

September 18, 2018 Status Report and Update

CIVIL AND CRIMINAL SUITS AGAINST WILLIAM WISE AND JACQUILINE HOEGEL

The SEC obtained a judgment against William Wise in the underlying receivership action for \$75,544,722.03. On February 21, 2012, a federal grand jury returned a 23-count indictment, charging William Wise and Jacqueline Hoegel with conspiracy, mail fraud, and wire fraud.

On April 17, 2012, Wise turned himself in and appeared in court in San Francisco. On September 13, 2012, Wise plead guilty in federal court to one count of conspiracy to commit mail and wire fraud, twelve counts of mail fraud, three counts of wire fraud, one count of money laundering, and one count of tax evasion. On February 4, 2015, Wise was sentenced to 262 months in prison. United States District Court Judge Edward M. Chen also sentenced Wise to a three-year period of supervised release. The Receiver did send a letter to the sentencing judge, attached hereto as Exhibit A. On January 20, 2016, the Court ordered Wise to pay restitution in the amount of \$100,222,354.23. Mr. Wise is still serving his sentence at the Terminal Island Federal Correctional Institution until April 24, 2031.

After the arrest and initial appearance of Jacqueline Hoegel, she was released on bond. In 2014, the Receiver was informed that the charges against Jacqueline Hoegel were dismissed based on improper venue, meaning that the U.S. Attorney's office for the Northern District of California would not be prosecuting the case. Thereafter, in 2014, a federal grand jury in the Eastern District of California returned a four-count indictment against Hoegel, charging her with making and subscribing false tax returns. The trial against Hoegel was set for September 21, 2015 at 9:00 a.m. before Judge John A. Mendez. The Receiver was subpoenaed as a witness and testified in this matter. On April 11, 2016, Hoegel was sentenced to 36 months in prison as to each of four counts for making and subscribing a false tax return to be served concurrently. United State District Court Judge William B. Shubb also sentenced Hoegel to a 12-month term of supervised release as to each of four counts of making and subscribing a false tax return to be served concurrently. Ms. Hoegel is still serving her sentence at the Federal Correctional Institution, Dublin until December 24, 2018.

The criminal charges against Wise and Hoegel are separate from the civil suit filed by the Receiver in the United States District Court for the Northern District of Texas. The Receiver is only involved in the government's investigation when requested by the U.S. Attorney's office and federal agents and cannot comment on the status of the criminal case against Wise or Hoegel. If you have questions regarding the criminal charges, please contact the U.S. Attorney's office in San Francisco.

ANCILLARY LITIGATION AGAINST THE NET WINNERS

At the commencement of the Receivership, the Receiver determined that a number of investors actually received more from the Millennium Entities than they invested, herein referred to as "Net Winners." The Receiver contacted more than 300 Net

Winners, seeking return of the “interest” they received, which was actually just the principal belonging to other investors. Following these contacts, the Receiver filed a clawback proceeding against over 200 Net Winners, seeking more than \$5,000,000 in net winnings.

The Receiver effectively completed settlement of the claims against 104 of the Net Winners. The Court granted default judgment against 58 of the Net Winners and summary judgment against 16 of the Net Winners, which the Receiver will pursue in execution. To date, the Receiver has collected \$2,405,583.32 from a number of the Net Winners. The Receiver is still in the process of collecting on the default and summary judgments.

To review the Receiver’s September 17, 2018 Status Report to the Court for additional information, please [click here](#).

ANCILLARY LITIGATION AGAINST BROKERS

On March 1, 2011, the Receiver also brought suit against David Jones, Robert Kelty, and Scott Christopher (“the Brokers”). Each of the Brokers received significant commissions from their respective sales of the Millennium Entities’ fraudulent certificates of deposit to investors. Defendant Robert Kelty and the Receiver reached a settlement agreement, and Defendant Robert Kelty completed the settlement terms and was dismissed from the suit on November 29, 2012.

The Receiver filed his Motion for Summary Judgment against the remaining Brokers on March 18, 2013. On August 2, 2013, the Court granted the Receiver’s Motion for Summary Judgment against both the Brokers. Specifically, the Court granted the Receiver’s Motion for Summary Judgment against Defendant Scott Christopher as to actual fraudulent transfer and ordered that the Receiver is entitled to recover \$358,803.39. The Court also granted the Receiver’s Motion for Summary Judgment against Defendant David Jones as to actual fraudulent transfer and ordered that the Receiver is entitled to recover \$800,000.00. The Receiver thereafter obtained final judgments against both Christopher and Jones. Broker David Jones filed bankruptcy, but the bankruptcy court determined that the \$800,000 liability to the Receivership Estate was not dischargeable. Since that time, the Receiver performed asset searches to determine the available assets of Defendants David Jones and Scott Christopher.

REPATRIATION OF FUNDS

Since the inception of the Receivership, the Receiver has been engaged in attempting to repatriate assets located in St. Vincent, a hub for the Defendants’ fraudulent activities. A court-appointed liquidator in St. Vincent took control of most of the assets of the Defendants. As a result of that liquidation, no remaining funds were made available by the liquidators to any investors. Rather, all of the funds in the estate of the liquidators were used up in payments in fees and claims. Nevertheless, the Receiver worked with the SEC and the Department of Justice to ensure that assets not in the estate of the liquidator were held under restraint. These assets are linked to Defendant Mr.

Wise and entities Mr. Wise used in his scheme to defraud investors. Specifically, nearly \$2 million Caribbean dollars have been liquidated related to assets, such as wines, vehicles, boats, and foreign accounts potentially owned or traceable to Mr. Wise. The Department of Justice is working on a mutual legal assistance treaty (MLAT) with St. Vincent to repatriate such liquidated funds to the United States. The Receiver has been working with and will continue to work with the Department of Justice regarding the Receiver's claim to the liquidated funds located in St. Vincent. Due to the sizeable nature of repatriating such funds to the United States and seeking a right to distribute such funds to Investors, the Receiver deems that waiting to make a final distribution to Investors and waiting to terminate the Receivership until this loophole is closed is meritorious.

DISTRIBUTION PROCESS

The Receiver has clawed back a total of \$4,872,602.47 as of the date of this status report. To date, the Receiver has distributed \$2,355,810.00 to Investors through the Court-approved Amended Net Losing Investor and Supplemental Distributions. The Receiver has \$349,185.26 in the Receivership account.

In 2014, the Receiver performed a cost analysis of what it would cost to move forward in collecting the judgments against the Net Winning Investors and the Brokers. The Receiver had a total of 50 uncollected judgments totaling \$1,786,951.15 against Defendants located in 25 different states. The Receiver's cost analysis revealed that the most efficient and the route most likely to lead to successful recoveries for the Net Losing Investors was to hire counsel on a contingent fee to handle the collections. To date, the Receiver, through his Contingent Fee Counsel, has collected \$72,392.55. The Receiver is currently pursuing additional opportunities to further collect on the remaining judgments.

The Receiver's goal throughout his administration of the Receivership has been, and continues to be, to maximize the amount available to distribute to Net Losing Investors. In the time frame since the last Status Report and Update from the Receiver, the Receiver has not incurred significant fees or even filed a fee application in an effort to avoid further costs to the estate while ancillary matters are winding down.

Once the Receiver is satisfied that he has collected all available assets (through collections and potential repatriation of funds), he will distribute the remainder of the funds to the Net Losing Investors. The Receiver cannot yet project when the next and final distribution will be made.

PROPOSED SETTLEMENT IN *MANSOR, ET AL. V. JPMORGAN CHASE BANK, N.A.*

In *Edmund J. Mansor and Roberta M. Mansor v. JPMorgan Chase Bank, N.A.*, Case No. 1:12-cv-10544-JGD, pending in the District Court for the District of Massachusetts, Plaintiffs Edmund Mansor and Roberta Mansor commenced a class action lawsuit, claiming that Defendant JPMorgan Chase Bank, N.A. ("Chase") aided and abetted a Ponzi scheme run primarily by William Wise through companies affiliated with

Wise, including Millennium Bank, United Trust of Switzerland, and Sterling IS. Chase denies all such claims. Plaintiffs and Chase agreed to a settlement. On June 22, 2018, United States Magistrate Judge Judith G. Dein approved Plaintiffs' Unopposed Motion for Preliminary Approval of Class Action Settlement, in which the Court approved the Receiver as settlement administrator. Since being approved as the settlement administrator, the Receiver has complied with his responsibilities as set forth in the Settlement Agreement. The Receiver will administer the class settlement.

THOMPSON & KNIGHT LLP

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February 4, 2015

Hon. Edward M. Chen
United States District Judge
Northern District of California
San Francisco Courthouse,
Courtroom 5 - 17th Floor
450 Golden Gate Avenue
San Francisco, CA 94102

Re: *United States v. William Wise*, No. 3:12-cr-00111-EMC-1

Dear Judge Chen:

In the Northern District of Texas, Securities and Exchange Commission (“SEC”) enforcement action styled *SEC v. Millennium Bank, et al*, no. 7:09-CV-050-O, I am the court-appointed receiver over the assets of the above-referenced defendant, William Wise (“Wise”), Millennium Bank and other various entities associated with Wise. I understand that Wise will be sentenced today by you.

On November 12, 2012, I interviewed Wise with his counsel and the government’s counsel present. Later, Wise executed a declaration, which assisted me in obtaining a judgment against one of the participants in Wise’s Ponzi scheme. I appreciate this assistance. But, Wise and his able defense counsel claim that Wise truthfully answered my questions, and disclosed the location of where he placed funds of the defrauded investors, all of which are now gone. Therein lies the problem.

For the problem Wise has in maintaining this position is that the nature of his Ponzi scheme makes it nearly impossible from me to evaluate whether he is telling the truth. By quickly moving investor funds out of the United States to the island of St. Vincent and Europe, he was able to place these funds in accounts or in assets in jurisdictions beyond the reach of United States creditors.

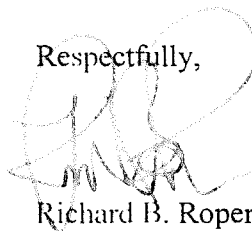
By the time I was appointed receiver in April 2009, there was less than \$500,000 in cash remaining on hand in the United States. While I was able to liquidated assets and sue “net-winning” investors and several participants, I was only able to recover a mere fraction of the funds stolen from the investors. Unlike the Madoff Ponzi scheme where the trustee was able to trace and recover investor funds placed mainly in domestic banks and businesses, investor funds in this matter were placed well outside of the jurisdiction of the United States, where bank secrecy laws and questionable cooperation by foreign government officials make identifying the location of the assets and the recovery of assets very difficult or impossible. Moreover, since

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Wise pulled out substantial amounts of cash from foreign bank accounts, the trail in determining the location of investor funds simply went cold.

In fact, the only trail left is the line of defrauded investors who have interacted with me over the years. Their story is one of devastation. Since Wise offered CDs, nearly all of the investors hoped for a safe return on their investment, and were counting on monthly distributions to provide for their financial support. Many investors lost a life time of savings, and cannot now work to replenish even a fraction of what was taken. The gigantic financial hole in their lives will remain. Because of the nature of Wise's fraud, neither a receiver nor the government will fill that hole leaving a gaping wound that will never heal.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard B. Roper", is written over a circular stamp or watermark.

Richard B. Roper

cc:

Via email to: benjamin.kingsley@usdoj.gov

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Via email to: brandtj@sec.gov

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