investigation and asset search for Defendants focused in Switzerland. Kroll accepted the engagement and conducted an investigation into the Defendants, specifically searching for business dealings and ownership of any real or personal property within Switzerland. Kroll searched all relevant Swiss corporate databases and found no records for Millennium Bank or UT of S, LLC, concluding that neither has any real and direct footprint in Switzerland. While Kroll identified business registration materials for the Defendant entities, it concluded that none one are reported to be linked to any local real estate or land ownership in Switzerland. With regard to United Trust of Switzerland, Kroll determined that the entity was first registered in Switzerland in 1931 and was reincorporated under different parties and entities over time. It was re-incorporated in Zug, Switzerland in August 2007. United Trust of Switzerland was formerly operated by Mr. Daniel Noser, who is a close associate of a well-known Swiss citizen, believed himself to have been involved in numerous Ponzi schemes and other criminal or fraudulent activities, named Arno Arndt. Mr. Arndt is also known as Dr. Arno "Ernst" Arndt, and has been charged for various

financial frauds in the United States and Switzerland. Mr. Arndt was listed as a director of United Trust of Switzerland in 2001 and 2002. Despite this intelligence, Kroll has not located any tangible assets or sources of funds or property maintained by Defendants in Switzerland. Through the course of communications with other parties and agencies, the Receiver continues to investigate the Defendants and their activities and interests in Switzerland, including prior bank accounts and dealings with Credit Suisse, whose records have been subpoenaed.

The Receiver served subpoenas on Wells Fargo, Bank of America, JPMorganChase/Washington Mutual, Citibank, and Umpqua Bank, and has continued to subpoena additional records and entities as they become known through the course of the Receiver's and/or the Commission's investigations. Additional banking and business records are anticipated to be received in response to numerous subpoenas issued by the Receiver to the following institutions:

- Allegacy;
- American Express;
- BB&T;
- Bank Julius Baer & Co.;
- Bank of America;
- Bank of National Commerce;
- Bank of Nevis;
- Bank von Ernst;
- Citibank;
- Credit Suisse;
- First Republic Bank;

- GM Card;
- Neiman Marcus Card;
- Sears MasterCard;
- Swiss Post Finance;
- TD Bank;
- US Bank;
- USAA;
- Umpqua Bank;
- Washington Mutual;
- Wachovia Bank; and
- Wells Fargo.

The Receiver undertook an initial review of these records in order to establish to the Court the breadth and scope of the fraud insofar as it applied to those assets which the Receiver sought to liquidate for the benefit of the Estate, and thereafter contemplated the most efficient and cost-effective means of conducting further review for the remaining goals and needs of the Receivership.

To that end, the Receiver engaged the forensic accounting firm of LSS&M to develop a comprehensive view of Millennium's business, including the source of funds coming into Defendant accounts and the final destination(s) of those funds going out. Further, the accountants' analysis should provide the Receiver with an understanding of the mechanisms utilized to calculate investment balances for CD-holders in order to assure that each investor is considered fairly and in good faith in the claims process. The accountants' work should also identify those parties and other entities against whom the Receiver may wish to pursue third-

party litigation, should it appear that such parties have reaped the benefits of the fraudulent scheme without consideration for or legitimate claims of ownership to the funds they received. In the approaching weeks, the accountants will provide a report of total money received from investors by Defendants net of “rollover” amounts, total amounts paid back to investors and when, and from that figure, the Receiver will be better equipped to determine what sum of money remains unaccounted for.

Some of this accounting work was delayed as the Receiver worked to ensure that sufficient funds would be available to pay for this undertaking. Because the accounts seized to date did not contain nearly the amount of funds suspected to have been involved in the Defendants’ Ponzi scheme, each action of the Receiver has been taken with the net result to the Receivership Estate, versus the cost, in mind. Likewise, international asset searches and efforts to locate funds offshore have been necessarily limited by the financial constraints of the Estate.

XII. RESULTS OF ONGOING FINANCIAL INVESTIGATION

The Receiver, his attorneys, and his accountants have undertaken considerable efforts to determine *where* the money tendered by investors was spent, how it was spent, and where any remaining funds are located. While the structure of Defendants’ businesses was not complex, there was little to no accounting method or bookkeeping system maintained by the Defendants. Furthermore, it is apparent that William Wise was chiefly responsible for directing the “business” of conducting the fraud and that he shared little detailed information with others, often simply directing employee conduct without revealing detailed information underlying the directions. Hence, the lack of thorough documentation or orderly accounting has made the Receiver’s job of unraveling the fraud and finding funds considerably challenging. This fact, coupled with the lack of funds in the Estate, has required the Receiver to be frugal in the

spending of Estate funds on detailed accounting and forensic analysis. The accounting analysis is ongoing. As stated before, the Receiver has already determined that between 1996 and 2009 investor dollars tendered to the Defendants totaled \$246,468,193 (including rollover amounts), representing a total of 4,224 CDs purchased by investors. Furthermore, it appears that Defendants spent investor money in some of the following ways:

- \$5,000,000 to \$7,000,000 for purchase and upgrades to real property in St. Vincent;
- \$1,000,000+ on personal property to outfit real property located in St. Vincent;
- \$700,000 to pay off mortgage on Raleigh residence;
- \$12,000 per week to his wife, Lynn Wise, totaling approximately \$3,000,000;
- Unknown sums charged to credit accounts maintained by Lynn Wise and William Wise's female companions (records being subpoenaed);
- \$6,000 to \$10,000 per month / per girlfriend (escort) of William Wise, paid to one or more people at a time;
- \$40,000 per month toward interest owed on the aircraft note
- \$19,000 per month for maintenance fees, costs, cleaning and landing fees for a private airplane;
- \$3,000 to \$5,000 per month for updated flight plans systems for a private airplane;
- \$90,000 for pilot training costs for a private airplane (spent on at least three pilots in 2008);
- \$800,000+ for construction of airplane hangar in Atlanta
- \$25,000 – \$40,000 per month for airplane fuel (\$5.00 per air mile);
- \$1,000,000+ on wine;
- \$1,000,000+ to repay loan from Wise's friend Trenholm Healy;

- \$4,800,000 to American Express by William Wise alone, and solely between January 2008 and March 2009; likely resulting in approximately \$19,000,000 to \$20,000,000 during the lifetime of the fraud and exclusive of other credit accounts;
- \$450,000 to purchase three boats in St. Vincent; and
- Unknown sums (still being determined) paid toward international travel, food (at least \$20,000 for *two* meals in Atlanta), alcohol, entertainment and lodging for various business associates, friends, and female companions, primarily to St. Vincent but also to Europe, Asia, and beyond. This includes a trip for as many as fifty people to travel to St. Vincent for New Year's Eve 2008.

XIII. COMMUNICATION WITH INVESTORS

Upon being appointed by the Court, the Receiver immediately set up a website in order to provide investors with up-to-date information about the Receivership as it develops. On that site, The Receiver has posted various Court orders, motions of the Receiver, claims notification procedures, forms for making a claim with the Receiver, information regarding the Commission's suit, and information pertaining to investor questions and concerns.

The Receiver also immediately created an email account to which investors may make inquiries and submit claims. The Receiver monitors the email traffic regularly. When similar questions repeatedly arise, answers are provided on the website's "FAQ" section. When specific inquiries are exceptionally urgent and warrant an individual response, the Receiver and his counsel work to provide the investor with the best information possible in order to answer his or her query. Further, the Receiver has authored and sent a series of emails to known investors with updated information on the status of the Receivership when developments so warrant. Unfortunately, many issues that would be of keen interest to investors simply are not able to be made public or are not sufficiently certain to disclose at a particular time. Understandably, investors are profoundly disappointed by the fact that the Estate has such limited funds and that

Mr. Wise refuses to return to the United States to answer for his actions or to provide the Receiver, the Commission, and other government agencies key information that would help unravel the years long fraud scheme he conducted. Unfortunately, many investors are confused about the role of the Receiver and the purpose of the Receivership. Many believe that it is the Receiver's responsibility to find and arrest Mr. Wise, though the Receiver lacks authority to do so. Further, many investors have circulated unproductive and misleading, and at times vaguely threatening, emails and letters to the Receiver and his attorneys suggesting, incorrectly, that the Receiver previously represented Mr. Wise, that Mr. Wise was arrested but then released on bond, that the Receiver and his counsel are secreting away funds seized in the course of their work, and more. These statements are baseless and patently untrue. In an effort to quell the dissemination of incorrect, misleading, and at times incendiary information among investors who are often carbon copied in mass, the Receiver and his team of attorneys have had to spend significant time responding to individual investor emails that do not pertain to the actual tasks and goals of the Receivership.

Understanding that some investors may not have access to computers or the internet, the Receiver contacted all known investors via U.S. mail, providing information about the status of the Receivership, claims procedures, contact information for the St. Vincent Joint Provisional Liquidators, and other pertinent details to address ongoing investor concerns. In the letter, investors were invited to submit their claims and questions via regular mail if they had not already done so, but were informed that the Receivership website will remain the primary source for information about the ongoing court proceedings and Receivership activities.

XIV. COOPERATION WITH OTHER AGENCIES

Various government entities have requested and received the cooperation of the Receiver in their ongoing investigations of the Defendants and others. The Receiver is working with the Commission to ensure that materials pertinent to their case are made available. The Receiver has also managed requests from, and made information and data available to, the Department of Justice, IRS, Secret Service and FBI, and has made (and will continue to make) relevant documents and materials accessible to each agency as requested. The Receiver anticipates that his cooperation with law enforcement and regulatory agencies will continue for the foreseeable future.

As discussed previously herein, the Receiver has also been communicating with the St. Vincent-appointed Joint Provisional Liquidators from KPMG to coordinate efforts to locate and secure assets in that location.

XV. ACTIVITIES & PRIORITIES IN THE NEAR TERM

The Receiver anticipates that his major activities and priorities for the near term will include the following:

- Continuing to search for and secure cash for the Receivership Estate from a variety of potential sources.
- Continuing to determine how CD funds were dispersed.
- Continuing to communicate with the St. Vincent Joint Provisional Liquidators in order to maximize the recovery available to investors from assets held in that location.
- Continuing to develop and implement plans to sell or liquidate Receivership assets which remain, including both real and personal property.
- Attempting to locate and secure accounts and assets held outside the United States (and the jurisdiction of this Court) with the assistance of government agencies where possible.

- Recovering Receivership assets from foreign entities, including opposing competing claims to those assets if necessary.
- Analyzing and cataloguing potential claims against the Receivership Estate, including the collection and processing of claims through the Receiver's online procedure and through U.S. mail.
- Responding to claims and litigation initiated by others, if necessary.
- Assisting, reporting to and responding to governmental and regulatory agencies as appropriate, including responses to inquiries and requests made by the Commission, DOJ, IRS, FBI, and Secret Service.
- Communicating with this Court, customers, current and former employees, claimants, other constituents of the Estate, and the public, where appropriate.
- Responding to unanticipated emergencies and other matters as they arise.

The Receiver's primary goal will remain locating and liquidating any additional assets in order to build a corpus of funds to reimburse investors to the extent possible. If additional tasks arise which may aid in the achievement of that goal, Receiver shall bring them to the attention of the Court where appropriate in order to keep all parties fully apprised of the Receiver's work.

XVI. ESTATE RESOLUTION PROCESS

The goal of the Receivership is to maximize recovery of value for the Estate and to ultimately make distributions to defrauded investors and other claimants. As indicated in the background discussed above, the Receiver expects that the total value of the Estate that will ultimately be available for distribution, if any, will be *far less* than the total amount of claims for monies invested with Millennium Bank. The Receiver has diligently solicited claims forms and investment information from investors and other claimants in order to prepare for that time when assets may be available for distribution in satisfaction of some portion of the total claims made on the Estate.

Once the Receiver has identified, recovered, and monetized the available assets and identified all claims against those assets, he will develop and file with the Court a proposed plan for equitable distribution of value to claimants, including investors. This plan will be available for comment and objection by the affected parties at that time, pursuant to procedures to be approved by the Court. After collection of comments and objections, the Receiver will await the Court's decision on the plan, with whatever modifications the Court deems appropriate after hearing from all parties. Once a plan is approved, distributions will be made. Because the asset recovery and liquidation efforts are still in process, the Receiver cannot currently estimate when he will be able to propose a plan.

Respectfully submitted,

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CERTIFICATE OF SERVICE

On December 4, 2009, 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/ Jessica B. Magee
Jessica B. Magee