

**SEC v. MILLENNIUM BANK, ET AL.**  
**DECEMBER 3, 2009 STATUS REPORT AND UPDATE**

**William Wise**

Mr. Wise, the chief architect and operator of the Ponzi scheme, remains abroad. While neither the Receiver nor the Securities and Exchange Commission have any authority, discretion, or power with regard to when Mr. Wise will be located and arrested, we continue to cooperate fully with all governmental agencies investigating Mr. Wise and the Defendant entities, including the Internal Revenue Service and the Department of Justice.

**Entry of Default Against William Wise**

Because William Wise remains abroad and has refused to return to the United States, the Court authorized the Securities and Exchange Commission to effect "substitute service" through counsel for Mrs. Wise. This means that, even in his absence, Mr. Wise was considered served with process in the Securities and Exchange Commission's lawsuit, and his deadline to answer the claims alleged against him expired. Thus, on December 1, 2009, the Securities and Exchange Commission filed a request with the Court to make an entry of default against Mr. Wise. On December 2, 2009, the Court having found that "Defendant Wise has failed to plead or otherwise defend in said action," made an entry of default against Mr. Wise.

**Subpoena Requests for Financial and Other Documents**

During his administration of the Receivership, the Receiver has requested documents both informally and formally through the subpoena process. Requests have been made to financial institutions and other entities in an effort to understand the full scope of Defendants' fraud, the flow of funds and the methods employed by Defendants to move and transfer investor funds, and the manner in which investor funds were either (a) paid out to investors; (b) used to operate Defendants' business and perpetuate the fraud (marketing, payroll, office rental, and other costs); (c) moved out of the country and secreted in highly privatized foreign accounts; or (d) expended on lifestyle, luxury, and other purchases.

The subpoena process is ongoing and additional requests are issued as warranted in the course of the Receiver's investigation.

**Subpoena Requests to Millennium Trust Company and Sunwest Trust**

Millennium Trust Company is not a Defendant entity, but merely and coincidentally shares a similar name with Defendants.

The Receiver recently issued subpoena requests to Millennium Trust Company and Sunwest Trust. Millennium Trust Company provided custodial services to self-directed investment retirement accounts ("IRAs") belonging to certain investors. While some investors purchased Defendants' CDs through their IRAs and fully redeemed them, others rolled-over their CDs, closed their accounts with Millennium Trust Company, or administratively transferred custodial services of their IRAs to Sunwest or other entities.

Millennium Trust Company sent letters to investors for whom it provides, or formerly provided, custodial services. The Receiver has communicated with Millennium Trust Company and understands that the purpose of the letter was to satisfy legal obligations requiring notification to current or prior account holders of the issuance of the subpoena. If you have any questions or concerns about the subpoenas issued to Millennium Trust Company or SunWest, please call your contact person at those companies or contact the Receiver. Investors are not expected or asked to take any action with the Receiver in response to these notifications.

**Asset Liquidation and November 18, 2009 Auction of Wise Personalty**

The Receiver has liquidated, or is completing the process of liquidating through soon-to-close sales, the known and tangible assets seized from the Defendants and their families including bank accounts, an airplane (surrendered to secured lien-holder in exchange for payment of \$100,000); wine (\$200,000+); homes (\$800,000+); and personal property (\$700,000+). While the Receiver continues to search for

additional assets, including bank accounts, no additional assets have been identified beyond those previously disclosed to the Court.

On November 18, 2009, acting under court authority, the Receiver oversaw the public auction of personal property seized from William Wise and his family. The auction included three vehicles, jewelry, apparel, high-end handbags and shoes, art, décor, furniture, wine, and more. The auction, which included live bidding in-person, via the internet, and registered absentee or phone bidding, earned in excess of \$750,000. Bidding was strong and the Estate earned more than originally anticipated thanks in part to the efforts employed by auction companies Iron Horse Auction House and Leland Little Auction & Estate Sales, Ltd. After costs and commissions are paid, the Estate will recover more than \$647,000 from the auction.

### **Accounting Analysis**

The Receiver's efforts are largely dependent upon the funds available to him in the Estate with which to pay professionals to undertake investigative and other work. As previously disclosed, the Defendants exhausted many of the investor funds received and secreted additional investor funds in highly privatized offshore banking havens whose governments do not require financial institutions to cooperate with American receivers, to respond to subpoenas, or to disclose data pertaining to their clients' accounts.

The Receiver has engaged forensic accountants to review and analyze the records seized from Defendants and obtained, through formal and informal requests, from various financial institutions and other businesses. The accountants have had unfettered access to all data and documents in the Receiver's custody.

While the accountants' analysis is ongoing, it has been determined that 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 subtracted) broken down as follows: (a) Sterling: 2602 CDs; (b) Millennium Bank: 97 CDs; and (c) UT of S, LLC: 1525 CDs.

Importantly, a significant portion of this amount (still being determined by the Receiver's accountants) was repaid to investors in redemption and interest payments prior to the commencement of the Receivership, either for investors whose CDs had 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(s) into a new CD(s) 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 invested with the Defendant Entities.

### **Claims Process and Payments to Investors**

No funds have been paid out to investors since the date on which the Securities and Exchange Commission filed suit and the Receivership commenced. No funds will be paid to investors until such time as a process for assessing and paying claims made upon the Estate has been presented to and approved by the Court. At this time, the Receiver and his accountants are continuing to analyze and trace the funds into and out of the Defendant entities and related individuals' accounts. A process for paying claims will not be ratified until that process is complete and the Receiver is in a position to report to the Court the amount of funds in the Estate, if any, that are available for repayment to investors.

### **Class Action Lawsuits Filed Against JPMorgan Chase & Co.**

The Receiver continues to monitor the progress of class action lawsuits filed by certain investors against JPMorgan Chase & Co. in the United States District Courts for the Northern District of Texas (Case No. 7:09-CV-056-0) and the Northern District of California (Case No. 3:09-CV-5272). The Receiver will file appearances in those lawsuits if necessary in order to protect the rights and remedies of the Receivership Estate.

### **Upcoming Action Items**

The Receiver will be reviewing and analyzing records produced to him in response to recently issued and ongoing subpoena requests and will temper and contour his work in accordance with the results of that analysis.

Additionally, the accountants will continue their work on behalf of the Receiver in order to (a) provide the Court and investors a detailed explanation of the source and movement of fraud proceeds; and (b) determine the proper course for future administration of the Receivership.

### **Fee Application and Receiver's Report**

The Receiver will file, on or about the first week of December, a comprehensive report detailing his work, and work performed on his behalf, to date. The Receiver's Report was prepared in accordance with federal rules governing receivership administration and explains the mechanics of Defendants' fraud, the source of funds used to operate the fraud, the believed use of those funds by the Defendants based on accounting analyses to date, and prospects for the future of the Receivership. This report will be filed publicly with the Court and will also be made available via the Receiver's website.

Along with the Receiver's Report, the Receiver will also file his first application for payment of legal fees and costs associated with the administration of the Receivership. This application will address the scope of work required to discharge the Receiver's court-appointed duties and the costs associated with same and will include a description of the work performed by the Receiver himself, his attorneys, accountants, computer forensic specialists, international asset investigators, realtors, wine brokers, and others and will disclose the fees and costs associated with that work.

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