

# EXHIBIT 1

1 RANDOLPH L. HOWARD (Nev. SBN 006688)  
rhoward@klnevada.com  
2 KOLESAR & LEATHAM, CHTD.  
400 South Rampart Boulevard, Suite 400  
3 Las Vegas, NV 89145  
Telephone: (702) 362-7800  
4 Facsimile: (702) 362-9472

5 GARY OWEN CARIS (Cal. SBN 088918)  
gcaris@mckennalong.com  
6 LESLEY ANNE HAWES (Cal. SBN 117101)  
lhawes@mckennalong.com  
7 MCKENNA LONG & ALDRIDGE LLP  
300 South Grand Avenue, 14th Floor  
8 Los Angeles, CA 90071-3124  
Telephone: (213) 688-1000  
9 Facsimile: (213) 243-6330

10 Attorneys for Receiver  
11 **ROBB EVANS OF ROBB EVANS &  
ASSOCIATES LLC**

12 **UNITED STATES DISTRICT COURT**

13  
14 **DISTRICT OF NEVADA**

16 FEDERAL TRADE COMMISSION,

17 Plaintiff,

18 v.

19 JEREMY JOHNSON, etc., et al.,

20  
21 Defendants.  
22

Case No. 2:10-CV-02203-RLH-GWF

**REPORT OF RECEIVER'S  
FINANCIAL RECONSTRUCTION  
[JANUARY 31, 2012]**

[APPENDIX OF EXHIBITS (TABS),  
VOLUMES 1 THROUGH 4, FILED  
CONCURRENTLY HEREWITH  
UNDER SEPARATE COVER]

23  
24 Robb Evans of Robb Evans & Associates LLC ("Receiver"), the Receiver  
25 pursuant to the Court's Preliminary Injunction Order issued February 10, 2011,  
26 hereby files his Report of Financial Reconstruction [January 31, 2012] ("Financial  
27 Reconstruction Report") attached hereto. The Receiver has filed concurrently  
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herewith under separate cover the Appendix of Exhibits to the Financial  
Reconstruction Report in four volumes.

Dated: February 3, 2012

Respectfully submitted,

RANDOLPH L. HOWARD  
KOLESAR & LEATHAM, CHTD.

MCKENNA LONG & ALDRIDGE LLP  
GARY OWEN CARIS  
LESLEY ANNE HAWES

By: /s/ Gary Owen Caris  
Gary Owen Caris  
Lesley Anne Hawes

Attorneys for Receiver  
**ROBB EVANS OF ROBB EVANS &  
ASSOCIATES LLC**

**ROBB EVANS of ROBB EVANS & ASSOCIATES LLC**  
**Receiver of**  
**I Works, Inc., et al. and the Assets of Jeremy Johnson**

**REPORT OF RECEIVER'S FINANCIAL RECONSTRUCTION**

**JANUARY 31, 2012**

**Table of Contents**

|  |    |
|--|----|
| <b>Overview</b> .....  | 3  |
| <b>Those Principally Involved with the Movement of Assets</b> .....  | 9  |
| Todd Vowell.....   | 9  |
| Jason Vowell.....  | 10 |
| John Hafen.....  | 12 |
| Arvin Lee Black.....   | 12 |
| Lloyd Melling.....   | 15 |
| Kerry and Barbara Johnson.....   | 17 |
| <b>SunFirst Bank</b> .....   | 17 |
| <b>The Purported Sales of I Works' Billing Portfolios</b> .....  | 19 |
| <b>The Purported \$6.5 Million Note Agreement &amp; Related Settlement</b> .....   | 22 |
| <b>Transition of Jeremy Johnson's Business and Sources of Revenue</b> .....  | 28 |
| <b>Discussion and Accounting Reconstruction of Entities and Individuals<br/>through which Funds were Routed and Commingled</b> ..... | 33 |
| The Paydirt Group of Companies.....  | 33 |
| Paydirt Capital.....   | 34 |
| Paydirt Management.....  | 35 |
| Paydirt Properties & Paydirt LP.....   | 36 |
| Katts LLC, Spyglass Enterprises LLC & Spyglass Holdings LLC.....   | 37 |
| Kombi Capital LP.....  | 40 |
| Phoenix Rising LLC.....  | 44 |
| Kingston Enterprises LLC.....  | 45 |
| ePayment Solutions LLC.....  | 45 |

|   |           |
|---|-----------|
| WCDI Land Development LLC.....  | 45        |
| Treadstone Partners LP & Taggart Management LLC.....                            | 46        |
| Flatline Investments LP .....   | 48        |
| Fishhook Partners LLC.....  | 48        |
| Elite Asset Management LLC & Woodsvew Holdings LLC.....                         | 48        |
| Other Newly Formed Entities Created by the Vowells.....                         | 49        |
| John Hafen.....   | 49        |
| Lloyd Melling.....  | 51        |
| Arvin Lee Black & Sole Group LLC.....   | 51        |
| <b>Investment Accounts at TD Ameritrade .....</b>                               | <b>57</b> |
| Kombi Capital's TD Ameritrade Account .....                                     | 61        |
| Paydirt Capital's TD Ameritrade Account .....                                   | 61        |
| Lloyd Melling's TD Ameritrade Account.....                                      | 62        |
| Treadstone Partners' TD Ameritrade Account .....                                | 62        |
| Fishhook Partners' TD Ameritrade Account .....                                  | 63        |
| Flatline Investments' TD Ameritrade Account .....                               | 64        |
| John Hafen's TD Ameritrade Account.....   | 64        |
| Lilhaf Holdings' TD Ameritrade Account .....                                    | 65        |
| Tiburon Enterprises' TD Ameritrade Account .....                                | 65        |
| <b>National Endowment Association Inc. ....</b>                                 | <b>65</b> |
| <b>Transfer of Funds to Offshore Bank Accounts .....</b>                        | <b>68</b> |
| <b>Precious Metals .....</b>  | <b>68</b> |
| <b>Aircraft .....</b>   | <b>70</b> |
| <b>JMD Energy Inc. ....</b>   | <b>73</b> |
| <b>Preliminary Analysis of Disbursement of \$51.4 Million from Revenue.....</b> | <b>74</b> |
| <b>Conclusion.....</b>  | <b>79</b> |

**ROBB EVANS of ROBB EVANS & ASSOCIATES LLC**  
**Receiver of**  
**I Works, Inc., et al. and the Assets of Jeremy Johnson**

**REPORT OF RECEIVER'S FINANCIAL RECONSTRUCTION**

**JANUARY 31, 2012**

This report covers the Receiver's<sup>1</sup> ongoing analysis of the financial activities of Jeremy Johnson. This is the second report to the Court. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the status of the receivership.

**Overview**

As previously reported, nearly \$50.4 million from I Works, Inc. (I Works) revenue was paid to Jeremy Johnson or for his benefit or was transferred to his affiliates. In this report, the Receiver will discuss additional revenue totaling approximately \$51.4 million re-routed to many other companies and individuals.

In an effort to trace and uncover assets that are related to Jeremy Johnson, the Receiver has instituted ongoing discovery to financial institutions and other entities and has taken numerous depositions. The Receiver has issued more than 150 subpoenas to financial institutions, precious metal dealers and investment companies, escrow companies, title companies, and others. The Receiver is in the process of reconstructing the financial transactions of the Receivership Defendants, including those of affiliates, other entities and individuals. This process thus far has included an analysis and review of more than 265 bank accounts and other records from 35 financial institutions and 25 other businesses. In addition to 115 affiliated entities and shell companies of the Receivership Defendants as reported in the Receiver's first report, the Receiver also discovered at least another 65 entities that were involved in moving funds and concealing the assets of Receivership Defendants. From the continuing review and forensic analysis of records and documents produced by discovery, records of the Receivership Defendants, and other records, the Receiver has produced the information in this report.

This report will set forth in detail numerous suspicious financial transactions between Jeremy Johnson and his entities and between other entities and individuals. As detailed in this

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<sup>1</sup> Reference to the Receiver in this report means the Receiver, the Receiver's deputies, his staff, and his counsel.

report, the Receiver has determined that many of these entities and individuals are holding assets for the Receivership Defendants, their affiliates, and Jeremy Johnson<sup>2</sup>.

Most significantly, this report will describe how Jeremy Johnson shifted, without independent consideration, revenue sources that channeled tens of millions of dollars from his entities to entities and individuals that he controlled and with whom he colluded. Service fee revenue from online check processing for poker companies and other merchants was shifted from Johnson's own entities Elite Debit, Inc. (Elite Debit) and Money Harvest, Inc. (Money Harvest) to Triple Seven LLC (Triple 7), Powder Monkeys LLC (Powder Monkeys), Mastery Merchant LLC (Mastery Merchant), and other entities held nominally by others for Jeremy Johnson's benefit.

The revenue from the affiliated entities of Receivership Defendants which are not expressly named Receivership Defendants, including processing revenue of \$46.5 million from Triple 7, Mastery Merchant and Powder Monkeys, was approximately \$51.4 million. Details in this report will explain how this revenue was routed primarily from Triple 7, Powder Monkeys and Mastery Merchant through a myriad of entities as part of the scheme to hide the assets of Jeremy Johnson. A majority of these entities do not appear to have generated any business income and were used as conduits to re-route funds and to commingle and hide funds. Nearly \$25 million was routed to stock trading accounts at TD Ameritrade. In addition, approximately \$5.5 million was routed to offshore bank accounts in Cypress and Andorra.

Additionally, this report will detail transfers of approximately \$6.7 million from I Works to several entities owned by Todd Vowell and Jason Vowell, who are brothers (sometimes referred to as the Vowells).

There are two important pre-receivership events that appear to have caused Jeremy Johnson's active asset concealment. First, in July 2009 the Federal Trade Commission (FTC) filed lawsuits against competitors of I Works and Jeremy Johnson. Those competitors were:

- In Deep Services, Inc. d/b/a Grants for You Now
- Cash Grant Institute
- Grant Connect LLC

Concurrently, beginning in July 2009, and continuing through at least April 2011, 43 of 45 new entities were formed by, or in association with, Sharla Johnson, Todd Vowell, Jason Vowell, John Hafen, Arvin Lee Black, or Lloyd Melling. Todd and Jason Vowell were directly or indirectly associated with 41 of the new entities. This report will explain in great

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<sup>2</sup> While the Receiver refers to the assets of Jeremy Johnson at various points in this report, it should be kept in mind that all of the revenue discussed in this report originated from the entity Receivership Defendants and their affiliates including Triple Seven LLC, Powder Monkeys LLC, and Mastery Merchant LLC.

detail how Jeremy Johnson moved assets into the names of others and that many of these entities appear to have held or are now holding assets for the benefit of Jeremy Johnson. This report will also describe how Jeremy Johnson caused liens to be placed against real and personal property apparently to shield those assets from creditors and potential regulatory actions.

Next, on February 19, 2010, the FTC wrote to Jeremy Johnson and requested that he take all steps necessary to preserve his assets and the assets of I Works and the “Johnson Companies” as defined in the letter (Tab 1). Of the 45 entities formed beginning in July 2009, 39 were formed after the FTC wrote its letter to Jeremy Johnson. Following is a list of the 45 entities with their purported ownership and purported management<sup>3</sup>:

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<sup>3</sup> The Receiver believes Jeremy Johnson is the beneficial owner of many of these entities.



| #  | Entity Name   | Formation Date | Purported Ownership & Purported Management   |
|----|---|----------------|--|
| 1  | USB Media LLC<br>DBA Computista   | 08/18/09       | Todd Vowell - Manager<br>Paydirt Capital was the owner but sold its interest in March 2010.  |
| 2  | White List Leads,<br>formally Vogue Clothing Company  | 09/17/09       | Todd Vowell - Director<br>Jason Vowell - Director  |
| 3  | TLV Enterprises Inc.  | 10/06/09       | Todd Vowell - President, Treasurer, Secretary  |
| 4  | Triple Seven LP/LLC<br>(DBA Paytoaccount.Com)<br>(DBA Flingpay.Com)<br>(DBA A Web Debit)<br>(DBA Netwebfunds.Com) | 10/26/09       | Spyglass Enterprises LLC - GP<br>Jason Vowell - Manager  |
| 5  | Destiny Marketing LLC   | 11/05/09       | Manager - Todd Vowell, Clint Coonfer & Jordan Kupinsky   |
| 6  | Valentino Holdings LP   | 02/17/10       | General Partner - Spyglass Enterprises LLC<br>Manager - Jason Vowell   |
| 7  | Moneymaker Strategies LLC   | 03/01/10       | Jason Vowell - Member & Manager  |
| 8  | Kingston Enterprises LLC  | 03/01/10       | Jason Vowell - Member & Manager  |
| 9  | CECJ Enterprises LLC  | 03/01/10       | Jason Vowell - Member & Manager  |
| 10 | Flying High Enterprises LLC   | 03/01/10       | 3/1/10: Member & Manager - Jason Vowell<br>6/10/10: Member & Manager - Sheree Vowell<br>8/31/10: Member - Katts LLC & Spyglass Enterprises LLC<br>8/31/10: Managers - Jason & Todd Vowell<br>10/31/10: Member - Digital Currency LLC                 |
| 11 | Lift Off Financial LLC  | 03/01/10       | Jason Vowell - Member & Manager  |
| 12 | Moneymaker Strategies LLC   | 03/01/10       | Jason Vowell - Member & Manager  |
| 13 | Phoenix Rising LLC  | 03/01/10       | Jason Vowell - Member & Manager  |
| 14 | Spyglass Holdings LLC   | 03/01/10       | Jason Vowell - Member & Manager  |
| 15 | Vanquish Enterprises LLC  | 03/01/10       | Jason Vowell - Member & Manager  |
| 16 | Wealth Matters LLC  | 03/01/10       | Jason Vowell - Member & Manager  |
| 17 | Kombi Capital LP  | 03/02/10       | General Partner - Paydirt Capital Inc. (3%)<br>Limited Partner - Katts LLC (48.5%) & Spyglass Enterprises LLC (48.5%) or Sharla Johnson (97%)<br>Todd & Jason Vowell - Manager   |
| 18 | Powder Monkeys LLC<br>(DBA Netwebfunds.Com)<br>DBA Full Tilt Payments.Com)  | 04/27/10       | Member - Katts LLC (50%) & Spyglass Enterprises LLC (50%)<br>Todd Vowell - Manager<br>Jason Vowell - Manager   |
| 19 | Cerberus Management LLC   | 05/03/10       | 5/3/10: John Hafen - Member & Manager<br>6/7/10: Lloyd Melling - Member & Manager<br>8/31/10: Todd & Jason Vowell - Member & Manager   |
| 20 | Rotortrends Inc.  | 05/11/10       | Owner - Shane Scott; Manager - Kevin Pilon   |
| 21 | WCDCI Land Management LLC   | 05/20/10       | <u>Per Public Search</u><br>Managing member-Chad Elie & Kombi Capital LLC<br>Registered Agent: Chad Elie<br><u>Per Articles of Organization 5-19-10 (to State of NV)</u><br>Member - Kombi Capital Inc.<br>Manager - Paydirt Capital Inc/Todd Vowell |
| 22 | Artack Productions LLC  | 05/20/10       | Member - Chad Elie; Manager - Jason Vowell   |
| 23 | iPrerogative Inc.   | 05/25/10       | Director - Duane Fielding  |

| #  | Entity Name                    | Formation Date | Purported Ownership & Purported Management   |
|----|--------------------------------|----------------|--|
| 24 | Summerset Ranch LLC            | 06/10/10       | Managing Member- Katts LLC   |
| 25 | Woodsvew Holdings LLC          | 06/10/10       | 6/10/10: Member - Jeremy Johnson<br>6/30/10: Member - Katts LLC & Spyglass Enterprises LLC<br>Todd Vowell - Manager  |
| 26 | Choker Block LLC               | 07/01/10       | Member - SRLA LLC; Manager - Todd Vowell   |
| 27 | Scud Runner LLC                | 07/01/10       | Member - SRLA Association LLC<br>(John Hafen is member of SRLA Association LLC)<br>Manager - Todd Vowell   |
| 28 | ePayments Solutions LLC        | 07/02/10       | Member - Katts LLC & Spyglass Enterprises LLC<br>Manager - Todd Vowell & Jason Vowell  |
| 29 | Spindletop Investments LLC     | 07/20/10       | 7/20/10: Member - Commerce Financial LLC<br>7/30/10: Member - Kombi Capital LP<br>12/13/10: Treadstone Partners LP<br>Manager - Todd & Jason Vowell  |
| 30 | Taggart Management LLC         | 07/20/10       | 7/20/10: Member - John Hafen 20%; Katts LLC 40%;<br>Spyglass Enterprises LLC 40%<br>7/20/10: Manager - Todd Vowell, Jason Vowell, John Hafen<br>9/30/10: Member - Katts LLC & Spyglass Enterprises LLC<br>9/30/10: Manager - Todd & Jason Vowell |
| 31 | Treadstone Partners LP         | 07/30/10       | General Partner - Taggart Management LLC (2%)<br>Limited Partner - Katts LLC & Spyglass Enterprises LLC<br>(each 49%)<br>Manager - Todd Vowell & Jason Vowell  |
| 32 | SRLA LLC                       | 08/02/10       | Member & Manager - Todd Vowell   |
| 33 | Alpha Yankee LLC               | 08/09/10       | Member - SRLA LLC; Manager - Todd Vowell   |
| 34 | Robin V Foundation Inc.        | 09/22/10       | Directors - John Hafen, Lloyd Melling, Lee Black<br>Registered Agent - Jason Vowell  |
| 35 | Fishhook Partners LLC          | 10/12/10       | Member - Taggart Management LLC<br>Manager - Todd Vowell & Jason Vowell  |
| 36 | Kingfish Management LLC        | 10/12/10       | 10/12/2010: Member - Taggart Management LLC<br>11/30/10: Member - Katts LLC  |
| 37 | Omaha Eight LLC                | 10/12/10       | Member - SRLA LLC; Manager - Jason Vowell  |
| 38 | Paradise Ranch Development LLC | 10/12/10       | Member - Taggart Management LLC<br>Manager - Todd Vowell & Jason Vowell  |
| 39 | Silvernix Holdings LLC         | 10/12/10       | Member - Katts LLC; Manager - Todd & Jason Vowell  |
| 40 | Dreamland Capital LLC          | 10/12/10       | Member - Katts LLC; Manager - Todd & Jason Vowell  |
| 41 | Digital Currency LLC           | 10/27/10       | Member - Katts LLC & Spyglass Enterprises LLC<br>Manager - Todd Vowell & Jason Vowell  |
| 42 | Elite Asset Management LLC     | 10/28/10       | Member - Jeremy Johnson; Agent - Jason Vowell  |
| 43 | Tiburon Enterprises LLC        | 11/23/10       | Member: John Hafen & Mikelle Hafen   |
| 44 | Flatline Investments LP        | 12/21/10       | General Partner - Taggart Management LLC (2%)<br>Limited Partners - Katts LLC & Spyglass Enterprises LLC   |
| 45 | Tiburon Partners LLC           | 04/03/11       | Member & Manager: Highpointe Homes LLC<br>Registered Agent: Lee Black  |

Under Tab 2 is a graph depicting the movement of \$46.5 million for the three principal processing entities, Triple 7, Mastery Merchant, and Powder Monkeys, through a complex web of entities and individuals. Under Tab 3 is a graph depicting the movement of \$11 million from these three principal processing entities and from I Works to the Paydirt group of entities and the Katts group of entities, explained below, all of which are entities managed by Todd Vowell and/or Jason Vowell. Also under Tab 3 is a graph depicting the movement of \$12.9 million from a second tier of transferees to a newly created third tier of entities. There can be no commercially reasonable explanation for the number of entities and individuals through which funds were routed and re-routed. The only plausible explanation is that these funds are assets of Jeremy Johnson and some of the individuals were paid to shield those assets. In addition to the 45 entities that were formed beginning in July 2009, the Receiver also discovered many other entities that were previously formed by, or in association with, Todd Vowell, Jason Vowell, John Hafen, and Arvin Lee Black. These additional entities were also involved in holding assets or moving funds for Jeremy Johnson, as discussed in this report.

Todd and Jason Vowell appear to be the individuals primarily responsible for orchestrating the movement of Jeremy Johnson's assets discussed in this report. Other individuals involved in moving and shielding assets of Jeremy Johnson are Sharla Johnson, who is Jeremy Johnson's wife, Kerry and Barbara Johnson, who are Jeremy Johnson's parents, John Hafen, Arvin Lee Black, and Lloyd Melling.

Jeremy Johnson's use of other people to hold some of his assets is part of an ongoing pattern. The FTC took Scott Leavitt's deposition on February 1, 2011. Mr. Leavitt was the accountant for the Receivership Defendants. Mr. Leavitt provided testimony about several transactions and accounts with Kitco, a precious metals dealer, and with E-Trade. The money in the accounts, and the directions for the account activity, came from Jeremy Johnson, but the accounts were in the names of other persons. The following are excerpts from his deposition testimony:

p. 48, l. 7 - p. 49, l. 2

Q. Were you ever the contact for a Kitco account for Jeremy Johnson and I Works?

A. I ordered some silver through I Works from Kitco, I remember. So I would assume there could be an account out there with my name on it.

Q. ...do you know what Jeremy Johnson and I Works ordered from Kitco and other companies regarding precious metals?

A. There were two orders that I helped order that I know what they were. The other ones were just, send money here. But the two I did, one was silver bars and one was some gold coins and some gold bars, I believe, and some silver coins, the ones I -- the two I did.

Q. ...what was the total value of those transactions?

A. The silver bars was, I believe a million dollars even. And the gold coins and the other transaction I did was like a little over 1.6 million.

p. 49, ll. 7 - 9

Q. And who directed you to send the money on those orders?

A. Jeremy Johnson.

p. 59, ll. 1 - 10

Q. .... did he have any trade accounts that were something besides stocks or equities?

A. I can't think of anything in his name.

Q. You said you can't think of anything in his name. Were there any accounts that were -- where it was his money but the accounts were not in his name?

A. Yeah, I know that Scott Muir traded some. Then there was a trading account in Sharla's name, I believe. There was an account in Terrason Spinks' name, and an account in my name.

### **Those Principally Involved with the Movement of Assets**

#### Todd Vowell

Todd Vowell is a certified public accountant and is a purported principal of a number of entities that will be discussed in this report. The Receiver attempted to take the deposition of Mr. Vowell, but was advised by Mr. Vowell's attorney that if forced to testify Mr. Vowell would assert his Fifth Amendment privilege against self-incrimination.

On July 6, 2010 Todd Vowell's deposition was taken in the matter of Karen Grounds vs. Executive Car Sales Inc., Todd L. Vowell, Jason Vowell, and Rabbit Downward. Todd Vowell testified about a number of failed business enterprises in which he was involved. The following are excerpts from that deposition testimony:

p. 16, l. 18 - p.17, l. 4

Q. Are you actually selling cars, though, or servicing cars?

A. No.

Q. When did you stop doing that?

A. July 15, 2009.

Q. Now, since July 15, 2009, of course, you've been, as you say cleaning up the debts of Executive Car Sales. Have you been involved in any other business ventures since then?

A. I am.

Q. What is that?

A. A restaurant called 25 Main.

p. 17, ll. 12 - 13

Q. Any other businesses you've been involved in?

A. Liahona Academy for Youth.

p. 27, ll. 2 - 4

Q. Paydirt Capital, Inc., is that a company of yours as well?

A. It is.

p. 30, ll. 16 - 22

Q. Paydirt Management, Inc., what is that?

A. It's an entity that used to own an airplane.

Q. Is that all it did was just own an airplane?

A. Yes.

Q. Is it still a viable company?

A. No.

p. 32, ll. 10 - 19

Q. Do you work at Paydirt Properties, LLC?

A. I perform some of the day-to-day operations, but I do not draw a salary....

Q. What is your title?

A. Manager.

Q. But you don't draw a salary?

A. I do not.

Q. Why is that?

A. There is not enough money to [sic] Paydirt Properties to pay a salary.

p. 32, ll. 23 - 25

Q. Paydirt LP, what is that?

A. It is an entity that did investments from 2003 until 2007.

Todd Vowell did not provide testimony about at least nine other entities in which he was the purported manager or member. Noticeably absent from the testimony was Powder Monkeys LLC, an entity that ultimately received \$25.8 million in net processing revenue.

#### Jason Vowell

Jason Vowell is the purported owner and/or manager of a number of entities through which millions of dollars were routed. On July 12, 2010 Jason Vowell's deposition was taken in the matter of Karen Grounds vs. Executive Car Sales Inc., Todd L. Vowell, Jason Vowell, and Rabbit Downward. The following are excerpts from that deposition testimony:

p. 6, ll. 12 - 23

Q. ...Jason, where do you work?

A. I work for a company called Paydirt Capital.

Q. What do you do at Paydirt?

A. We do accounting services.

Q. Are you an accountant?

A. No.

Q. What are your specific responsibilities?

A. My responsibilities would be to basically network. I'm more on the networking side.

Q. Getting business?

A. Yeah.

p. 12, ll. 2 - 7

Q. And how many lawsuits are involved there? Do you know?

A. Two or three.

Q. And are you named as a party on any of those?

A. Yes.

p. 13, ll. 3 - 5

Q. Okay. What are your plans regarding those lawsuits?

A. To file bankruptcy.

Jason Vowell went on to testify as follows:

p. 15, ll. 6 - 12

Q. Okay. Now, are you receiving a wage from – who are you working for now?

A. Paydirt Capital.

Q. Do you receive a salary from them?

A. Yes.

Q. What is your salary you receive each month?

A. I think it's about \$6,000 a month.

Q. Do you receive income from any other source?

A. No.

p. 27, ll. 8 - 18

Q. What do you use Spy Glass for?

A. It's a holding company of mine for me.

Q. What is it holding at this point?

A. It holds – you're going to think I'm an idiot. I don't know.

Q. Who handles these things for you?

A. My brother.

Q. Oh, Todd does. Okay.

A. I'm embarrassed to say I don't know, but my brother handles all my financial things, and I have a lot of trust in him and he sets them all up....

Jason Vowell did not provide testimony about at least eleven entities in which he was the purported member or manager. Noticeably absent from the testimony were Triple 7 and Powder Monkeys, entities that ultimately received \$18.1 million and \$25.8 million in net processing revenue, respectively. All of the net processing revenue had been recognized by Triple 7 at the time of the deposition when Mr. Vowell stated he was on the verge of filing bankruptcy.

John Hafen

John Hafen is an accountant who works for Todd Vowell and is involved in a number of entities through which millions of dollars were routed. Mr. Hafen is also a notary. The Receiver took Mr. Hafen's deposition on October 11, 2011. Mr. Hafen testified that his annual salary was \$55,200 and that he received a profit distribution of approximately \$4,500 in 2011 from his employer, Liahona Academy. Mr. Hafen testified that he did some contract work for Paydirt Capital, Inc. When asked about how much money he had received from Paydirt Capital, Inc. in 2011, Mr. Hafen asserted his Fifth Amendment privilege against self-incrimination to this question and all other substantive questions regarding millions of dollars transferred to accounts or entities with which he was purportedly associated. In fact, Triple 7 inexplicably transferred about \$2.9 million to Mr. Hafen between April and June of 2010. In addition, Paydirt Capital, Inc. paid him at least \$320,000 between February and April 2011. Mr. Hafen also asserted his Fifth Amendment privilege as to most other substantive questions regarding entities with which he was purportedly associated.

Arvin Lee Black

Arvin Lee Black is a purported day trader of stock. The Receiver took Mr. Black's deposition on August 26, 2011. Mr. Black testified that his background was primarily in residential construction and he was a self-taught day trader. Mr. Black further testified that he acted as a day trader for Todd and Jason Vowell up until two months before the deposition. Mr. Black also testified that he day traded for the Vowells in accounts under the names of Kombi Capital, Treadstone Partners, Fishhook Partners, Paydirt Capital, Flatline Investments, and Lloyd Melling. The following are excerpts from his deposition testimony:

p. 37, ll. 4 - 15

Q. You have a practice of doing day trading for other entities; is that right?

A. I have before...

Q. And when you do that, do you determine who the owners of those entities that you're trading for are?

A. Well, I mean I have conversations with the people that are allowing me to trade those particular accounts.

Q. How many people have allowed you to do day trading for them in the past?

A. The Vowells and then two other people.

p. 27, l. 20 - p.28, l. 21

Q. When did you first meet Jeremy Johnson?

A. I met Jeremy probably, seems like it was – as I recall it was about a year and a half ago.

Q. And who introduced you to Jeremy Johnson?

A. Jason Vowell.

Q. So when we say year and a half, early 2010?

A. I'm guessing. I'm really bad with dates. I remember my wife was pregnant with our son, so that's kind of where I'm going off the dates there.

Q. And your son a 15 months?

A. So it might even have been two years ago within that range, I'm not sure.

Q. Sometime between say 15 months and 24 months?

A. Somewhere in that range.

Q. And Jason Vowell introduced you to Jeremy Johnson?

A. Correct.

Q. Where were you introduced to him?

A. I believe the first time it was at Jeremy Johnson's residence.

Q. That's his mansion on Woodview Drive?

A. It's the big home. I don't know what the address is. It's a monster home. It was like brand new at the time.

Q. Right. And what was the circumstances surrounding you going to the home?

A. Jason invited me to play poker at his house.

p. 43, ll. 16 - 22

Q. You weren't day trading for the Vowells before the poker game with Jeremy Johnson?

A. It was about that time.

Q. About that time. Before that poker game you didn't do any day trading for the Vowells did you, Mr. Black?

A. No.

p. 66, ll. 18 - 24

Q. And is there a written agreement between you on the one hand and any entity owned or controlled by either Todd or Jason Vowell with respect to the manner and amount of your compensation for your day trading activities?

A. I don't recall if there was a written agreement or if there was a verbal agreement.

p. 67, ll. 8 - 15

Q. And what was the agreement that was reached with respect to your compensation for your day trading activities?

A. The numbers changed so many times because there was always money coming in or going out of those accounts, but basically they got paid X amount of dollars first and then everything after I would get paid X amount...

p. 70, ll. 8 - 22

Q. I'm not focusing on the different accounts, I'm focusing now on your compensation structure. You're telling me, I just want to make sure I understand, that the manner in which you were compensated and the structure of that compensation may have changed as much as 20 times while you were day trading for the Vowells, correct?

A. It changed lots of times.

Q. And you don't recall any written agreements regarding compensation, do you?

A. Not off the top of my head.

Q. And it's safe to say there certainly wasn't a new written agreement every time the manner in which you were compensated changed, correct?



A. No, I don't believe there was.

Later in the deposition Mr. Black modified his answer about the compensation arrangement with the Vowells as follows:

p. 136, l. 21 - p. 137, l. 3

Q. And your compensation was not tied to whether you had good days or bad days correct?

A. Oh, it was.

Q.....So is part of the compensation, did it always depend on whether you had good days or bad days?

A. Yeah, if I didn't make money, I didn't get paid.

p. 137, l. 15 - p.138, l. 8

Q. Did you get a set amount of money based on the success of the investments? That trades you made?

A. Yeah, like I said, it had changed so many times with those guys that sometimes it did and sometimes -- it was always based upon my performance, but it changed.

Q. Can you recall any one particular performance based calculation that was made to compensate you?

A. I can't off the top of my head.

Q. Can you give me any -- I don't want you to guess, but can you give me your estimate of any compensation methodology or calculation at any point in time from the time that you started working as a day trader for the Vowells until the time that you stopped working as a day trader for the Vowells?

A. I can't, not off the top of my head.

Q. So any answer you give me with respect to any compensation, method, or system or procedure, or agreement would be a complete guess, correct?

A. Correct.

p. 141, ll. 9 - 19

Q. And sitting here today, do you know if you made money on your trades or lost money on your trades?

A. With the Vowells?

Q. With the Vowells.

A. I would guess that they made money.

Q. But it's just a guess?

A. It's a guess.

Q. I don't want you to guess. You don't have an estimate for me in terms of how much money you made; is that right?

A. That's right.

p. 130, ll. 9 - 18

Q. And can you estimate for me how much money was deposited into the various Vowell entity accounts at TD Ameritrade that you had access to for the purpose of day trading?

A. I can't.

Q. Was it more than a million dollars?

A. It was.

Q. More than five million dollars?

A. I'm not exactly sure. I would say probably five million dollars.

p. 140, ll. 2 - 21

Q. And so when you told me five million dollars that's not the total amount that you had access to during this entire period from March 2010 to approximately July 2011, you actually had access to many, many, many multiples over that period, correct?

A. Correct.

Q. Would you say you had access to trade as much as a hundred million dollars during that period of time? I realize you didn't have a hundred million at any one point of time, but I'm saying during that period of time from March 2010 when you signed the Kombi Capital document until about two months ago when the Vowells told you that you weren't going to be doing any day trading, would you estimate that at least a hundred million dollars ran through all those accounts?

A. No, not even close. I don't think it was even close.

Q. 50 million dollars?

A. I don't know. I would say between five and ten million dollars, maybe.

Mr. Black's deposition testimony lacks any credibility. As will be discussed in more detail in this report, the day trading accounts purportedly under Mr. Black's control totaled nearly \$25 million. The aggregate trading losses on the accounts were nearly \$8 million. Mr. Black and his company Sole Group received about \$1.4 million from Triple 7, Powder Monkeys, and Mastery Merchant.

#### Lloyd Melling

Lloyd Melling is Jason Vowell's former father-in-law and works as a handyman for Todd and Jason Vowell. Public records disclose that Mr. Melling is a convicted felon. The Receiver took Mr. Melling's deposition on November 16, 2011. Mr. Melling testified that his permanent employment since soon after his release from prison has been working for Todd and Jason Vowell. Mr. Melling provided testimony about several bank accounts and a TD Ameritrade account opened at the instruction of Todd and/or Jason Vowell which had receipts of over \$2 million for which he had signing authority. The following are excerpts from his deposition testimony:

p. 111, ll. 3 - 20

Q. You opened a bank account with Town & Country Bank in November 2010; correct?

A. With what? Town & Country Bank?

Q. Yes.

A. Yes.

Q. Why was that bank account opened in November of 2010?

A. I'm not sure.

Q.... that was not your decision to open the bank account; correct?

A. No.

Q. Was that Todd Vowell's decision?

A. I don't know.

Q. Was that Jason Vowell's decision?

A. I don't know.

Q. Who instructed you to open the Town & Country bank account?

A. I think Jason might have.

p. 114, ll. 17 - 25

Q. Did they tell you that they wanted money moved into and out of accounts at Town & Country Bank in your name?

A. They told me that they were going to put money into the account.

Q. Did they explain to you why they were going to put money into the account at Town & Country Bank?

A. They didn't.

p. 115, ll. 8 - 14

Q. Okay. And then you would take instructions from one or both of the Vowell brothers if - if money was to go out from Town & Country Bank to other persons and entities; correct?

A. Yes.

Q. And they instructed you in that regard?

A. Yes.

p. 115, l. 19 - p. 116, l. 14

Q. And they indicated to you that they would instruct you if and when you were to transfer money out of that account to -- to other persons and entities; correct?

A. Yes.

Q. And to other accounts; correct?

A. Yes.

Q. So they generally explained to you that they wanted you to set up these two accounts in order to put money into those accounts and upon their instruction to move money out of those accounts; correct?

A. Yes.

Q. And you understood that the money they were putting into those accounts was not your money; correct?

A. Yes.

Q. And you understood that the money that was going to be moved from those accounts was not your money; correct?

A. That's correct.

p. 117, ll. 7 - 18

Q. ....And in the summer of 2010 an account in your name was opened at TD Ameritrade; correct?

A. Yes.

Q. And that was also not your idea; correct?

A. That is correct.

Q. And that was at the request of Todd Vowell; right?

A. It may have been.

Q. Okay. And did he tell you why he wanted you to open an account at TD Ameritrade?

A. No.

Mr. Melling provided similar testimony to questions about accounts at JP Morgan Chase.

Mr. Melling further testified that the TD Ameritrade account opening documents contained false information and that he was not responsible for trading in the TD Ameritrade account in his name.

#### Kerry and Barbara Johnson

On December 3, 2009 the KB Family Limited Partnership nominally purchased 212,500 shares of SunFirst Corporation stock for \$1.7 million, half of the stock acquisition totaling \$3.4 million that day. As described in the next section, the other half of the stock was purchased in the name of Andy Johnson, Jeremy Johnson's brother. The KB Family Limited Partnership is owned by Kerry and Barbara Johnson. The source of funds to purchase the stock was from a \$3.1 million home equity line of credit secured by Jeremy and Sharla Johnson's residence obtained from SunFirst Bank and from a reserve account at SunFirst Bank. The reserve account was funded by I Works, Elite Debit, and Money Harvest.

The Receiver took the depositions of Kerry and Barbara Johnson on July 14 and July 15, 2011. Both Mr. and Ms. Johnson asserted their Fifth Amendment privilege against self-incrimination to all substantive questions about this transaction.

#### **SunFirst Bank**

SunFirst Corporation is the parent company of SunFirst Bank (SunFirst). SunFirst was closed and thereafter the Federal Deposit Insurance Corporation (FDIC) became receiver of the Bank on November 4, 2011. The Receiver took the depositions of five former SunFirst officers and analyzed thousands of documents produced by SunFirst to the FTC and the Receiver. As disclosed in these depositions and the writings produced by SunFirst, Jeremy Johnson had an unusually close relationship with SunFirst, because the Bank was desperate to raise capital as required under a cease and desist order issued by the FDIC on October 8, 2009 and was attempting to reverse severe financial setbacks suffered as a result of the recession. Jeremy Johnson was seen by SunFirst management and its board of directors as a

potentially large investor in SunFirst Corporation and one who could generate a large amount of income for the Bank by bringing his payment processing business to the Bank. Just before purchasing the stock nominally in the name of KB Family Limited Partnership in December 2009, Jeremy Johnson, through Elite Debit, began payment processing with SunFirst and brought large numbers of internet merchants to the Bank, many owned and controlled by Jeremy Johnson himself, who would utilize that payment processing. This payment processing utilized "Check21" technology or "remote checks" in which customers of the internet merchants would pay by paperless checks which would be processed by Elite Debit through SunFirst. The only third party payment processing ever done by SunFirst was done with Jeremy Johnson's processing companies and merchants brought to the Bank by Elite Debit. The most profitable payment processing was done for online poker websites Poker Stars and Full Tilt. The principals of these entities and related individuals have since been indicted for unlawful online gaming, bank and wire fraud, and money laundering in the United States District Court for the Southern District of New York. According to testimony by former Bank Chief Financial Officer Allison McCoy, the Bank earned more than \$1.5 million from this third party payment processing.

On December 3, 2009, at the same time as the acquisition of SunFirst corporation stock in the name of KB Family Limited Partnership, defendant Andy Johnson, Jeremy Johnson's brother, nominally purchased another 212,500 shares of SunFirst Corporation stock for \$1.7 million with proceeds from the home equity line of credit secured by Jeremy and Sharla Johnson's residence and the reserve account funded by I Works, Elite Debit, and Money Harvest. Efforts to get Jeremy Johnson to invest in the Bank were spearheaded by Bank director John Campos. The transaction was structured in a way whereby the funds from the bank loan were routed to KB Family Limited Partnership's and Andy Johnson's checking accounts and then routed back to the Bank. According to testimony by former Bank officer Stacey Ewell, former Bank President John Allen told her it was structured that way in an effort to avoid detection by the FDIC. The transaction was put in the name of Jeremy Johnson's parents' partnership and his brother apparently to avoid Jeremy Johnson being deemed to have become a "control person" with greater than a 10% ownership interest in the Bank. In violation of the Bank's policies and procedures, the \$3.1 million home equity line of credit used to fund Jeremy Johnson's hidden acquisition of SunFirst Corporation stock apparently was never formally approved at a Director's Loan Committee meeting and is not reflected anywhere on the Bank's Director's Loan Committee's minutes. In fact, the bank officer with primary responsibility for this loan, former Executive Vice President Dan Strobell, testified that neither Jeremy Johnson nor anyone at the Bank disclosed to him that the home equity line of credit would be the primary source of funding the stock acquisition before the loan was made. Former Bank President John Allen also testified that he was unaware that the home equity line of credit would fund the stock acquisition prior to the loan being made. Campos is one of the individuals indicted in the Southern District of New York action as a result of a \$20,000 bribe paid to him by Jeremy Johnson from an account in the name of Triple 7.

Jeremy Johnson's influence at the Bank was such that some of the officers and employees at SunFirst joked that it was the "Bank of Jeremy Johnson."

### **The Purported Sales of I Works' Billing Portfolios**

This section of the report describes how the purported sales of billing portfolios were done without adequate and independent consideration. These sales were structured so that revenues from the billing portfolios paid the sale prices. Additionally, the transferred portfolios promptly produced revenues far in excess of the documented sale prices.

Under Tab 4 are two agreements produced by the Vowells documenting the purported purchase of subscriber portfolios by Paydirt Capital Inc. (Paydirt Capital) from I Works. The first purchase agreement was executed by Jeremy Johnson and Todd Vowell on April 25, 2008 for the purchase of 20,000 subscribers. The purchase price was \$300,000, which was paid to I Works on May 7, 2008 (Tab 5). The second purchase agreement was also signed by Jeremy Johnson and Todd Vowell on November 3, 2008 for the purchase of 40,000 subscribers. The purchase price was \$1,000,000 according to the purchase agreement. However, according to the documents produced by the Vowells, only \$840,000 was actually paid with three checks dated November 4, November 7, and November 11, 2008, respectively (Tab 6).

Under Tab 7 is a summary of revenue received from I Works based on accounting and bank records supplied by the Vowells. This summary shows a total of \$4.3 million in revenue was generated from these programs purchased from I Works, which far exceeded the purchase price paid to I Works. In addition, according to the bank records that the Receiver has obtained and reviewed to date, Paydirt Capital received at least \$3 million from I Works from January 3, 2008 to December 31, 2008. Approximately \$1.1 million was received before April 15, 2008, the date of the first agreement and approximately \$2.1 million before November 7, 2008, the date of the second agreement.

The Receiver believes that the sales of these portfolios to Paydirt Capital were not commercially reasonable transactions and the net proceeds of the processing revenue of approximately \$4.3 million are assets of Jeremy Johnson.

Under Tab 8 is a purchase agreement produced to the Receiver by Cerberus Management LLC (Cerberus) between Cerberus, as buyer, and I Works, as seller, that was executed on June 15, 2010. The agreement was executed by Lloyd Melling on behalf of Cerberus. Also under Tab 9 is a purchase agreement the Receiver obtained from the FTC between Cerberus, as buyer, and Net Business Success, as seller, that was also executed on June 15, 2010. The agreement was executed by Lloyd Melling on behalf of Cerberus. The two agreements are nearly identical, except for the name of the seller. It is not clear why there would be two agreements for the same transaction or why John Hafen on behalf of Cerberus would have only produced one of the two agreements to the Receiver. Cerberus was formed on May 3, 2010 and John Hafen was the sole member and manager of the limited liability

company at that time. On June 7, 2010, Lloyd Melling replaced John Hafen and became the sole member and manager of Cerberus. Also under Tab 10 is a \$300,000 check dated September 27, 2010 issued on a Cerberus account and payable to I Works, signed by Todd Vowell.

On January 31, 2011 the attorneys for the FTC took the deposition of Jeremy Johnson. The following is an excerpt from the deposition transcript:

p. 153, ll. 8 - 14

Q. Did you ever direct anybody to sell the billing portfolio to Cerberus or Lloyd Melling or anybody associated with the Vowells?

A. Yes, I could have.

Q....what was the reason for selling the billing portfolio?

A. We needed money.

Under Tab 11 is the September 2010 bank statement of Cerberus. Mr. Johnson's sworn testimony lacks credibility and does not comport with the data on the bank statement. The beginning balance of the bank account was \$100. Total deposits generated from this purportedly purchased billing portfolio for the month were about \$550,000. The check issued to I Works was not issued until the billing portfolio generated sufficient income to make the payment.

Under Tab 12 is a financial reconstruction of the Cerberus bank account prepared by the Receiver, based on the bank records currently available to the Receiver. In three months of processing, the portfolio generated in excess of \$1.1 million in revenue. This account, along with many other accounts at SunFirst, was frozen by order of the FDIC in November 2010. Had the FDIC not ordered the freeze on this account, this purportedly purchased billing portfolio in the ensuing months would have undoubtedly generated even more revenue.

Also under Tab 13 are minutes of a special meeting of Cerberus that was held on August 31, 2010. The minutes state that Paydirt Capital Inc. was engaged to perform accounting and management services for \$15,000 per month. The owners of record of Paydirt Capital Inc. are Todd Vowell, Jason Vowell, John Hafen, and Sheree Vowell, who is Todd Vowell's wife. The Receiver's financial reconstruction shows that Paydirt Capital Inc. was paid \$255,250 in three months by Cerberus. These meeting minutes reflect that, at the request of Todd Vowell, Lloyd Melling was removed as manager of Cerberus.

At his deposition conducted by the Receiver, Mr. Melling asserted his Fifth Amendment privilege against self-incrimination as to all substantive questions regarding the purchase agreement.

The Receiver's financial reconstruction as to Cerberus also shows the following:

\$80,000 in net receipts from Flying High Enterprises, LLC  
\$104,750 in payments to Paradise Ranch Development LLC  
\$71,449.97 in payments to Employee Plus, Inc.  
\$55,710 in payments to Paydirt Management, Inc.  
\$50,000 in payments to Katts, LLC  
\$50,000 in payments to Spyglass Holdings LLC  
\$15,880 in payments to Digital Currency LLC

Under Tab 14 is a purchase agreement produced to the Receiver by Flying High Enterprises LLC (Flying High) between Flying High and I Works that was executed on June 15, 2010. This agreement also was for the purchase of an I Works billing portfolio and was executed by Sheree Vowell on behalf of Flying High. Also under Tab 15 is a \$200,000 check dated August 5, 2010 payable to I Works signed by Jason Vowell.

Under Tab 16 are July and August 2010 bank statements for Flying High. As was the case with Cerberus, the check issued to I Works was not issued until the billing portfolio generated sufficient income to make the payment. The processing of the portfolio began in July 2010 and the check was not issued until August 2010.

Under Tab 17 is a financial reconstruction of the Flying High bank account prepared by the Receiver. In six months of processing, the portfolio generated about \$1.8 million in revenue.

Also under Tab 18 are minutes of a special meeting of Flying High that was held on August 31, 2010 at 10:00 a.m., the exact same time as the special meeting of Cerberus. The minutes state that Paydirt Capital Inc. was engaged to perform accounting and management services for \$10,000 per month. The Receiver's financial reconstruction shows that Paydirt Capital Inc. was paid \$85,000 in six months by Flying High.

The Receiver's financial reconstruction as to Flying High also shows the following:

\$168,320 in receipts from Elite Asset Management LLC  
\$370,500 in payments to Paradise Ranch Development LLC  
\$323,288.12 in payments to Katts LLC  
\$175,250 in payments to Commerce Financial LLC  
\$129,000 in payments to Spyglass Enterprises LLC  
\$100,125 in payments to Summerset Ranch LLC  
\$80,000 in net payments to Cerberus  
\$81,852 in payments to Spyglass Holdings, LLC  
\$76,976 in payments to Digital Currency, LLC  
\$71,956 in payments to Paydirt Management, Inc.



The Receiver believes that the sales of these portfolios to Cerberus and Flying High also were not commercially reasonable transactions and the net proceeds of the processing revenue of approximately \$2.4 million are assets of Jeremy Johnson.

#### **The Purported \$6.5 Million Note Agreement & Related Settlement**

On March 14, 2011, Zachary Wiseman of Ray Quinney & Nebeker, the counsel representing Todd Vowell, whose law firm also represented SunFirst until it was placed into receivership, contacted the Receiver in response to the Receiver's demand letter to Karen Beck concerning a note of \$308,000 secured by the property located at 2398 Concord Avenue, Santa Clara, UT 84765 (Karen Beck's Property) owed to Jeremy Johnson. Mr. Wiseman told the Receiver that the note and deed of trust on Karen Beck's Property were assigned and transferred by Jeremy Johnson to Todd Vowell in July 2010 as a partial repayment of the \$6.5 million debt obligation owed by Jeremy Johnson and Elite Debit to Todd Vowell's purported company, Triple 7. Mr. Wiseman further advised that the debt obligation of Karen Beck was assigned to Treadstone Partners, another purported Todd Vowell company.

The documentation produced by the Vowells pertaining to this \$6.5 million promissory note, and the explanation provided by Mr. Wiseman are summarized as follows:

**Initiation of Promissory Note Agreement (Information Provided by the Vowells)**

Date: February 28, 2010

Lender: Triple 7

Borrower: Elite Debit & Jeremy Johnson

| <u>Amount</u> | <u>Maturity Date</u> | <u># of Payments</u> | <u>Annual Interest</u> | <u>Collateral</u>                 |
|---------------|----------------------|----------------------|------------------------|-----------------------------------|
| \$ 6,500,000  | 11/30/2010           | Due on Demand        | 1.5%                   | Trust Deeds & Security agreements |

**Trust Deeds:**

Lot 14 of Block 1 of the Wadsworth and Hollister Tract, Santa Monica, Los Angeles, California  
(Assessor's Parcel#4289-023-022)

6 Parcels owned by Zibby LLC./Sharla Johnson (#4203-HV, #4201-A-HV, #4200-B-HV,  
#4150-B-HV, #SG-WVVV-3-A-1-A-2-A-1, 0000816X11)

**Security Agreement:**

540- 1oz US Gold Buffalo Dollar Coins

330 - 1oz US Gold Eagle Dollar Coins

15 - 1oz South African Krugerrand Gold Eagle Dollar Coins

2 - Suisse 1 Kilo Gold Bars (32.15 oz per bar)

Amortization Schedule of \$6.5 million Note

| Per Documentation Produced by the Vowells |   |                        |          |                      | Fund Trail<br>Per Bank Records |                  |
|---|---|------------------------|----------|----------------------|--------------------------------|------------------|
| Date                                      | Description   | Payments<br>(Advances) | Interest | Principal<br>Balance | From                           | To               |
| 1/6/2010~<br>2/24/2010                    | Total Advances (Jan & Feb 2010)                     | (6,498,835)            | (1,165)  | (6,500,000)          | Triple 7                       | Elite Debit      |
| 2/24/2010                                 | Note Amount   |                        |          | 6,500,000            |                                |                  |
| 2/24/2010                                 | Loan Payment  | 39,936                 |          | 6,460,064            | Money Harvest                  | Triple 7         |
| 2/25/2010                                 | Loan Payment  | 100,000                |          | 6,360,064            | Money Harvest                  | Triple 7         |
| 2/26/2010                                 | Advance   | (3,000)                |          | 6,363,064            | Money Harvest                  | Triple 7         |
| 3/1/2010                                  | Advance   | (100,000)              | (784)    | 6,463,849            | Money Harvest                  | Triple 7         |
| 3/1/2010                                  | Jan 2010 Poker Star fees transferred to Commissions | 789,569                |          | 5,674,280            |                                |                  |
| 3/1/2010                                  | Jan 2010 Full Tilt fees transferred to Commissions  | 13,011                 |          | 5,661,269            |                                |                  |
| 3/1/2010                                  | Feb 2010 Poker Star fees transferred to Commissions | 847,711                |          | 4,813,558            |                                |                  |
| 3/1/2010                                  | Feb 2010 Full Tilt fees transferred to Commissions  | 517,875                |          | 4,295,683            |                                |                  |
| 3/1/2010                                  | Adjustment for Full Tilt deficiency balance         | 798,108                |          | 3,497,575            |                                |                  |
| 7/30/2010                                 | Assignment of Karen Beck Promissory Note            | 308,000                | (21,704) | 3,211,279            |                                |                  |
| 8/4/2010                                  | Loan Payment  | 650,000                |          |                      | Elite Debit                    | Powder Monkeys   |
| 8/4/2010                                  | Loan Payment  | 350,000                | (660)    | 2,211,939            | Money Harvest                  | Powder Monkeys   |
| 8/11/2010                                 | Advance   | (1,000,000)            | (636)    | 3,212,575            | Mastery Merchant               | Money Harvest    |
| 8/19/2010                                 | Payment from Sale of Silver                         | 1,247,733              | (1,056)  | 1,965,898            |                                |                  |
| 9/27/2010                                 | Payment   | 250,000                |          |                      | Elite Debit                    | Mastery Merchant |
| 9/27/2010                                 | Payment   | 250,000                | (3,151)  | 1,469,049            | Elite Debit                    | Powder Monkeys   |
| 10/5/2010                                 | Full Tilt payments to Jeremy Johnson                | (1,210,410)            | (483)    | 2,679,942            |                                |                  |
| 10/24/2010                                | Full Tilt payments to Chad Elite                    | (1,002,600)            | (2,093)  | 3,684,635            |                                |                  |
| 12/1/2010                                 | Settlement Agreement                                | 3,150,000              | (6,042)  | 540,677              |                                |                  |

**Settlement Agreement for Final Loan Repayment Based on Information Provided by the Vowells**

The loan settlement agreement purportedly was entered into on December 1, 2010 between Elite Debit, Jeremy Johnson and Triple 7, under which Elite Debit and Jeremy Johnson assigned the gold coins and the Santa Monica House, which were valued at approximately \$3.15 million as listed below, to Triple 7. Another promissory note purportedly was entered into on December 1, 2010 to cover the remaining balance of \$540,676.96.

According to the Settlement Agreement dated December 1, 2010, both parties agreed the collateral contains the following values:

|  |                        |
|--|------------------------|
| Gold Coins   | \$ 1,650,000.00        |
| Santa Monica House   | 1,500,000.00           |
| 6 Utah Parcels   | <u>1,000,000.00</u>    |
| Total Collateral Value at December 1, 2010   | <u>\$ 4,150,000.00</u> |
|  |                        |
| Total Unpaid Principal and Interest<br>as of December 1, 2010 as shown above         | \$ 3,690,676.96        |
| Approximated Values Transferred and<br>Assigned to Triple 7 per Settlement Agreement | <u>(3,150,000.00)</u>  |
| A New Promissory Note Dated 12/1/10  | <u>\$ 540,676.96</u>   |

The Receiver reviewed and further analyzed the transactions concerning this \$6.5 million promissory note and the explanation provided by Mr. Wiseman. This note agreement is dated February 28, 2010, just after the FTC asset preservation letter in February 2010. Under Tab 19 is a schedule of "Transfers to Elite Debit" and a partial January 2010 bank statement showing a transfer of \$80,453.98 on January 14, 2010 as an example of the transfers from Triple 7 to Elite Debit. According to the documents supplied by the Vowells under Tab 19 and also as summarized above, the loan advances were paid by Triple 7 to Elite Debit from January 6, 2010 to February 24, 2010 for a total of \$6,498,834.56, prior to the note date. This is also inconsistent with Jeremy Johnson's testimony on January 31, 2011, when he stated that the \$6.5 million promissory note was in consideration for the "deficit" in poker accounts transferred to the Vowells.

The following is an excerpt from Jeremy Johnson's testimony pertaining to this \$6.5 million promissory note:

p. 156, ll. 8 - 24

Q. ...it's for the purpose of securing payment of the indebtedness evidenced by a promissory note. Do you see that on page 1? The promissory note is in the principal sum of \$6,500,000.

A. Yeah, this -- the only thing I could think of, this would be the money that we owed to -- when we transferred the poker accounts. And the date would match up approximately with that time frame, so --

Q. So, you transferred the poker accounts?

A. When we transferred them to the Vowells, there was a deficit.

Q. In other words, you owed more money than you were transferring?

A. Yes. And so this, I believe, is how we said, okay, we acknowledge that we owe this money and we have things as collateral. If we're not able to pay it, then you have a remedy.

Under Tab 20 are schedules of "Payments to Johnson and Johnson Entities" and the related 2010 Form 1099s produced by the Vowells. Sixteen of the payments, totaling approximately \$2.2 million, listed as "Elite Debit Processing Fees" are in the same amounts as the purported note advances paid under Tab 19. For example, the payment of \$80,453.98 made on January 14, 2010 was accounted for as Elite Debit Processing Fees under Tab 20 and also claimed as a part of the note advances under Tab 19. The same payments could not constitute both income and loan advances.

The Receiver's ongoing investigation and discovery to date has revealed there was no valid financial support and justification for the claimed \$6.5 million debt owed by Elite Debit to Triple 7. Triple 7 actually became a successor to Elite Debit's poker processing and other payment processing operations. As this report shows in detail, the poker processing and other payment processing operations produced revenues massively larger than any alleged deficit or shortfall that was transferred to the Vowells. Moreover, it is clear that after February 2010 Jeremy Johnson continued to exercise control over Triple 7, Mastery Merchant and Powder Monkeys, and the activities and assets of these entities. The transfers of assets and liens purportedly for the purpose of loan repayments from entities owned or controlled by Jeremy Johnson or Sharla Johnson to Triple 7 and other entities of the Vowells is an apparent effort to conceal Jeremy Johnson's assets from creditors, potential regulatory actions, and the Receiver.

The depositions of the five former SunFirst officers and the voluminous documents produced to the FTC and the Receiver have provided substantial additional evidence that Jeremy Johnson owned and controlled Triple 7, Mastery Merchant and Powder Monkeys at all relevant times, and that there was no legitimate transfer of the poker processing or other third party payment processing accounts to the Vowells. Among the evidence that further demonstrates this is the following:

In March, 2010, Jeremy Johnson was reviewing and approving letters needed “to assure clients that we are not engaging in any other processing in gaming except poker.” (Tab 21)

In April 2010, Campos was discussing with Jeremy Johnson proposed changes in the Bank’s pricing of international wires to mitigate against the “exchange rate risk.” (Tab 22) International wires were primarily or exclusively used to pay the offshore poker entities who owned Poker Stars and Full Tilt.

When Campos created an invoice for the \$20,000 “bonus” which has led to his indictment, he sent it to Triple 7, to Jeremy Johnson’s attention. Payment came from an account in the name of Triple 7 in April, 2010 and Campos thanked Jeremy Johnson for this “generous action”. (Tab 23)

Under Tab 24 is an email produced by Todd and Jason Vowell. Jason Vowell wrote and sent an email to Todd Vowell on June 7, 2010 and stated that “we will get a bill each day from Elite Debit. This is how Jeremy wants us to get some money back to Scott to pay other bills”. This email shows that Triple 7 and Elite Debit were both controlled by Jeremy Johnson. According to the bank records currently available to the Receiver, Elite Debit and Money Harvest received approximately \$6.1 million from Triple 7 from December 2009 to June 2010.

Under Tab 25 is a partial June 2010 bank statement and copies of checks for the SunFirst account of Powder Monkeys (account#xxxxx6018). Jeremy Johnson and his address of 127 Holister, Santa Monica, UT [sic] were listed on the checks.

When Jeremy Johnson acquired another \$1 million of SunFirst Corporation stock in August, 2010, he paid for the stock with \$500,000 from an Elite Debit account and \$500,000 from a Money Harvest account. (Tab 26) After that transaction, Jeremy Johnson beneficially owned approximately 19% of the Bank, although much of the stock was in the name of his brother, Andy Johnson, and his parents’ partnership, KB Family Limited Partnership.

As noted below, Jeremy Johnson was a party to the processing agreement entered into between Triple 7, Mastery Merchant, Powder Monkeys, Elite Debit and SunFirst dated September 17, 2010. (Tab 27) SunFirst account officer Mont Humphries testified that Jeremy Johnson provided the template of that document to the Bank.

The Receiver also discovered that ePayment Solutions (DBA Powder Monkeys) entered into a processing agreement in October 2010 with Full Tilt, one of the online poker companies, and Jeremy Johnson was the decision maker regarding this agreement (Tab 28). Additionally, Todd Vowell emailed the financials of ePayment Solutions to Jeremy Johnson on October 18, 2010 (Tab 29) for his review.

On November 29, 2010, Todd Vowell was copying Jeremy Johnson with instructions to the Bank about the consolidation of accounts at SunFirst in the name of PStars and Mastery

Merchant, and the consolidation of accounts at SunFirst in the name of Full Tilt and Powder Monkeys. (Tab 30)

When asked if Jeremy Johnson beneficially owned and controlled Triple 7, Mastery Merchant and Powder Monkeys, former SunFirst Executive Vice President Dan Strobell asserted his Fifth Amendment privilege and declined to answer those questions.

Account officer Mont Humphries testified that Triple 7, Mastery Merchant and Powder Monkeys all went through Elite Debit to do their processing. He testified that at all times while SunFirst did third-party processing, Elite Debit processed third party transactions for Triple 7 and its "subaccounts," Mastery Merchant and Powder Monkeys. He further testified that the Bank drew its fees from a reserve account that Jeremy Johnson established for the benefit of the Bank.

In addition, under Tab 31 is the account opening document and partial October 2009 and November 2009 bank statements for the SunFirst account of Money Harvest (account#XXXXX5838). When this account was opened in October 2009, the account was listed as Triple Seven LP DBA Elite Debit; however, in November 2009, this account name was changed to Money Harvest Inc. DBA Elite Debit. These documents further evidence that Elite Debit, Money Harvest, and Triple 7 are a common enterprise controlled by Jeremy Johnson.

#### **Transition of Jeremy Johnson's Business and Sources of Revenue**

As previously reported, I Works was the primary entity and Jeremy Johnson was the mastermind for the operations of the Receivership Defendants. Elite Debit was incorporated in late 2009 and was solely owned by Jeremy Johnson. As detailed above, and based upon a review of financial documents and depositions with several SunFirst officers, Elite Debit was a payment processing company processing transactions for merchants.

The accounting books and records of Elite Debit obtained from the Receivership Defendants show the total revenue from inception through December 31, 2010 was approximately \$4.5 million, which was primarily comprised of approximately \$2.5 million from processing and \$2.0 million of income from Triple 7 for the same period.

Also as previously reported, Money Harvest was also incorporated in late 2009 and Loyd Johnston is the nominal owner. Money Harvest was also a payment processing company processing transactions for merchants.

Triple 7, Powder Monkeys and Mastery Merchant were the primary payment processing entities along with Elite Debit and Money Harvest. Money Harvest also did business as Elite Debit (Elite Debit and Money Harvest are collectively referred to as Elite Debit) after I Works and other Receivership Defendants had begun winding down their processing operations. Based on the Receiver's financial reconstruction of bank records to date,

approximately \$46.5 million in revenue was generated by the following entities processing payments for online poker entities and for other entities:

Processing revenue, net of chargebacks and returns, but before payments to the poker companies, bank fees, and merchant reserve accounts

|                  |                 |
|------------------|-----------------|
| Triple 7         | \$76.7 million  |
| Mastery Merchant | \$24.2 million  |
| Powder Monkeys   | \$80.5 million  |
| Total            | \$181.4 million |

Processing revenue, net of chargebacks and returns, and after payments to the poker companies, bank fees, and merchant reserve accounts

|                  |                |
|------------------|----------------|
| Triple 7         | \$18.1 million |
| Mastery Merchant | \$2.6 million  |
| Powder Monkeys   | \$25.8 million |
| Total            | \$46.5 million |

Triple 7, formerly Triple Seven LP, was formed in October 2009 in Utah and changed from a Limited Partnership to a Limited Liability Company in August 2010. Spyglass Enterprises LLC (Spyglass Enterprises) was the initial general partner and nominally owned 5%. Todd Vowell was a limited partner and nominally owned 95%. In March 2010, Todd Vowell transferred 50% of his ownership to Katts LLC (Katts) and 45% of his ownership to Spyglass Enterprises.

Powder Monkeys was formed in April 2010 and is nominally co-owned by Katts and Spyglass Enterprises. Todd and Jason Vowell were the managers of Powder Monkeys.

Mastery Merchant was formed in October 2007. Under Tab 32 are the Articles of Organization for Mastery Merchant and Agreement of Limited Liability Company of Mastery Merchant produced by Todd and Jason Vowell. These documents show Katts and Spyglass Enterprises were the members and Todd and Jason Vowell were the managers of Mastery Merchant.

Under Tab 33 are the Articles of Organization for Mastery Merchant and Agreement of Limited Liability Company of Mastery Merchant the Receiver obtained from National Bank of California. These documents, however, show Lilhaf Holdings LLC (Lilhaf Holdings) was the sole member of Mastery Merchant when the entity was formed in October 2007, and John Hafen was its manager. These two sets of documents entitled "Articles of Organization" and "Agreement of Limited Liability Company" for Mastery Merchant are



nearly identical, except for its membership and managers. It is not clear to the Receiver why there would be two sets of these documents for Mastery Merchant showing a different ownership structure in the same time frame, or why Todd and Jason Vowell on behalf of Mastery Merchant would have only produced one set of the corporate documents.

Mastery Merchant was in the credit card merchant processing business since 2007. Under Tab 34 are the Bank Card/Check Services Application of Electronic Clearing House Inc. (ECHO), account opening documents of National Bank of California and related correspondence for Mastery Merchant DBA Money Master for Life. These documents show that Jeremy Johnson was the guarantor on the Money Master for Life processing account and had access to the processing and bank accounts for Money Master for Life. The documents also show that Jeremy Johnson had close connections with Mastery Merchant since the formation of this entity.

The account application for Mastery Merchant DBA Money Master for Life shows that John Hafen owns 100% of this entity. At his deposition conducted by the Receiver, Mr. Hafen asserted his Fifth Amendment privilege against self-incrimination to all questions asked about Mastery Merchant.

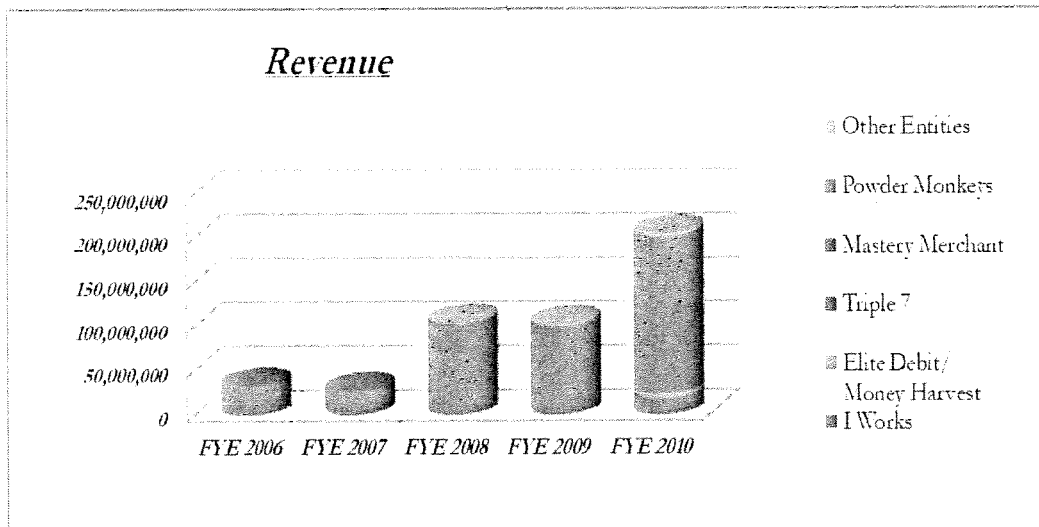
Elite Debit, Money Harvest, Triple 7, Mastery Merchant and Powder Monkeys opened several accounts at SunFirst Bank for payment processing beginning in October 2009.

Elite Debit, Triple 7, Mastery Merchant, and Powder Monkeys entered a payment processing agreement with SunFirst and SunFirst Corporation on September 17, 2010.

The Receiver's review and analysis of accounting and bank records has revealed that the revenue was initially received and recorded under I Works and other Receivership Defendants, and beginning in October 2009, the revenue began migrating through accounts of other entities, starting with Elite Debit, then moving to Triple 7, Mastery Merchant, Powder Monkeys and other entities controlled by Jeremy Johnson, while the revenue of I Works and other Receivership Defendants gradually diminished.

The table and chart below summarize the revenue<sup>4</sup> earned from 2006 through 2010 of I Works and other entities.

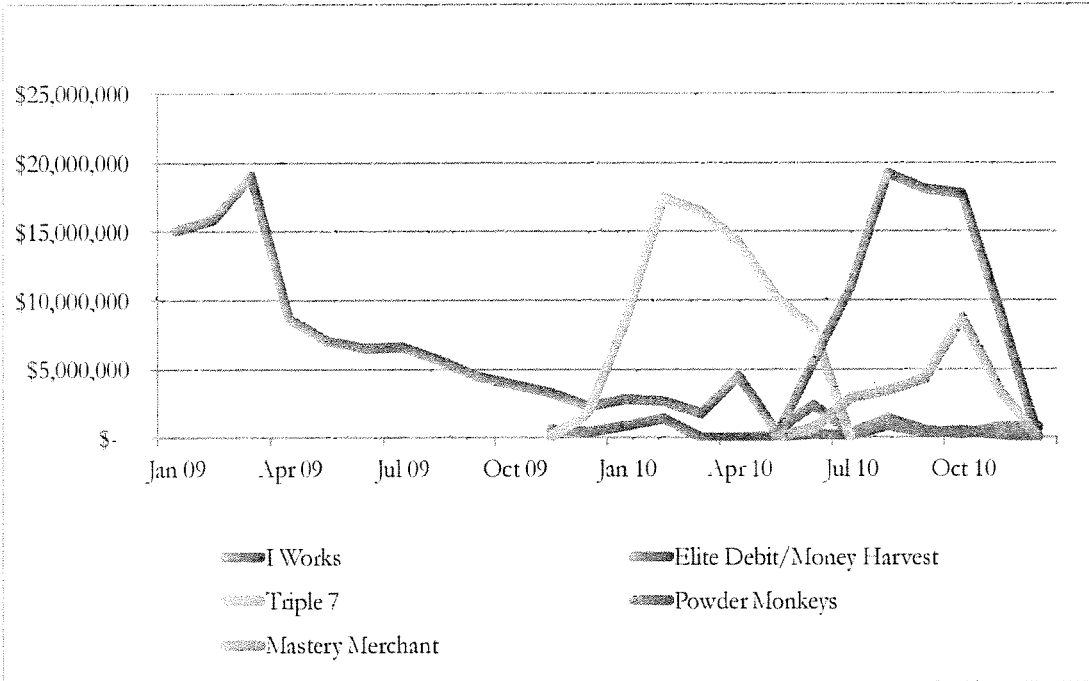
| Revenue                       | FYE 2006             | FYE 2007             | FYE 2008              | FYE 2009              | FYE 2010              | Total                 |
|-------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I Works                       | \$ 33,024,161        | \$ 27,499,288        | \$ 103,116,722        | \$ 98,398,238         | \$ 18,606,986         | \$ 280,643,395        |
| Elite Debit/<br>Money Harvest |                      |                      |                       | 627,115               | 5,074,713             | 5,701,828             |
| Triple 7                      |                      |                      |                       | 1,882,273             | 7,4836,787            | 76,719,060            |
| Mastery Merchant              |                      |                      | 804,991               | 45,852                | 23,370,858            | 24,221,701            |
| Powder Monkeys                |                      |                      |                       |                       | 80,474,131            | 80,474,131            |
| Other Entities                |                      |                      | 576,163               | 1,659,073             | 2,484,756             | 4,719,992             |
| <b>Total</b>                  | <b>\$ 33,024,161</b> | <b>\$ 27,499,288</b> | <b>\$ 104,497,876</b> | <b>\$ 102,612,550</b> | <b>\$ 204,848,231</b> | <b>\$ 472,482,106</b> |



The revenue for 2010 doubled from 2009 due to the online poker processing business. The graph below demonstrates that the composition of the revenue moved solely from I Works to a combination of I Works, Elite Debit/Money Harvest, and Triple 7 from November 2009 to May 2010. In June 2010, Mastery Merchant and Powder Monkeys' processing accounts became more active and finally took over the processing activities from Triple 7.

<sup>4</sup> Revenue is net of charge backs and returned ACH transactions. The revenue of I Works, Elite Debit and Money Harvest was obtained from the accounting records turned over by the Receivership Defendants. The revenue of other entities was obtained from the financial reconstruction based on the bank accounts and records that are currently available to the Receiver.

**Monthly Revenue from 2009 to 2010**



Under Tab 35 is a preliminary summary of cash receipts and disbursements for Triple 7, Mastery Merchant and Powder Monkeys. The Receiver’s accounting reconstruction to date shows that at least \$180 million in gross processing revenue from November 2009 through December 2010 was received by Triple 7, Powder Monkeys and Mastery Merchant through a number of DBAs, including FT Payments, A Web Debit, P Stars, Net Web Funds, and Fling Pay, primarily at accounts with SunFirst.

Based on the Receiver’s financial reconstruction of bank records to date, approximately \$51.4 million in revenue was generated by the following entities which are not expressly named Receivership Defendants:

|                             |                |
|-----------------------------|----------------|
| Triple 7 LLC                | \$18.1 million |
| Mastery Merchant LLC        | \$2.6 million  |
| Powder Monkeys LLC          | \$25.8 million |
| Flying High Enterprises LLC | \$1.8 million  |
| Cerberus Management LLC     | \$906,000      |
| Money Master for Life       | \$2.2 million  |

As set forth in this report, all of these entities are affiliates of Jeremy Johnson and the Receivership Defendants.

### **Discussion and Accounting Reconstruction of Entities and Individuals through which Funds were Routed and Commingled**

The processing revenue was routed and commingled through a large number of entities that were formed in the name of others, primarily the Vowells, and a few other individuals. A majority of these entities do not appear to have generated any business income and were used as conduits to route funds to others and to commingle funds, as well as to shield the assets that are subject to the receivership.

#### The Paydirt Group of Companies

Paydirt Capital Inc. (Paydirt Capital) was incorporated in June 2000. According to corporate documents supplied by the Vowells, this entity initially was co-owned by Todd Vowell and Jason Vowell from June 2000 to August 2008. In September 2008, Todd Vowell and Jason Vowell transferred some of their ownership interests to Sheree Vowell and John Hafen. After the transfers, this entity was owned by Todd Vowell (20%), Jason Vowell (20%), Sheree Vowell (30%), and John Hafen (30%).

Paydirt Management Inc. (Paydirt Management) was incorporated in July 1997. The name was changed to Paydirt Management in February 2007. This entity was formerly named Oil Management Services Inc. prior to February 2007 and CEC Capital Funding Group Inc. prior to April 1998. This entity is owned by Todd Vowell and Jason Vowell.

Paydirt Properties LLC (Paydirt Properties) was formed in July 2005, and is co-owned by Katts and Spyglass Enterprises.

Paydirt LP was formed in July 2002. The general partner of this entity is Katts which holds a 1% partnership interest. The limited partner of this entity was initially Todd Vowell, who held a 99% partnership interest. The limited partners were changed to Todd Vowell (49.5%), Jason Vowell (19.8%) and John Hafen (29.7%) in December 2009.

According to the corporate documents produced by the Vowells, Paydirt Capital, Paydirt Management, Paydirt Properties, and Paydirt LP (also collectively referred as the "Paydirt Group") are owned in whole or in part by Todd Vowell and Jason Vowell. These entities are also managed by the Vowells.

Under Tab 36 is the preliminary consolidated financial reconstruction for the Paydirt Group prepared by the Receiver.

In summary, according to the Receiver's financial reconstruction to date, between January 2006 and July 2011, the Paydirt Group received a net of \$4.5 million from Receivership

Defendants and their affiliates, which consisted of \$7.4 million in receipts and \$2.9 million in disbursements. Paydirt Group also received a net of \$5.2 million from three processing entities, which consisted of \$5.4 million in receipts and \$184,000 in disbursements. Additionally, a total of \$33.3 million in receipts and \$27.7 million in disbursements were routed to others as shown under Tab 36 and as discussed below.

This preliminary financial reconstruction also shows that the Paydirt Group paid a net amount of approximately \$2.7 million to Todd Vowell and his wife, Sheree Vowell, Jason Vowell, and John Hafen as summarized below.

|                          | <b>Paydirt<br/>Capital</b> | <b>Paydirt<br/>Management</b> | <b>Paydirt LP</b>      | <b>TOTAL</b>           |
|--------------------------|----------------------------|-------------------------------|------------------------|------------------------|
| <b>Todd Vowell</b>       | \$ 788,809.00              | \$ 5,503.03                   | \$ .                   | \$ 794,312.03          |
| <b>Sheree Vowell</b>     | 725,993.19                 | 114,000.00                    | 3,500.00               | 843,493.19             |
| <b>Jason Vowell</b>      | 575,433.85                 | (29,071.04)                   | (337,860.07)           | 208,502.74             |
| <b>John Hafen</b>        | 779,791.51                 | (129,500.00)                  | 231,250.00             | 881,541.51             |
| <b>Total Amount Paid</b> | <u>\$ 2,870,027.55</u>     | <u>\$ (39,068.01)</u>         | <u>\$ (103,110.07)</u> | <u>\$ 2,727,849.47</u> |

*Paydirt Capital*

According to Todd Vowell's deposition testimony taken on July 6, 2010, Paydirt Capital is an accounting services company.

The following is an excerpt from Todd Vowell's deposition in Karen Grounds vs. Executive Car Sales, Inc. et al:

p. 27, ll. 2 - 4

Q. Paydirt Capital Inc., is that a company of yours as well?

A. It is.

p. 27, ll. 10 - 13

Q. And what does Paydirt Capital do?

A. It does accounting services.

Q. For whom?

A. For various companies in St. George.

The Receiver's financial reconstruction under Tab 37 shows that Paydirt Capital is much more than an accounting services firm performing accounting services for companies in St. George, UT. Paydirt Capital received approximately \$4.9 million from I Works from January 2008 to April 2010 and paid \$1.4 million to I Works from May 2008 to January 2009, which were primarily attributed to the purported sales of I Works' billing portfolios.

As previously discussed, Paydirt Capital paid a total of \$1.14 million to purchase I Works' billing portfolios and received approximately \$4.3 million of revenue that was generated from these purchased portfolios.

Paydirt Capital also received a net of \$4.52 million from 2008 to 2010 from Triple 7, Mastery Merchant and Powder Monkeys, the three principal processing entities that remained after the I Works Enterprise began to wind down.

Approximately \$594,000 was invested and lost in Paydirt Capital's account with TD Ameritrade, comprised of \$3.15 million in outgoing funds (Paydirt Capital to TD Ameritrade) and \$2.56 million in incoming funds (TD Ameritrade to Paydirt Capital) from April 2010 to April 2011.

Two wires totaling \$551,040 were paid to California Numismatic Investment Inc. on November 8 and November 18, 2010 to purchase precious metals.

Paydirt Capital made four payments to the Wynn casino totaling \$490,000 for the benefit of Jeremy Johnson on February 26, 2010 and March 3, 2010. Paydirt Capital also paid \$200,000 to the Encore casino on October 22, 2010 for Jeremy Johnson.

Paydirt Capital wrote 16 checks in amounts ranging from \$5,461.54 to \$9,300 and paid a total of \$105,449.40 to KB Family Limited Partnership from June 17, 2009 to March 9, 2010. The Receiver took the depositions of Kerry and Barbara Johnson on July 14 and July 15, 2011. Both Mr. and Ms. Johnson asserted their Fifth Amendment privilege against self-incrimination to all questions about the payments KB Family Limited Partnership received from Paydirt Capital.

#### *Paydirt Management*

On May 11, 2011, Paydirt Management paid \$119,000 to Dixie Title Company, an escrow company in Utah. Although the Receiver is still investigating the purpose of this payment, the following is an excerpt from Todd Vowell's deposition testimony in the Karen Grounds vs. Executive Car Sales, Inc. et al. matter taken on July 6, 2010:

p. 30, l. 16 - p. 31, l. 12

Q. Paydirt Management, Inc., what is that?

A. It's an entity that used to own an airplane.

Q. Is that all it did was just own an airplane?

A. Yes.

Q. Is it still a viable company?

A. No.

Q. Was it actually dissolved?

A. It has not been actually dissolved.

Q. It's still existing but it's just not doing anything?

A. Correct.

Q. What happened to the airplane?

A. Sold.

Q. When was that sold?

A. I think the early part of 2008.

Q. Other than just hold title to the airplane, did it do anything else?

A. No.

Q. Invest in real estate or anything?

A. No.

It appears that Mr. Vowell decided to reactivate this entity shortly after his deposition.

Under Tab 38 is the preliminary summary of cash receipts and disbursements of Paydirt Management. In addition to the payment to Dixie Title Company, other major receipts to and disbursements from Paydirt Management from July 2010 through July 2011 include the following:

\$18,110.20 from Powder Monkeys

\$71,956 from Flying High Enterprises

\$55,710 from Cerberus Management

\$32,450.44 from Elite Asset Management

\$129,500 from John Hafen

\$276,599 from and \$235,000 to Tiburon Enterprises LLC

\$105,000 to Kerry Johnson

\$122,000 to and \$8,000 from Sheree Vowell

\$61,935.73 to Newby Buick for a vehicle

\$13,601.28 to Zibby Flight Service LLC

\$11,096.16 to St. George Jet Center for jet fuel for Zibby Flight Service LLC

*Paydirt Properties & Paydirt LP*

Under Tab 39 is the preliminary summary of cash receipts and disbursements of Paydirt Properties and Paydirt LP. Paydirt LP received approximately \$2.1 million from I Works, Employee Plus, and Anthon Holdings from 2006 to 2008. These payments were primarily attributed to disbursements pertaining to two real property projects in Cedar City and Hurricane, Utah. According to the documents produced by the Vowells, Paydirt LP partnered with Jeremy Johnson to acquire and develop numerous parcels of raw land totaling approximately 190.65 acres in Cedar City, Utah and raw land totaling approximately 160.98 acres in Hurricane, Utah from 2006 through 2008. ANB Financial and Celtic Bank Corporation were the lenders for these land development projects. The Receiver is continuing to investigate the current status and ownership of these properties. However, it is likely that these properties were foreclosed upon or sold.

Katts LLC, Spyglass Enterprises LLC & Spyglass Holdings LLC

Katts was incorporated on July 8 2002, and its initial members and managers were Todd Vowell and Sheree Vowell. Under Tab 40 is the preliminary summary of cash receipts and disbursements of Katts.

Spyglass Enterprises was incorporated on August 16, 2004, and its initial members and managers were Jason Vowell and his ex-wife, Dionna Vowell, but the members were changed to Jason Vowell and John Hafen in January 2009. Under Tab 41 is the preliminary summary of cash receipts and disbursements of Spyglass Enterprises.

Katts and Spyglass Enterprises are nominally controlled by Todd Vowell and Jason Vowell, respectively, and primarily utilized as holding entities that own or owned a number of entities managed by the Vowells, which include the following:



| Entity Name                 | Formation Date | Purported Ownership & Puported Management   |
|-----------------------------|----------------|---|
| Paydirt LP                  | 07/08/02       | 7/02 - Katts (1% - General Partner) & Todd Vowell (99% - Limited Partner)<br>12/09 - Limited Partner: Todd Vowell (49.5%), Jason Vowell (19.8%), and John Hafen (29.7%)<br>Todd & Jason Vowell - Managers                     |
| Virgin Properties LLC       | 10/03/03       | Katts & Spyglass Enterprises - Members<br>Todd Vowell - President & Manager<br>Jason Vowell - Vice President & Manager<br>John Hafen - Agent/Secretary & Treasurer  |
| Liahona Holdings LP         | 03/31/04       | Members - Paydirt Capital Inc, Spyglass Enterprises & Katts   |
| Valentino Properties LLC    | 05/19/05       | Initial Members & Officers - Jason Vowell & Dionna Vowell<br>Current Members (dated 5/4/10) - Spyglass Enterprises<br>Current Manager (dated 5/4/10) - Jason Vowell   |
| Paydirt Properties LLC      | 06/14/05       | Owned by Katts (50%) & Spyglass Enterprises (50%)<br>Todd & Jason Vowell - Managers; John Hafen - Agent   |
| Triple Play Group LLC       | 05/03/07       | Katts & Spyglass Enterprises - Members; Todd Vowell - Manager   |
| Commerce Financial LLC      | 07/27/07       | Katts & Spyglass Enterprises - Members<br>Todd Vowell & Jason Vowell - Managers   |
| Twenty-five Main, LLC       | 10/03/07       | Katts & Spyglass Enterprises - Members<br>Todd & Jason Vowell - Managers  |
| Mastery Merchant LLC        | 10/18/07       | Member - Katts & Spyglass Enterprises (before 7/2010)<br>Member - ePayments Solutions LLC (After 7/2010)<br>Jason Vowell - Manager  |
| Market Mastery Trading LLC  | 01/22/08       | Katts - Member; Todd Vowell - Manager   |
| Triple Seven LP/LLC         | 10/26/09       | Members - Katts & Spyglass Enterprises (before 7/2010)<br>Member - ePayments Solutions LLC (After 7/2010)<br>Jason Vowell - Manager   |
| Valentino Holdings LP       | 02/17/10       | Member - Spyglass Enterprises; Manager - Jason Vowell   |
| Flying High Enterprises LLC | 03/01/10       | 3/1/10: Jason Vowell - Member & Manager<br>6/10/10: Sheree Vowell - Member & Manager<br>8/31/10: Members - Katts & Spyglass Enterprises<br>8/31/10: Managers - Jason & Todd Vowell<br>10/31/10: Member - Digital Currency LLC |
| Powder Monkeys LLC          | 04/27/10       | Member - Katts & Spyglass Enterprises (before 7/2010)<br>Member - ePayments Solutions LLC (After 7/2010)<br>Todd & Jason Vowell - Manager   |
| Summerset Ranch LLC         | 06/10/10       | Managing Member- Katts  |
| Woodsviw Holdings LLC       | 06/10/10       | Members - Katts & Spyglass Enterprises; Todd Vowell - Manager   |
| ePayments Solutions LLC     | 07/02/10       | Members - Katts & Spyglass Enterprises<br>Manager - Todd Vowell & Jason Vowell  |
| Taggart Management LLC      | 07/20/10       | 7/20/10: John Hafen (20%); Katts & Spyglass Enterprise (each 40%)<br>9/30/10: Member - Katts & Spyglass Enterprise (each 50%)<br>7/20/10: Todd Vowell, Jason Vowell, John Hafen - Managers<br>9/30/10: Todd Vowell - Manager  |
| Treadstone Partners LP      | 07/30/10       | General Partner - Taggart Management LLC - 2%<br>Limited Partners- Katts & Spyglass Enterprises - each 49%<br>Manager - Todd Vowell & Jason Vowell  |
| Kingfish Management LLC     | 10/12/10       | 10/12/2010: Member - Taggart Management LLC   |
| Silvervix Holdings LLC      | 10/12/10       | 11/30/10: Member - Katts  |
| Digital Currency LLC        | 10/27/10       | Member - Katts & Spyglass Enterprises<br>Manager - Todd Vowell & Jason Vowell   |
| Flatline Investments LP     | 12/21/10       | General Partner: Taggart Management LLC<br>Limited Partners: Spyglass Enterprises & Katts<br>Todd Vowell - Secretary/Treasurer  |
| Dreamland Capital LLC       | 10/12/10       | Member - Katts; Manager - Todd & Jason Vowell   |

Spyglass Holdings LLC (Spyglass Holdings) was formed on March 1, 2010, and is purportedly owned and managed by Jason Vowell. Under Tab 42 is the preliminary summary of cash receipts and disbursements of Spyglass Holdings.

Under Tab 43 is a preliminary consolidated summary of cash receipts and disbursements for Katts, Spyglass Enterprises, and Spyglass Holdings (collectively referred to as the “Katts Group”). The Katts Group had total receipts of at least \$15.1 million and total disbursements of at least \$15.6 million. The Katts Group received approximately \$3.8 million from Triple 7, Mastery Merchant and Powder Monkeys, primarily in 2009 and 2010.

Katts Group paid approximately \$1.75 million (net of amounts received) to Todd Vowell, Sheree Vowell, Jason Vowell, and Dionna Vowell as summarized below.

|                          | <u>Katts</u>      | <u>Spyglass<br/>Enterprises</u> | <u>Spyglass<br/>Holdings</u> | <u>TOTAL</u>        |
|--------------------------|-------------------|---------------------------------|------------------------------|---------------------|
| <b>Todd Vowell</b>       | 408,124.00        | 0.00                            | 0.00                         | 408,124.00          |
| <b>Sheree Vowell</b>     | 263,872.00        | 0.00                            | 0.00                         | 263,872.00          |
| <b>Jason Vowell</b>      | (25,000.00)       | 945,049.18                      | (15,867.00)                  | 904,182.18          |
| <b>Dionna Vowell</b>     | 0.00              | 178,021.00                      | 0.00                         | 178,021.00          |
| <b>Total Amount Paid</b> | <u>646,996.00</u> | <u>1,123,070.18</u>             | <u>(15,867.00)</u>           | <u>1,754,199.18</u> |

Additionally, documents obtained from United Precious Metal Refining Inc. (United Precious Metal Refining) under Tab 44 show a total of \$1,645,666.71 was received by Katts and Spyglass Enterprises on or about December 28, 2010, which represented the proceeds from the sale of precious metals requested by Todd and Jason Vowell. However, according to the description of the precious metals sold shown on the settlement notification issued by United Precious Metal Refining, these appear to be the same precious metals received from Jeremy Johnson in December 2010 as part of the purported loan repayment for the \$6.5 million note discussed at pages 23-25, as listed below.

|   |   |
|---|---|
| 540 - 1oz US Gold Buffalo Dollar Coins<br>330 - 1oz US Gold Eagle Dollar Coins<br>15 - 1oz South African Krugerrand Gold Eagle Dollar Coins<br>2 - Suisse 1 Kilo Gold Bars (32.15 oz per bar) | <b>Estimated Value per<br/>Settlement Agreement:</b><br>\$1,650,000 |
|---|---|

The Receiver is also investigating the following transactions to uncover potential additional receivership assets:

- On June 30 2010, Spyglass Holdings paid \$170,675 to California Numismatic Investments Inc.
- A total of \$158,095.36 paid by Spyglass Enterprises to United Title Services on August 20, 2010 and September 1, 2010.
- On June 13, 2011, Katts paid \$120,000 to 249 Investors LLC.

#### Kombi Capital LP

Kombi Capital LP (Kombi Capital) was formed in March 2010 in Utah. This entity appears to be formed primarily for the purpose of acting as a conduit for funds, and holding assets and investments.

According to the documents produced by the Vowells, including the Articles of Organization, Agreement of Limited Partnership and Minutes of Organizational Meeting for Kombi Capital at Tab 45, the general partner was Paydirt Capital Inc. which owned 3%, and the limited partners were Katts and Spyglass Enterprises, each of which owned 48.5%. There was another set of corporate documents for Kombi Capital (Tab 46), which showed that the general partner was Paydirt Capital Inc. (2% of ownership) and Sharla Johnson was the limited partner (98% of the ownership) when the entity was formed in March 2010. These two sets of corporate documents are nearly identical, except for the limited partners and their ownership interests. It was unclear why two different sets of corporate documents were created.

During his deposition conducted by the FTC, Jeremy Johnson testified as follows:

p. 95, l. 22 - p. 96, l. 13

Q. What is your knowledge of Kombi Capital?

A. That most of the money -- my understanding is most of the money -- most of the things that we bought, that we purchased with Full Tilt's money were bought in Kombi Capital.

Q. And Full Tilt was one of the poker --

A. Merchants.

Q. The online poker merchants?

A. Yes.

Q. Okay. When you say we, who is we? You say "we purchased."

A. It would have been -- I say that because I guess it would have been the Vowells and myself and Chad and, you know, whoever else was involved in whatever the purchase was, you know. And then it was also - when I said we, whoever's money was being used too.

In addition, the documents supplied by the Vowells showed a transfer of the limited partner's ownership (98%) from Sharla Johnson to National Endowment Association Inc. (National Endowment) on or about June 30, 2010. Another set of documents produced by the Vowells shows that the limited partner ownership (97%) was transferred from Katts and Spyglass Enterprises on July 31, 2010. It is unclear why two different sets of documents were created. The ownership transfer from the limited partner to National Endowment was accounted for as a charitable donation. Todd Vowell utilized National Endowment in connection with other entities too, including Paydirt LP, Treadstone Partners LP and Flatline Investment LP. Greater details regarding National Endowment will be discussed later in this report.

Under Tab 47 is a preliminary summary of cash receipts and disbursements for Kombi Capital. This summary shows that Kombi Capital was primarily funded by Triple 7. Kombi Capital received approximately \$6.25 million from March 2010 to June 2010 from Triple 7. Approximately \$8.8 million in cash receipts and \$5.4 million in disbursements were routed to and commingled with other entities and individuals.

More than \$4 million was transferred into Kombi Capital's account at TD Ameritrade. The Vowells and others opened a number of accounts at TD Ameritrade in which funds were further moved, which will be detailed in a later section of this report.

A total of \$846,939.89 was paid to United Precious Metal Refining by Kombi Capital on January 18, 2011. The supporting documents under Tab 48 provided by United Precious Metal Refining show that this payment was made by Kombi Capital to purchase 595 oz of gold. The purchase occurred just 21 days after the sale of \$1.65 million worth of precious metals purportedly by the Vowells to United Precious Metal Refining discussed above.

In addition to the payments to TD Ameritrade and United Precious Metal Refining the Receiver also discovered numerous transactions in relation to the properties listed below and under Tab 47. The email correspondence under Tab 49 showed that Todd Vowell was purportedly purchasing numerous properties, including approximately .75 acres of vacant land in Washington County, UT (Springdale Property) and vacant land near Sand Hollow Reservoir in Hurricane, Utah ("Elim Property").

Approximately \$2 million was paid by Kombi Capital to purchase properties in 2010 after it was formed in March 2010, and notably, proceeds from the sale of properties totaling approximately \$882,000 were received in 2011 subsequent to the commencement of the receivership. Sale proceeds of approximately \$200,000 from the Springdale Property were deposited to Kombi Capital's bank account in April 2011 and then routed to Triple 7 and Powder Monkeys. Sale proceeds of approximately \$682,000 were deposited to Kombi Capital's bank account in June 2011 and then routed to Powder Monkeys and Arvin Lee Black in the same month. The Receiver is continuing to investigate the ultimate destination of the sales proceeds for other properties.

According to documents currently available to the Receiver, the property at 573 Woodsvie Circle, Jason Vowell's residence, was first acquired by Kombi Capital on May 27, 2010. On December 23, 2010 title to this property was transferred from Kombi Capital to Lift Off Financial LLC, another entity purportedly owned by Jason Vowell. The Receiver has not found any bank documents reflecting consideration for this transaction. On June 6, 2011, this property was encumbered with a deed of trust in favor of Billy's Limited LLC. This deed of trust purportedly secures a note from Lift Off Financial, LLC, Woodsvie Holdings, LLC and Jason T. Vowell, jointly and severally, in the amount of \$700,000. The proceeds of this loan totaling \$681,586.15 were not sent to the borrowers, but instead were sent to Kombi Capital.

Also on June 6, 2011, the same day the deed of trust securing the loan from Billy's Limited LLC recorded, a deed of trust on this property was prepared securing a note executed by Lift-Off Financial LLC in favor of Kombi Capital in the amount of \$1,105,689. The Receiver has not found any bank documents reflecting consideration for this transaction.

In April 2010, Kombi Capital paid \$300,000, which appears to be a loan to Mountain Financial LLC. According to public information, Mountain Financial LLC was organized in March 2009 and is owned by Brett Andreasen. According to a search of public records, Brett Andreasen appears to be related to Sheree Vowell. The Receiver is continuing to investigate this transaction.

### Kombi Capital Real Estate Transaction Summary

|  | <u>Purchases/<br/>Payments</u> | <u>Sales/<br/>Proceeds</u>   | <u>TOTAL</u>             |
|--|--------------------------------|------------------------------|--------------------------|
| <b><u>505 Woodsvie Property</u></b>    |                                |                              |                          |
| United Title Services - Closing Costs  | 2,994.25                       | 0.00                         | 2,994.25                 |
| Payments for 505 Woodsvie Property     | 2,994.25                       | 0.00                         | 2,994.25                 |
| <b><u>573 Woodsvie Property</u></b>    |                                |                              |                          |
| Matheson, Mortensen, Olsen, Jep        | 795,001.00                     | 0.00                         | 795,001.00               |
| Bid Deposit                            | 5,000.00                       | 0.00                         | 5,000.00                 |
| Stillson Bros. Construction            | 15,660.00                      | 0.00                         | 15,660.00                |
| United Title Services - Closing Costs  | 4,490.00                       | 0.00                         | 4,490.00                 |
| First American Title                   | 0.00                           | (681,586.15)                 | (681,586.15)             |
| Payments for 573 Woodsvie Property     | 820,151.00                     | (681,586.15)                 | 138,564.85               |
| <b><u>Springdale Land</u></b>          |                                |                              |                          |
| Southern Utah Title Company            | 224,178.00                     | (200,188.66)                 | 23,989.34                |
| Coldwell Banker-Earnest Money          | 5,000.00                       | 0.00                         | 5,000.00                 |
| Net Payments for Springdale Land       | 229,178.00                     | (200,188.66)                 | 28,989.34                |
| <b><u>Rockville Land</u></b>           |                                |                              |                          |
| First American Title                   | 359,080.38                     | 0.00                         | 359,080.38               |
| Coldwell Banker-Earnest Money          | 5,000.00                       | 0.00                         | 5,000.00                 |
| Payments for Rockville Land            | 364,080.38                     | 0.00                         | 364,080.38               |
| <b><u>Water Rights</u></b>             |                                |                              |                          |
| Coldwell Banker-Earnest Money          | 5,000.00                       | 0.00                         | 5,000.00                 |
| Payments for Water Rights              | 5,000.00                       | 0.00                         | 5,000.00                 |
| <b><u>Others</u></b>                   |                                |                              |                          |
| United Title Services of Southern Utah | 448,127.00                     | 0.00                         | 448,127.00               |
| Dixie Title Company                    | 120,130.00                     | 0.00                         | 120,130.00               |
| Provo Land Title Company               | 0.00                           | (109,992.46)                 | (109,992.46)             |
| Southern Utah Title Company            | 0.00                           | (161,528.96)                 | (161,528.96)             |
| <b>Total</b>                           | <b><u>1,989,660.63</u></b>     | <b><u>(1,153,296.23)</u></b> | <b><u>836,364.40</u></b> |

Phoenix Rising LLC

Phoenix Rising LLC (Phoenix Rising) was formed in March 2010 in Utah. Jason Vowell is the sole member and manager. Phoenix Rising also appears to have been formed for the purpose of transferring funds and holding assets and investments.

Under Tab 50 is a preliminary summary of cash receipts and disbursements for Phoenix Rising.

This preliminary summary of cash receipts and disbursements shows that Phoenix Rising was primarily funded by Triple 7 and received a total of \$3.67 million during the period from March 2010 to June 2010. Phoenix Rising transferred \$1 million into Lloyd Melling's account at TD Ameritrade.

Phoenix Rising also transferred \$2 million to AIC Title Service LLC (AIC Title Service) on June 16, 2010, of which \$1.5 million was returned to Phoenix Rising's account at SunFirst on August 5, 2010 and September 2, 2010. The net payment of \$500,000 was paid to AIC Title Service and utilized for the purchase of several aircraft in the names of others as discussed later in this report.

Fund Trail

| From              | To                | Date     | Wire-In         | Wire-Out          | Description                                |
|-------------------|-------------------|----------|-----------------|-------------------|--|
| Phoenix Rising    | AIC Title Service | 06/16/10 | \$ 2,000,000.00 |                   | Initial incoming funds from Phoenix Rising |
| AIC Title Service | Phoenix Rising    | 08/05/10 |                 | \$ (1,000,000.00) | Return funds to Phoenix Rising             |
| AIC Title Service | Phoenix Rising    | 09/02/10 |                 | \$ (500,000.00)   | Rising                                     |
| AIC Title Service | Seller            | 07/02/10 |                 | \$ (240,312.50)   | For purchase of 34BK                       |
| AIC Title Service | Seller            | 10/12/10 |                 | \$ (120,275.00)   | For purchase of 858CH                      |
| AIC Title Service | Seller            | 10/14/10 |                 | \$ (159,412.50)   | For purchase of 145PD                      |

List of Ownership of Aircraft

| Reg#  | Year Made     | Model      | Approximate Value/<br>Purchase Price | Owned By         |
|-------|---------------|------------|--------------------------------------|------------------|
| 34BK  | 2004 Robinson | R44 II     | \$ 240,000.00                        | Scud Runner LLC  |
| 858CH | 1982 Piper    | PA-60-602P | \$ 120,000.00                        | Alpha Yankee LLC |
| 145PD | 2006 Robinson | R44 II     | \$ 260,000.00                        | Choker Block LLC |

In addition, approximately \$4.9 million in receipts and \$2.8 million of disbursements were routed to and commingled with the entities shown in the preliminary summary of cash receipts and disbursements at Tab 50. Phoenix Rising also paid \$239,000 and \$185,000 to

Wynn Las Vegas for the benefit of Jeremy Johnson and Arvin Lee Black, respectively, from March 2010 to August 2010.

Kingston Enterprises LLC

Kingston Enterprises LLC (Kingston Enterprises) was organized in March 2010 in Utah. Under Tab 51 is the preliminary statement of cash receipts and disbursements from its inception through November 2010.

Kingston Enterprises was primarily funded by Triple 7 and received \$1.01 million from Triple 7 in June 2010. As with Phoenix Rising, Kingston Enterprises immediately transferred \$1 million to Lloyd Melling's account at TD Ameritrade in June 2010.

ePayment Solutions LLC

ePayment Solutions LLC (ePayment Solutions) was formed on July 2, 2010 in Nevada and is nominally owned by Katts and Spyglass Enterprises. The managers purportedly were Todd and Jason Vowell.

According to the documents produced by the Vowells under Tab 52, Spyglass Enterprises and Katts each assigned its ownership of Triple 7, Mastery Merchant and Powder Monkeys to ePayment Solutions, and ePayment Solutions became the sole member of these three processing entities effective July 3, 2010.

A preliminary summary of cash receipts and disbursements is under Tab 53. As set forth in the preliminary summary, ePayment Solutions received \$1.55 million from Triple 7, Mastery Merchant and Powder Monkeys, of which \$799,802, \$381,270 and \$275,000 were routed to Katts, Spyglass Enterprises, and Silvernix Holdings LLC (Silvernix Holdings), respectively.

WCDI Land Development LLC

WCDI Land Development LLC (WCDI Land Development) was organized on May 20, 2010 in Utah and is solely owned by Kombi Capital. Todd Vowell was the purported manager. Under Tab 54 is a preliminary summary of cash receipts and disbursements for WCDI Land Development.

WCDI Land Development received \$832,725.50, \$252,875 and \$410,000 from Powder Monkeys, Mastery Merchant, and Kombi Capital, respectively, from June 2010 to October 2010, and \$636,295 from these funds was routed to Summerset Ranch LLC, Kombi Capital and Katts. In August 2010, WCDI Land Development also sent \$450,000 to the account of John Hafen at TD Ameritrade.

A wire of \$1,338,735 was received on August 2, 2010 from CCD L.C. The documents obtained from CCD L.C. show that three SunFirst official checks dated June 22, 2010 and



July 21, 2010 totaling \$1,338,735 were issued from the bank accounts of Powder Monkeys (Account#XXXXX-6224 and XXXXX-6018) to United Title Services of Southern Utah (United Title), a DBA of CCD L.C. to purportedly purchase the Tabernacle Towers Office Building at 249 East Tabernacle Street, Saint George, Utah, which was owned by Tabernacle Towers Holding, LLC (Tabernacle Towers) and which was in turn 100% owned by Jeremy Johnson. The purchase contract was signed by Todd Vowell, the purported manager of WCDI Land Development, on June 21, 2010. The purported purchase contract apparently was never signed by Jeremy Johnson on behalf of Tabernacle Towers. On July 31, 2010 Todd Vowell directed United Title to wire the funds to WCDI Land Development rather than to Powder Monkeys. This movement of funds is consistent with a pattern of conduct whereby Todd Vowell assisted Jeremy Johnson in transferring assets between various entities. Under Tab 55 are copies of the relevant documents.

Immediately thereafter, a total of \$1,454,402.23 was paid to Nevada Title Company, which appears to be in relation to another property purchase. The Receiver is still awaiting information concerning this transaction.

Treadstone Partners LP & Taggart Management LLC

Treadstone Partners LP (Treadstone Partners) was formed in July 2010 in Nevada. The general partner of Treadstone Partners is Taggart Management LLC, which has a 2% ownership interest. The limited partners of Treadstone Partners are Katts LLC and Spyglass Enterprises, each owning 49% of Treadstone Partners.

Taggart Management LLC (Taggart Management) was organized in July 2010 in Nevada. Just a little over two months later, its ownership and management structure changed as set forth below.

| Date      | Member               | Ownership | Manager      |
|-----------|----------------------|-----------|--------------|
| 7/20/2010 | John Hafen           | 20%       | John Hafen   |
|           | Katts                | 40%       | Todd Vowell  |
|           | Spyglass Enterprises | 40%       | Jason Vowell |
| 9/30/2010 | Katts                | 50%       | Todd Vowell  |
|           | Spyglass Enterprises | 50%       |              |

Taggart Management acts or acted as a general partner and/or an owner of several entities that were formed after July 2010, which include Treadstone Partners, Fishhook Partners, Paradise Ranch Development LLC (Paradise Ranch), Dreamland Capital LLC (Dreamland Capital), Silvernix Holdings, Kingfish Management LLC (Kingfish Management), and Flatline Investments as set forth below.

| Entity Name                    | Formation Date | Ownership Structure/Transfer  |
|--------------------------------|----------------|---|
| Treadstone Partners            | 7/30/2010      | General Partner - Taggart Management (2%)<br>Limited Partners - Katts & Spyglass Enterprises (each 49%) |
| Fishhook Partners LP           | 10/12/2010     | Taggart Management (100%)   |
| Paradise Ranch Development LLC | 10/12/2010     | Taggart Management (100%)   |
| Dreamland Capital LLC          | 10/12/2010     | 10/12/10: Taggart Management (100%)<br>12/31/10: Katts (100%)   |
| Silvernix Holdings LLC         | 10/12/2010     | 10/12/10: Taggart Management (100%)<br>12/31/10: Katts (100%)   |
| Kingfish Management LLC        | 10/12/2010     | 10/12/10: Taggart Management (100%)<br>12/31/10: Katts (100%)   |
| Flatline Investments           | 12/21/2010     | General Partner - Taggart Management (2%)<br>Limited Partners - Katts & Spyglass Enterprises (each 49%) |

Under Tab 56 is a preliminary summary of cash receipts and disbursements for Taggart Management, which shows Taggart Management did not generate any business income and its funding was from other entities and other related individuals discussed in this report.

A preliminary summary of cash receipts and disbursements for Treadstone Partners is under Tab 57, which shows a total of \$2.06 million in receipts and \$1.87 million in disbursements were commingled with and routed among numerous entities.

In August 2010, Treadstone Partners received approximately \$1.25 million from California Numismatic Investments Inc. (CNI). The Receiver reviewed the documents supplied by CNI (Tab 58) and determined that this amount constituted the sale proceeds of troy oz .999 fine silver bars under the account of Jeremy Johnson. The proceeds of the sale were wire transferred to Treadstone Partners. This transaction was part of the loan repayment on the purported \$6.5 million note.

This summary also shows that \$1.19 million was later transferred to Treadstone Partners' account at TD Ameritrade in August 2010, the same month \$1.25 million was received from CNI.

A payment of \$25,000 was paid to Michael L. Meyer of National Endowment as fees for appraisal services and for "acceptance of gift." As discussed in more detail below, National Endowment was an entity used by Todd Vowell to transfer interests in various entities allegedly as charitable donations in order to obtain favorable tax benefits.

Flatline Investments LP

Flatline Investments was organized in December 2010 in Nevada and Taggart Management is the general partner. Under Tab 59 is a preliminary summary of cash receipts and disbursements for Flatline Investments. Flatline Investments did not generate any business income and its funding was primarily from Katts and Spyglass Enterprises.

Flatline Investments received a total of \$1.5 million from Spyglass Enterprises and Katts on or about December 30, 2010 soon after Katts and Spyglass Enterprises received \$1,645,666.71 from United Precious Metal Refining on or about December 28, 2010 for the sale of the precious metals discussed above.

Subsequently, on January 6, 2011, \$1.5 million was sent from Flatline Investments to its account at TD Ameritrade.

Fishhook Partners LLC

Fishhook Partners was organized in October 2010 in Nevada and is solely owned by Taggart Management. Todd and Jason Vowell are the managers of this entity.

Under Tab 60 is a preliminary summary of cash receipts and disbursements of Fishhook Partners. This entity did not generate any business. Approximately \$2.2 million was received from affiliated entities. Approximately \$2.1 million was paid to affiliated entities and to Arvin Lee Black.

Elite Asset Management LLC & Woodsvieview Holdings LLC

Elite Asset Management LLC (Elite Asset Management) was organized on October 28, 2010 and is solely owned by Jeremy Johnson.

According to the bank records and documents supplied by SunFirst, Elite Asset Management's account at SunFirst was opened on November 1, 2010 and that, in addition to Jeremy Johnson, Jason Vowell was also an authorized signatory on this account. A preliminary statement of cash receipts and disbursements for Elite Asset Management's account at SunFirst from November 1, 2010 to November 19, 2010 is summarized under Tab 61.

This preliminary statement shows that Elite Asset Management received a total of \$224,000 from Triple 7, Mastery Merchant and Powder Monkeys, of which \$168,320 and \$32,450.44 were routed to Flying High Enterprises and Paydirt Management, respectively.

Woodsvieview Holdings LLC (Woodsvieview Holdings) was organized on June 10, 2010. Jeremy Johnson was the sole member and Todd Vowell was the nominal manager at that time.

Based on the documents supplied by the Vowells (Tab 62), Jeremy Johnson acquired a property located at 505 South Woodsvie Circle, Saint George, Utah (505 Woodsvie Property) on or about May 28, 2010 for \$663,902. Jeremy Johnson executed a promissory note for \$663,902 in favor of Katts and Spyglass Enterprises around the same time. The sum of \$663,902 was paid by Triple 7 to acquire the 505 Woodsvie Property. This property was transferred to Woodsvie Holdings as Jeremy Johnson's capital contribution.

As shown under Tab 63, Jeremy Johnson entered into a purported purchase agreement and transferred 100% of his interest in Woodsvie Holdings to Katts and Spyglass Enterprises on June 30, 2010, purportedly in repayment of the \$663,902 note.

Later in December 2010, Woodsvie Holdings sold the 505 Woodsvie Property to Jason Peterson, a close friend of Jeremy Johnson, for \$750,000 with seller financing as shown under Tab 64.

On March 9, 2011, Jason Peterson transferred and assigned his interest in the 505 Woodsvie Property back to Woodsvie Holdings in exchange for the discharge of his purported debt (Tab 65).

#### Other Newly Formed Entities Created by the Vowells

In addition to Triple 7 and Powder Monkeys, the Receiver has identified more than 35 entities that were created in 2010 by the Vowells and other individuals.

Under Tab 66 is a preliminary summary of cash receipts and disbursements for many of these newly formed entities. These entities are purportedly owned and/or managed by Todd Vowell, Jason Vowell, and/or entities nominally owned or controlled by them.

In addition to Flying High and Cerberus, which generated \$1.8 million and \$906,000 in processing revenue, respectively, the rest of the entities were primarily funded by Triple 7, Mastery Merchant and Powder Monkeys and received approximately \$6.5 million from these three processing entities. Based on the Receiver's financial reconstruction to date, a total of \$12.3 million was received by these entities. The preliminary summary itemizes how these funds were routed to affiliated entities and individuals and others.

#### John Hafen

John Hafen is or once was a member of some of the entities discussed above. The Receiver issued a subpoena to John Hafen on March 24, 2011 for records and Mr. Hafen produced and provided the related documents and records for a number of entities. Under Tab 67 is a summary of the Vowells' entities in which John Hafen was purportedly involved. This summary is based on the documents produced by Mr. Hafen and the Vowells, as well as the records received from financial institutions.

As previously discussed, Lilhaf Holdings was the sole member of Mastery Merchant and John Hafen was listed as its manager on the account application and opening documents of National Bank of California and ECHO. Jeremy Johnson was the guarantor on the processing accounts and had access to the processing and bank accounts for Money Master for Life, a DBA of Mastery Merchant, at National Bank of California and ECHO.

Under Tab 68 is email correspondence between Todd Vowell and Jeremy Johnson. Todd Vowell wrote to Jeremy Johnson on October 20, 2010 stating that: "When the two accounts were set up with Card Flex, we put them in the names of Lloyd Melling and John Hafen because they would not take myself or Jason. Lloyd and John were a little bit skeptical, but I told them that I would pay them 2% of the net processing. Are you ok with that, or do I need to go back to them?" This email shows that John Hafen and Lloyd Melling were used to open the processing accounts for Jeremy Johnson and they received commissions from the processing revenue generated in return. At Mr. Melling's deposition conducted by the Receiver he invoked his Fifth Amendment privilege when asked about commissions he received for merchant processing income.

Mr. Hafen also asserted his Fifth Amendment privilege to all substantive questions as to specific work that he did for the Paydirt Group.

The Receiver also identified that John Hafen and some of the entities he nominally owned, including Tiburon Enterprises LLC (Tiburon Enterprises) and Lilhaf Holdings, received a substantial amount of funds from the entities created by the Vowells as described above.

Tiburon Enterprises was formed on November 23, 2010 in Utah. Lilhaf Holdings was formed in August 2005 in Utah. John Hafen and his wife, Mikelle Hafen, are the nominal members of these two entities. The table below summarizes the funds that John Hafen and his entities received from or paid to other entities and Arvin Lee Black.

|                          | <b>John<br/>Hafen</b> | <b>Tiburon<br/>Enterprises</b> | <b>Lilhaf<br/>Holdings</b> | <b>Total</b>        |
|--------------------------|-----------------------|--------------------------------|----------------------------|---------------------|
| Sole Group & Arvin Black | \$ 148,683            | \$ 939,026                     | \$ 2,167,023               | \$ 3,254,732        |
| Triple 7                 | 2,892,882             |                                | (100,000)                  | 2,792,882           |
| Paydirt Capital          | 827,032               |                                | 380,063                    | 1,207,095           |
| Paydirt Management       | (1,000)               | 135,383                        |                            | 134,383             |
| Spyglass Enterprises     | (39,314)              | 125,000                        | 5,000                      | 90,686              |
| Spyglass Holdings        | 30,400                |                                |                            | 30,400              |
| Treadstone Partners      |                       | 237,650                        |                            | 237,650             |
| Silvernix Holdings       |                       | (10,892)                       |                            | (10,892)            |
| Flatline Investments     | 90,000                |                                |                            | 90,000              |
| Valentino Holdings       | 34,200                |                                |                            | 34,200              |
| Vanquish Enterprises     |                       |                                | 114,000                    | 114,000             |
| <b>Total</b>             | <b>\$ 3,982,883</b>   | <b>\$ 1,426,167</b>            | <b>\$ 2,566,086</b>        | <b>\$ 7,975,136</b> |

From the documents and records provided by TD Ameritrade to the Receiver, the Receiver learned that John Hafen and his entities, Tiburon Enterprises and Lihalf Holdings, opened three accounts at TD Ameritrade and some of these funds were routed to and commingled in these three accounts.

John Hafen notarized many significant transactions and related documents in relation to Jeremy Johnson, and the Vowells and their entities, including the \$6.5 million note from Jeremy Johnson and Elite Debit to Triple 7 and its related documents, the assignment of Jeremy Johnson's interest in JMD Energy, and an aircraft security agreement from Omaha Eight LLC in favor of Silvernix Holdings. Under Tab 69 is a summary of pertinent documents notarized by John Hafen.

#### Lloyd Melling

As previously discussed, Lloyd Melling was the sole member of Cerberus when Cerberus purportedly purchased the processing portfolio from I Works in June 2010. According to the documents produced by John Hafen in response to the Receiver's subpoena, Cerberus was initially formed in May 2010 and John Hafen was the sole member. On or about June 7, 2010, Lloyd Melling purportedly purchased all of the ownership interest in this company from Mr. Hafen prior to the purchase of the processing portfolio on June 14, 2010. Soon after the acquisition of the processing portfolio, Lloyd Melling transferred all of his alleged interests to Katts and Spyglass Enterprises on August 31, 2010.

Additionally, Lloyd Melling opened an account at TD Ameritrade on June 17, 2010. Immediately after the account was opened, Mr. Melling received \$1 million from Kingston Enterprises and \$1 million from Phoenix Rising on June 23, 2010.

Under Tab 70 is a preliminary summary of the cash receipts and disbursements for Lloyd Melling's accounts, including his account at TD Ameritrade. This summary demonstrates that Mr. Melling served as a conduit to move funds to and from entities.

#### Arvin Lee Black & Sole Group LLC

As previously discussed, Arvin Lee Black (sometimes referred to as Lee Black) was a purported day trader of stock on numerous accounts at TD Ameritrade. As detailed in the following section of this report, nearly \$25 million was sent to a number of accounts at TD Ameritrade from March 2010 to June 2011, and the aggregate trading loss on these accounts was nearly \$8 million.

Sole Group LLC (Sole Group) was formed in February 2008 in Utah. At his deposition conducted by the Receiver on August 26, 2011, Arvin Lee Black testified as follows:

p. 17, l. 25 - p. 18, l. 19

Q. And what's the nature of the business known as Sole Group, LLC?

A. Just an investment company.

Q. What type of investments does it make?

A. We've done various things. All kinds of different investments. We've done hard money and we've done, you know, we've flipped lots, bought and sold property, bought and sold land. I do a little bit of trading like online trading.

Q. Who are the members of Sole Group, LLC?

A. I believe just myself.

Q. In your prior answer when you said we do hard money lending and then you described some other activities, the we was you?

A. Correct, the company is what I was referring to.

The table presented below summarizes the significant payments made to or paid by Arvin Lee Black and Sole Group from each of the entities discussed above. Arvin Lee Black and Sole Group received a net total of approximately \$2.6 million from April 2010 to June 2011.

| Entity            | Payments to or from Mr. Black and Sole Group, or Payments for His Benefit |                      |                        |                         | Total                  |
|-------------------|---|----------------------|------------------------|-------------------------|------------------------|
|                   | Sole Group  | Arvin Black          | Wynn Las Vegas         | Desert BMW of Henderson |                        |
| Triple 7          | \$ 46,404.00  |                      |                        | \$ 84,307.75            | \$ 130,711.75          |
| Mastery Merchant  |   |                      | \$ 210,155.00          |                         | 210,155.00             |
| Powder Monkeys    | 200,000.00  |                      | 889,752.00             |                         | 1,089,752.00           |
| Kombi Capital     | 768,100.61  | 378,000.00           |                        |                         | 1,146,100.61           |
| Fishhook Partners | (395,513.00)  | 250,000.00           |                        |                         | (145,513.00)           |
| Phoenix Rising    |   |                      | 185,000.00             |                         | 185,000.00             |
|                   | <u>\$ 618,991.61</u>  | <u>\$ 628,000.00</u> | <u>\$ 1,284,907.00</u> | <u>\$ 84,307.75</u>     | <u>\$ 2,616,206.36</u> |

The Receiver subpoenaed the Wynn Las Vegas casino for Mr. Black's records. The table below shows the details of \$1,284,907 that was transferred to Mr. Black's account at the casino. Of approximately \$910,000 sent to Mr. Black's account from Powder Monkeys and Mastery Merchant prior to July 16, 2010, \$310,000 was routed back to Mr. Black's personal bank account at Zions Bank. Also in July 2010, Mr. Black withdrew cash totaling \$168,900 from his account at the casino (Tab 71). According to the documents provided by the casino, Mr. Black had gambling losses of approximately \$680,000 in 2010.

| <b><u>Details of Payments to and Receipts from Wynn Las Vegas Casino</u></b> |                  |                        |                      |
|--|------------------|------------------------|----------------------|
| <u>Date</u>  | <u>From/To</u>   | <u>Payments</u>        | <u>Receipts</u>      |
| 03/11/2010   | Phoenix Rising   | \$ 185,000.00          |                      |
| 07/07/2010   | Powder Monkeys   | 300,000.00             |                      |
| 07/07/2010   | Powder Monkeys   | 400,000.00             |                      |
| 07/12/2010   | Mastery Merchant | 210,155.00             |                      |
| 07/16/2010   | Arvin Lee Black  |                        | \$ 310,000.00        |
| 07/27/2010   | Powder Monkeys   | 189,752.00             |                      |
|  |                  | <u>\$ 1,284,907.00</u> | <u>\$ 310,000.00</u> |

The Receiver was contacted by an attorney representing a number of investors of Sole Group, and obtained 14 promissory notes as well as the pleadings in a lawsuit that was filed on December 8, 2011 against Sole Group, Mr. Black and his wife. The complaint is for Breach of Contract; Fraud; Dishonored Checks; and Unjust Enrichment and alleges Sole Group, Mr. Black, and his wife were engaged in a Ponzi scheme. The 14 promissory notes executed by Sole Group are dated from October 14, 2010 to September 11, 2011. The principal amounts of these notes range from \$100,000 to \$1.25 million and total \$4.44 million, with promised interest rates ranging from 48 to 60 percent per annum.

Under Tab 72 is the financial reconstruction prepared by the Receiver based on the bank account records of Arvin Lee Black and Sole Group that are currently available to the Receiver.

This summary shows that Sole Group and Mr. Black received approximately \$4.4 million from affiliated entities and Kerry Johnson, and paid \$7.9 million to affiliated entities and approximately \$379,000 to various individuals. Some of the larger receipts and disbursements are as follows:



|                                | <u>Arvin<br/>Black</u>          | <u>Sole<br/>Group</u>              | <u>Gross<br/>Amount</u>              | <u>Net Proceeds/<br/>(Payments)</u> |
|--------------------------------|---------------------------------|------------------------------------|--------------------------------------|-------------------------------------|
| <b>Triple 7</b>                | \$ (42,996.00)                  | \$ 89,400.00                       | \$ 89,400.00                         | \$ 46,404.00                        |
| <b>Powder<br/>Monkeys</b>      |                                 | \$ 200,000.00                      | \$ 200,000.00                        | \$ 200,000.00                       |
| <b>Kombi<br/>Capital</b>       | \$ 446,000.00<br>\$ (68,000.00) | \$ 1,259,386.32<br>\$ (491,285.71) | \$ 1,705,386.32<br>\$ (559,285.71)   | \$ 1,146,100.61                     |
| <b>Fishhook<br/>Partners</b>   | \$ (46,152.00)                  | \$ 458,000.00<br>\$ (557,361.00)   | \$ 458,000.00<br>\$ (603,513.00)     | \$ (145,513.00)                     |
| <b>Tiburon<br/>Enterprises</b> | \$ 942,357.00                   | \$ 538,617.45<br>\$ (2,420,000.00) | \$ 1,480,974.45<br>\$ (2,420,000.00) | \$ (939,025.55)                     |
| <b>Lilhaf<br/>Holdings</b>     |                                 | \$ 25,000.00<br>\$ (2,192,023.31)  | \$ 25,000.00<br>\$ (2,192,023.31)    | \$ (2,167,023.31)                   |
| <b>Paydirt<br/>Capital</b>     | \$ (687,300.00)                 | \$ 85,000.00<br>\$ (1,209,303.27)  | \$ 85,000.00<br>\$ (1,896,603.27)    | \$ (1,811,603.27)                   |

The payments (net of proceeds received) to Tiburon Enterprises, Lilhaf Holdings, and Paydirt Capital appear to be routed in whole or in part to TD Ameritrade accounts in the names of these entities.

Based on the preliminary summary of cash receipts and disbursements, Sole Group and Mr. Black also received large payments from about 60 other third parties and individuals totaling at least \$13.6 million from August 2009 to September 2011.

The following is an excerpt from Mr. Black's deposition testimony:

p. 128, ll. 17 - 22

Q. When you do day trading on your own behalf with TD Ameritrade, is that in your name or in the name of your company, Sole Group, LLC?

A. I've done them both. You know, I've had accounts in Sole Group, LLC, and I've had accounts in my personal name.

p. 129, ll. 14 - 19

Q. And do you still have an account in your name personally with TD Ameritrade?

A. Yes.

Q. And you still have an account in the name of Sole Group, LLC, with TD Ameritrade?

A. I believe so.

Mr. Black's testimony is wholly inconsistent with the information provided by TD Ameritrade in response to the Receiver's subpoenas.

Under Tab 73 is a letter and a declaration of no records obtained from TD Ameritrade, stating that no record of Sole Group was located at TD Ameritrade. TD Ameritrade also stated that one account (XXX-XX-4787) under the name of Arvin Lee Black II was found but "due to account inactivity no statements were generated...".

At several other points in Mr. Black's deposition, his testimony was incredible and inconsistent. The following are several examples:

p. 144, ll. 4 - 8

Q. You understood even though you knew it wasn't your business, you understood and believed that Jeremy Johnson's money was at least part of the money that you were using to day trade, right?

A. Correct.

p. 162, l. 3 - p. 165, l. 2

Q. ....Did you take any steps once you learned of the action in January of this year to be sure that the money that you were dealing with from the Vowell entities was not, in fact, owned in whole or in part by Jeremy Johnson or any of his entities?

A. I actually had a conversation with Jason Vowell about that.

Q. What was the subject matter of that conversation?

A. I just asked him. I asked Jason Vowell if, you know, if any of the money we were trading or any was related to Jeremy Johnson.

Q. And you had that conversation after you learned about Jeremy Johnson's lawsuit -- you have to let me get my question out.

A. I'm sorry. I apologize.

Q. You had that conversation with Jason Vowell after you learned about the lawsuit brought by the Federal Trade Commission against Jeremy Johnson, correct?

A. Sir, I didn't know who the lawsuit was brought. I didn't know. I knew Jeremy Johnson was involved in a lawsuit. I didn't understand that it was the Federal Trade Commission, I didn't understand it was an asset freeze. I didn't understand -- I didn't understand any of that.

Q. Well, when you got the text message from your friend, and you went online, then you spoke to your high school buddy who was a lawyer?

A. Sure.

Q. As a result of all that you knew Jeremy Johnson was in hot water, correct?

A. Correct.

Q. And you knew he was in hot water with some agency of the United States Government, correct?

A. Correct.

Q. And you knew his assets were under scrutiny, correct?

A. I didn't know anything about his assets.

Q. Well, you were concerned enough about his assets you went to Jason Vowell and said are we trading any of Jeremy Johnson's money, right?

A. I don't think I stated that in those words. Those words are your words, not mine.

Q. I'm not trying to put words in your mouth, sir. I thought I heard you say a moment ago that you went to Jason Vowell and had a discussion about the money that you were trading for the so-called Vowell entities. Did you have such a discussion?

A. Correct, I did.

Q. And that discussion took place after you learned about this lawsuit by an agency of the United States Government against Jeremy Johnson, correct?

A. Correct.

Q. And after you went to your high school buddy who was a lawyer, and after you read the online accounts of Jeremy Johnson's problems, correct?

A. I read an article, correct.

Q. And did you ask Jason Vowell in sum and substance, the day trading I'm doing, is any of this tied to Jeremy Johnson? Did you ask Jason that?

A. I never brought up Jeremy Johnson's name, but I think I implied is everything kosher with what's going on.

Q. You just said is everything kosher with what's going on?

A. Correct.

Q. And you never used the name Jeremy Johnson?

A. I don't believe so.

Q. Is that right?

A. I don't believe I did.

Q. And Jason Vowell says oh, yes, everything is kosher?

A. Jason's exact words to me was all the money you're trading is our money, meaning referring to him and his brother, Todd.

p. 176, ll. 7 - 22

Q. And why did you agree to transfer \$532,000 from your own personal funds into TD Ameritrade's account in the name of one of the Vowell entities for the purpose of day trading?

A. I don't recall exactly. It seems like it was along the lines of if I -- if I put some more money into the account, maybe they would put more money in the account. Something to that effect. I'm not exactly sure.

Q. You had a conversation with Todd Vowell in April of this year about you putting some more money into the TD Ameritrade account and then the Vowells would put some more money in the TD Ameritrade account; is that right?

A. I'm not exactly sure. It seems like it was along those lines.

p. 177, l. 21 - p. 178, l. 1

Q. Sitting here today, you don't remember what your agreement was four months ago with Todd and Jason Vowell concerning over a half million dollars of your own money? Is that your testimony today under oath, sir?

A. That's correct. I don't remember the exact particulars.

p. 178, l. 16 - p. 179, l. 9

Q. Now, cautioning you, sir, before I ask the next question, I want to remind you you're under oath. You understand that?

A. I do.

Q. Is it your testimony today that the money that's reflected on this entry or April 18th, 2011 in the amount of \$532,000 is your own personal money? Is that your testimony today?

A. I'd have to look into it. I'm not exactly sure.

Q. So you're not certain then, sir, whether the \$532,000 that you wired into an account of Paydirt Capital Inc., Todd Vowell and John Hafen in April of this year is your own money?

A. I'm not certain.

Q. So whose money could it be if it's not yours?

A. I'm not sure, sir.

Q. But it came out of your bank account, right?

A. That's what it looks like.

p. 180, ll. 7 - 24

Q. You're not sure if this \$532,000.00 was your money, correct?

A. Correct.

Q. You said it could have been somebody else's, correct?

A. Correct.

Q. But it came out of your bank account, correct?

A. Correct.

Q. So I'm trying to figure out if it wasn't your money, whose money was it? In order for you to believe that it might have been somebody else's money, you must have in your own mind a list of people that possibly at some point have put a lot of their money in your bank, and I want you to provide for me that list of people.

A. I can't tell you.

Q. Can you name anybody that has ever given you over a half a million dollars for you to hold for them?

A. Not off the top of my head, no.

### **Investment Accounts at TD Ameritrade**

As described above, the Receiver's ongoing investigation and discovery reveal that several accounts were opened at TD Ameritrade in the names of various entities and individuals which commingled and re-routed large amounts of money. These accounts primarily include the following:

| <b>Account Name</b>  | <b>Account Number</b> | <b>Open Date</b> | <b>Authorized Individual</b>                    |
|----------------------|-----------------------|------------------|---|
| Kombi Capital        | XXX-XX1973            | 03/15/10         | Todd Vowell<br>Sharla Johnson                   |
| Paydirt Capital      | XXX-XX6105            | 04/07/10         | Todd Vowell<br>Jason Vowell<br>John Hafen       |
| Lloyd Melling        | XXX-XX2095            | 06/17/10         | Lloyd Melling                                   |
| Treadstone Partners  | XXX-XX6920            | 08/16/10         | Todd Vowell<br>Jeremy Johnson                   |
| Fishhook Partners    | XXX-XX5825            | 11/30/10         | Todd Vowell<br>Jason Vowell<br>Lee Black, Agent |
| Flatline Investments | XXX-XX5888            | 12/28/10         | Todd Vowell<br>Jason Vowell                     |
| John Hafen           | XXX-XX4717            | 05/25/10         | John Hafen                                      |
| Lilhaf Holdings      | XXX-X3821             | 06/14/10         | John Hafen<br>Mikelle Lee Yates Hafen           |
| Tiburon Enterprises  | XXX-XX6911            | 02/09/11         | John Hafen<br>Mikelle Lee Yates Hafen           |

Under Tab 74 is the preliminary summary of cash receipts and disbursements of these TD Ameritrade accounts.

Approximately \$24.7 million was received by these TD Ameritrade accounts from March 2010 to June 2011, and a total of \$16.8 million was transferred from these TD Ameritrade accounts from March 2010 to August 2011. A total of \$7.8 million net investment losses were incurred in these accounts from March 2010 to September 2011, which approximated 31.5% of the total funds deposited into these accounts.

The table below sets forth the receipts and disbursements for each account. Most of the funds received were sent to the account holders' bank accounts with a number of exceptions. The account of Lloyd Melling received \$2 million from Kingston Enterprises and Phoenix Rising on June 23, 2010, and \$445,000 from Powder Monkeys on November 23, 2010, and as previously described, these entities were primarily funded by the processing revenues. Additionally, the account of John Hafen received \$450,000 in August 2010 from WCDI Land Development, an entity nominally owned by Kombi Capital and managed by Todd Vowell. According to the correspondence under Tab 75 provided by TD Ameritrade, \$450,000 was claimed to be the down payment for land sold by John Hafen to WCDI Land Development. The Receiver was unable to locate the property purportedly purchased by WCDI Land Development through public searches, and based on the review of the

preliminary summary of cash receipts and disbursements under Tab 54, the \$450,000 appears to have been funded by Powder Monkeys.

**Summary of Receipts and Disbursements for TD Ameritrade Accounts (Excluding Inter-Account Transfers)**

(In Thousands)

|                      | Kombi<br>Capital | Paydirt<br>Capital | Treadstone<br>Partners | Fishhook<br>Partners | Flatline<br>Investments | Lloyd<br>Melling | John<br>Hafen | Lilhaf<br>Holdings | Tiburon<br>Enterprises | TOTAL   |
|----------------------|------------------|--------------------|------------------------|----------------------|-------------------------|------------------|---------------|--------------------|------------------------|---------|
| Receipts             |                  |                    |                        |                      |                         |                  |               |                    |                        |         |
| From account holder  | 4,329            | 3,152              | 2,836                  | 488                  | 1,500                   | 0                | 3,151         | 3,066              | 3,173                  | 21,695  |
| Kingston Enterprises | 0                | 0                  | 0                      | 0                    | 0                       | 1,000            | 0             | 0                  | 0                      | 1,000   |
| Phoenix Rising       | 0                | 0                  | 0                      | 0                    | 0                       | 1,000            | 0             | 0                  | 0                      | 1,000   |
| WCID Land            |                  |                    |                        |                      |                         |                  |               |                    |                        |         |
| Development          | 0                | 0                  | 0                      | 0                    | 0                       | 0                | 450           | 0                  | 0                      | 450     |
| Powder Monkeys       | 0                | 0                  | 0                      | 0                    | 0                       | 445              | 0             | 0                  | 0                      | 445     |
| Lilhaf Holdings      | 0                | 0                  | 0                      | 0                    | 0                       | 0                | 114           | 0                  | 0                      | 114     |
| Sole Group           | 32               | 0                  | 0                      | 0                    | 0                       | 0                | 0             | 0                  | 0                      | 32      |
| Total Receipts       | 4,361            | 3,152              | 2,836                  | 489                  | 1,500                   | 2,445            | 3,715         | 3,066              | 3,173                  | 24,738  |
| Disbursements        |                  |                    |                        |                      |                         |                  |               |                    |                        |         |
| To account holder    | 4,138            | 2,503              | 1,572                  | 645                  | 509                     | 1,514            | 1,577         | 1,135              | 3,078                  | 16,670  |
| Kombi Capital        | 0                | 55                 | 0                      | 0                    | 0                       | 0                | 0             | 0                  | 0                      | 55      |
| John Hafen           | 0                | 0                  | 0                      | 0                    | 0                       | 0                | 0             | 0                  | 83                     | 83      |
| Total Disbursements  | 4,138            | 2,558              | 1,572                  | 645                  | 509                     | 1,514            | 1,577         | 1,135              | 3,161                  | 16,808  |
| Net Investment       |                  |                    |                        |                      |                         |                  |               |                    |                        |         |
| Gain (Loss)          | 218              | (1,609)            | (1,261)                | 159                  | (990)                   | (222)            | (1,733)       | (679)              | (1,685)                | (7,803) |

The tables below show that approximately \$6.1 million was moved between accounts at TD Ameritrade. The Receiver has not located any documents to support the rationale or any consideration for these apparently random transfers of funds between different account holders.

(In Thousands)

| <b>TD Ameritrade Inter-Account Transfers</b> |                  |                    |                        |                      |                  |               |                    |                        |         |
|--|------------------|--------------------|------------------------|----------------------|------------------|---------------|--------------------|------------------------|---------|
|  | Kombi<br>Capital | Paydirt<br>Capital | Treadstone<br>Partners | Fishhook<br>Partners | Lloyd<br>Melling | John<br>Hafen | Lilhaf<br>Holdings | Tiburon<br>Enterprises | TOTAL   |
| Transfer In                                  | 600              | 1,025              | 1,183                  | 0                    | 500              | 850           | 0                  | 1,944                  | 6,102   |
| Transfer Out                                 | (1,025)          | 0                  | 0                      | (1,183)              | (1,200)          | (1,205)       | (1,239)            | (250)                  | (6,102) |
| Total  | (425)            | 1,025              | 1,183                  | (1,183)              | (700)            | (355)         | (1,239)            | 1,694                  | 0       |

**Details of Inter-Account Transfers:**

(In thousands)

|  | Kombi<br>Capital | Paydirt<br>Capital | Treadstone<br>Partners | Fishhook<br>Partners | Lloyd<br>Melling | John<br>Hafen | Lilhaf<br>Holdings | Tiburon<br>Enterprises | Total |
|--|------------------|--------------------|------------------------|----------------------|------------------|---------------|--------------------|------------------------|-------|
| From Kombi Capital<br>to Paydirt Capital         | \$ (1,025)       | \$ 1,025           |                        |                      |                  |               |                    |                        | 0     |
| From Lloyd Melling<br>to Kombi Capital           | 600              |                    |                        |                      | \$ (600)         |               |                    |                        | 0     |
| From Lloyd Melling to<br>John Hafen              |                  |                    |                        |                      | (600)            | \$ 600        |                    |                        | 0     |
| From John Hafen to Lloyd<br>Melling              |                  |                    |                        |                      | 500              | (500)         |                    |                        | 0     |
| From Fishhook Partners to<br>Treadstone Partners |                  |                    | \$ 1,183               | \$ (1,183)           |                  |               |                    |                        | 0     |
| From John Hafen to<br>Tiburon Enterprises        |                  |                    |                        |                      |                  | (705)         | \$ 705             |                        | 0     |
| From Tiburon Enterprises<br>to John Hafen        |                  |                    |                        |                      |                  | 250           | \$ (250)           |                        | 0     |
| From Lilhaf Holdings<br>to Tiburon Enterprises   |                  |                    |                        |                      |                  |               | \$ (1,239)         | 1,239                  | 0     |
| Net Transfers                                    | \$ (425)         | \$ 1,025           | \$ 1,183               | \$ (1,183)           | \$ (700)         | \$ (355)      | \$ (1,239)         | \$ 1,694               | 0     |

At his deposition conducted by the Receiver on August 26, 2011, Arvin Lee Black testified as follows:

p. 52, ll. 20 - 21

Q. And you started doing day trading for the Vowells about somewhere between 15 and 24 months ago?

A. Roughly.

p.52, l. 25 - p. 53, l. 4

Q. And that stopped about two months ago also?

A. Yes, correct.

Q. Why?

A. Just at the Vowells' request. It was always whatever, you know, whatever they wanted done.

p. 53, l. 24 - p. 54, l. 5

Q. When you say sporadic, did – would they instruct you when and when not to day trade?

A. No, not really, but like the money would – one account would be set up and then another account would be set up. And then they would pull funds out, and so I just, I didn't know what was going on. I just traded whatever they gave me to trade.

At his deposition conducted by the Receiver on October 11, 2011, John Hafen asserted his Fifth Amendment privilege against self-incrimination to all questions about his purported TD Ameritrade accounts.

Additional information and transaction details of each account are further described below.

#### Kombi Capital's TD Ameritrade Account

Kombi Capital opened its account on March 15, 2010, and Sharla Johnson and Todd Vowell were the authorized signers for the account according to the account application.

Under Tab 76 is the preliminary summary of cash receipts and disbursements of Kombi Capital's TD Ameritrade account.

This account received \$4.3 million from Kombi Capital's accounts at other financial institutions from March 2010 to November 2010 and \$32,000 from Sole Group in March 2010. According to the preliminary accounting reconstruction summary to date (Under Tab 47), Kombi Capital was primarily funded by Triple 7.

A total of \$4.1 million was transferred back to Kombi Capital's bank accounts at other financial institutions from March 2010 to March 2011 and was disbursed for the purchase of numerous properties (Tab 47).

Kombi Capital's account also received \$600,000 from Lloyd Melling's account in November 2010, and Kombi Capital transferred \$1,025,000 to Paydirt Capital's account in December 2010.

As previously discussed, the rationale for these apparently random and irregular transfers of funds between different account holders is unclear. However, it is apparent that the TD Ameritrade accounts were commonly controlled.

#### Paydirt Capital's TD Ameritrade Account

Paydirt Capital opened its account on April 7, 2010. Todd Vowell, Jason Vowell and John Hafen were the authorized signers for this account according to the account application.

Under Tab 77 is the preliminary summary of cash receipts and disbursements of Paydirt Capital's TD Ameritrade account.



This account received a total of \$4.18 million, including \$3.15 million from Paydirt Capital accounts at other financial institutions and \$1.03 million transferred from Kombi Capital's account at TD Ameritrade. The majority of these funds, or approximately \$2.5 million, were received in April 2010 when the account was opened. According to the preliminary accounting reconstruction to date under Tab 37, the incoming funds to TD Ameritrade were primarily funded by Triple 7.

Approximately \$2.56 million was disbursed from this TD Ameritrade account. These funds were ultimately distributed to Sheree Vowell, Todd Vowell, Jason Vowell, and John Hafen from April 1, 2010 to April 2011 (Tab 37).

This account had a total of \$1.6 million in net investment losses during the period from April 2010 to April 2011 and appeared to be inactive after April 2011.

#### Lloyd Melling's TD Ameritrade Account

This account was opened on June 17, 2010 and became less active after February 2011. Under Tab 78 is the preliminary summary of cash receipts and disbursements of Lloyd Melling's TD Ameritrade account.

The preliminary statement shows a total of \$2,445,000 was received from other financial institutions, which was comprised of \$2 million from Phoenix Rising and Kingston Enterprises on June 23, 2010, and \$445,000 from Powder Monkeys on November 23, 2010. As previously described, Phoenix Rising and Kingston Enterprises both were primarily funded by Triple 7.

Also, this account had a total of \$1.2 million in disbursements to the accounts of John Hafen and Kombi Capital at TD Ameritrade and \$500,000 in receipts from the account of John Hafen.

Approximately \$1.5 million was transferred to Mr. Melling's accounts at other financial institutions from November 2010 to February 2011, of which approximately \$1.1 million was routed back to Triple 7 and approximately \$400,000 was routed back to Powder Monkeys (Tab 70).

#### Treadstone Partners' TD Ameritrade Account

This account was opened on August 16, 2010. Jeremy Johnson and Todd Vowell were the authorized signers for this account according to the account application. This account appeared to be less active after April 2011.

Under Tab 79 is the preliminary summary of cash receipts and disbursements of Treadstone Partners' TD Ameritrade account.

This account received a total of \$2.84 million, which was comprised of \$1.19 million in August 2010, \$743,000 in November 2010, and \$900,000 in December 2010, respectively. The preliminary summary of cash receipts and disbursements under Tab 57 shows that Treadstone Partners received \$1.25 million from CNI in August 2010, which were the sale proceeds of silver bars under the account of Jeremy Johnson at CNI. Treadstone Partners also received \$958,000 from Fishhook Partners and approximately \$902,000 from Powder Monkeys in November 2010. These funds received by Treadstone Partners were then routed to its account at TD Ameritrade.

This account also received approximately \$1.18 million through internal transfers from the account of Fishhook Investments at TD Ameritrade in December 2010.

The account of Treadstone Partners at TD Ameritrade had a net investment loss of \$1.26 million from August 2010 to April 2011.

A total of \$1.6 million was transferred to its accounts at other financial institutions in November and December 2010. Treadstone Partners then routed these and other funds to other entities, which include approximately \$346,000 to Fishhook Partners, \$900,000 to Powder Monkeys, \$310,400 to Tiburon Enterprises, and \$110,000 to Paradise Ranch Development LLC from November 2010 to April 2011 (Tab 57).

#### Fishhook Partners' TD Ameritrade Account

Fishhook Partners opened its account on November 30, 2010. Todd and Jason Vowell as partners, and Lee Black, as agent, were the authorized signers according to the account application. This account became less active after April 2011.

Under Tab 80 is the preliminary summary of cash receipts and disbursements of Fishhook Partners' TD Ameritrade account.

Immediately after the account was opened, Fishhook Partners shorted its position and borrowed approximately \$1.18 million from its account, which was then transferred to Treadstone Partners' account at TD Ameritrade.

According to the preliminary financial reconstruction under Tab 60, Sole Group sent \$300,000 and \$200,000 to Fishhook Partners on January 14, 2011 and February 28, 2011, respectively. Most of these funds were then routed to Fishhook Partners' TD Ameritrade account.

A total of \$644,820 was transferred out of Fishhook Partners' account at TD Ameritrade from December 2010 to March 2011 and ultimately routed to other entities, primarily to Spyglass Enterprises, Taggart Management, Katts, and Sole Group (Tab 60).

Flatline Investments' TD Ameritrade Account

This account was opened on December 28, 2010, and the authorized signers for this account were Todd and Jason Vowell.

Under Tab 81 is the preliminary summary of cash receipts and disbursements of Flatline Investments' TD Ameritrade account.

This account appears to be inactive after April 2011 and incurred approximately \$989,600 in net investment losses in about three months from its inception through March 2011.

This account received \$1.5 million in January 2011. As previously explained, this amount was initially funded by Katts and Spyglass Enterprises soon after Katts and Spyglass Enterprises received \$1,645,666.71 from United Precious Metal Refining on December 28, 2010 for the sale of precious metals initiated by the Vowells but which appear to be the same precious metals the Vowells received from Jeremy Johnson.

This account also wired out a total of \$509,000 from January 2011 to March 2011. According to the preliminary cash receipts and disbursements of Flatline Investments under Tab 59, the disbursements from its TD Ameritrade account were routed to John Hafen, Dreamland Capital, and Taggart Management, which in total received \$511,250 from Flatline Investments from January 2011 through April 2011.

John Hafen's TD Ameritrade Account

This account was opened on May 25, 2010 and became less active after July 2011. The preliminary summary of cash receipts and disbursements of John Hafen's account is under Tab 82. The account had a net investment loss of over \$1.7 million from June 2010 to June 2011.

This account received \$3,714,500 from May 2010 to April 2011 and transferred \$1,576,500 out of TD Ameritrade from June 2010 to August 2011. Other than these receipts and disbursements, this account received a net transfer of \$100,000 from the account of Lloyd Melling, which consisted of \$600,000 in incoming transfers in December 2010 and one outgoing transfer of \$500,000 in January 2011. This account also transferred a net of \$455,000 to the account of Tiburon Enterprises at TD Ameritrade, including \$250,000 from Tiburon Enterprises in March 2011, and \$125,000 in March 2011 and \$580,000 to Tiburon Enterprises in June 2011.

As discussed above, John Hafen and his entities received approximately \$8.0 million primarily from Sole Group, Triple 7, Paydirt Capital and other entities nominally owned by the Vowells. Although the summary of cash receipts and disbursements of John Hafen has not yet been completed due to outstanding discovery, based on the bank documents and

records that the Receiver has reviewed to date, the Receiver has preliminarily determined that this account was primarily funded by Triple 7 and Paydirt Capital.

Lilhaf Holdings' TD Ameritrade Account

This account was opened on June 14, 2010, and John Hafen and his wife, Mikelle Hafen, were listed as authorized signers on the account application.

Under Tab 83 is a preliminary summary of cash receipts and disbursements of Lilhaf Holdings' account.

This account received \$3,066,000 in incoming wires and transferred \$1,135,000 in outgoing wires from June 2010 through May 2011. Additionally, \$1,239,000 was transferred to the account of Tiburon Enterprises at TD Ameritrade in February 2011.

Although the summary of cash receipts and disbursements of Lilhaf Holdings has not yet been completed due to outstanding discovery, based on the bank documents and records that the Receiver has reviewed to date, the Receiver has preliminarily determined that this account was primarily funded by Triple 7 and Paydirt Capital.

Tiburon Enterprises' TD Ameritrade Account

This account was opened on February 9, 2011, and John Hafen and Mikelle Hafen were listed as authorized signers on the account application.

Under Tab 84 is a preliminary summary of cash receipts and disbursements of Tiburon Enterprises' account.

This account received \$3.17 million in incoming wires and transferred \$3.16 million in outgoing wires from February 2011 through July 2011. Additionally, this account received \$1,239,000 from the account of Tiburon Enterprises and a net amount of \$455,000 from John Hafen at TD Ameritrade during this six-month period.

Although the summary of cash receipts and disbursements of Tiburon Enterprises has not yet been completed due to outstanding discovery, based on the bank documents and records that the Receiver has reviewed to date, the Receiver has preliminarily determined that this account was primarily funded by Sole Group.

**National Endowment Association Inc.**

As briefly discussed above, Todd Vowell utilized National Endowment as a tax shelter for various entities, including Kombi Capital, Paydirt LP, Treadstone Partners, and Flatline Investments.

National Endowment was formerly known as American Endowment Foundation Inc. (American Endowment) prior to 2003.

The schedule set forth below summarizes the transfer of ownership interests in numerous entities to or from National Endowment (or formerly as American Endowment) based on documents provided by the Vowells.

| Date     | From                 | To                 | Shares  | Entity               | Book Value (Note) |
|----------|----------------------|--------------------|---------|----------------------|-------------------|
| 07/16/02 | Todd Vowell          | American Endowment | 990     | Paydirt LP           | \$ 100,000.00     |
| 09/07/02 | Todd Vowell          | American Endowment | 2,310   | Paydirt LP           | \$ 233,333.00     |
| 09/13/02 | Todd Vowell          | American Endowment | 3,415   | Paydirt LP           | \$ 344,815.00     |
| 09/17/02 | Todd Vowell          | American Endowment | 851     | Paydirt LP           | \$ 85,982.00      |
| 10/02/02 | Todd Vowell          | American Endowment | 1,980   | Paydirt LP           | \$ 200,000.00     |
| 10/05/02 | Todd Vowell          | American Endowment | 2,564   | Paydirt LP           | \$ 259,000.00     |
| 10/19/02 | Todd Vowell          | American Endowment | 495     | Paydirt LP           | \$ 50,000.00      |
| 01/27/03 | Todd Vowell          | National Endowment | 1,374   | Paydirt LP           | \$ 142,170.00     |
| 05/15/03 | Todd Vowell          | National Endowment | 1,147   | Paydirt LP           | \$ 118,680.00     |
| 12/01/09 | National Endowment   | Todd Vowell        | (7,563) | Paydirt LP           | \$ (766,990.00)   |
| 12/01/09 | National Endowment   | Jason Vowell       | (3,025) | Paydirt LP           | \$ (306,775.72)   |
| 12/01/09 | National Endowment   | John Hafen         | (4,538) | Paydirt LP           | \$ (460,214.28)   |
| 07/31/10 | Katts                | National Endowment | 14,336  | Kombi Capital        | \$ 1,433,562.00   |
| 07/31/10 | Spyglass Enterprises | National Endowment | 14,336  | Kombi Capital        | \$ 1,433,562.00   |
| 08/31/10 | Katts                | National Endowment | 6,239   | Treadstone Partners  | \$ 623,867.00     |
| 08/31/10 | Spyglass Enterprises | National Endowment | 6,238   | Treadstone Partners  | \$ 623,866.00     |
| 12/28/10 | Katts                | National Endowment | 7,500   | Flatline Investments | \$ 750,000.00     |
| 12/28/10 | Spyglass Enterprises | National Endowment | 7,500   | Flatline Investments | \$ 750,000.00     |

**Total (Net)      \$ 5,614,857.00**

Note: The book values are based upon the amounts shown on the documents produced by the Vowells. The amount and value shown on IRS Form 8283 could differ from the book value.

Todd Vowell transferred limited partnership ownership interests in a number of partnerships to National Endowment while the general partners remained unchanged. The transfers of limited partnership interests to National Endowment were accounted for as charitable donations, and Michael Meyer prepared an appraisal and IRS Form 8283 for donors in order that they could receive an income tax deduction.

Under Tab 85 is part of the documents provided by the Vowells pertaining to the transfers to American Endowment in 2002 and 2003. These documents show that Michael Meyer was the signatory for American Endowment.

Based on the documents provided by the Vowells as summarized above, the total book value of the limited partnership interests of Paydirt LP transferred to American Endowment from July 2002 to May 2003 was \$1,533,980.

In December 2009, National Endowment returned all of the limited partnership interests in Paydirt LP to Todd Vowell, Jason Vowell and John Hafen. The purported purchase agreements were dated December 1, 2009 and signed by Michael Meyer as seller (Tab 86). These documents show that the Vowells and John Hafen purportedly purchased the limited partnership interests of Paydirt LP in December 2009 for a total purchase price of \$30,000, even though these limited partnership interests were purportedly donated and transferred to National Endowment in prior years. The purchase price (\$30,000) was significant lower than the total book value (\$1,533,980) of the limited partnership interests transferred to National Endowment.

Under Tab 87 are two letters dated August 16, 2010 from James Nieves, the president of National Endowment, to the Vowells in receipt of the limited partnership interests of Kombi Capital from Katts and Spyglass Enterprises. The signatures of Mr. Nieves on the letters actually appear to be Michael Meyer's signatures as shown under Tab 86.

The following excerpts from Todd Vowell's deposition testimony in Karen Grounds vs. Executive Car Sales, Inc. et al. demonstrate that Mr. Vowell was not candid:

p. 32, l. 23 - p. 33, l. 20

Q. Paydirt LP, what is that?

A. It is an entity that did investments from 2003 until 2007.

Q. What type of investments?

A. It did loans, acquired real estate.

Q. And who are the owners of that?

A. Currently or during the time it was doing a viable business?

Q. During the time it was doing a viable business.

A. Katts, LLC, and National Endowment Association.

Q. What is National Endowment Association? What does it do?

A. I don't know.

Q. Who owns that?

A. I don't know all the owners.

Q. Is Jason part of it?

A. No.

Q. Is Paydirt, LP, still functioning?

A. It has some assets that are being foreclosed on currently, but it is not a viable business.

As set forth above, Mr. Vowell denied knowing about National Endowment, however, in fact Mr. Vowell had extensive business dealings with that entity (Tab 88). Additionally, he denied that Paydirt LP was a viable business just seven months after he, Jason Vowell, and John Hafen acquired all of the limited partnership interests in Paydirt LP.

As previously discussed, the letter under Tab 89 produced by the Vowells also shows a transfer of the limited partner's ownership (98%) from Sharla Johnson to National Endowment on or about June 30, 2010 and the transfer was accounted for as a charitable donation, which is inconsistent with the documents under Tab 87.

Additionally, Katts and Spyglass Enterprises also transferred all of their limited partnership interests in Treadstone Partners and Flatline Investments to National Endowment in August and December 2010, respectively, as shown under Tab 90.

### **Transfer of Funds to Offshore Bank Accounts**

Under Tab 91 is a September 27, 2010 email from Jason Vowell to Jeremy Johnson. The email states in part "I have to be there in person so [sic] sign documents. Andorra is last on my world tour of visiting/opening accounts. The account will be open for business October 14th".

Also under Tab 92 are two October 2010 wire transfers totaling approximately \$867,000 from Mastery Merchant's account at SunFirst to Mastery Merchant's account at Banca Privada D'Andorra in Andorra.

Under Tab 93 is a schedule that shows Triple 7 transferred a net amount of approximately \$2.7 million to Triple Seven, Inc.'s bank account at FBME Bank Limited in Cyprus between February 25, 2010 and April 27, 2010. All of the outgoing wires were signed by Jason Vowell. Copies of these wire transfers are also under Tab 93.

Under Tab 94 are two outgoing wire transfers totaling \$1.9 million from Powder Monkeys' account at SunFirst to Triple Seven, Inc.'s bank account at FBME Bank Limited in Cyprus. Both of these wire transfers were signed by Jason Vowell.

The Receiver is considering the most efficient and cost-effective methods to determine the current status of the funds transferred offshore and to attempt to recover these funds.

### **Precious Metals**

Jeremy Johnson testified that he owned gold and silver and that owning precious metals was a good way for him to save money. In his deposition conducted by the FTC, Mr. Johnson testified as follows:

p. 37, l. 13 - p. 38, l. 4

Q.... Were there any other purposes that you used the money for?

A. Yeah. I mean with running the company, it has dramatically dwindling revenue. And I mean we just -- you know, it's like I'm not really that good with money. And so this is a real pain in the butt to buy and to sell, and so it's a good way for me to save.

Q. You're saying having silver bars and the gold coins --

A. Yeah, just having like precious metals basically for me, you know, was a good way to save money because it's not so easily accessible for me and so I have to really -- I mean it's like I didn't want to get-- in none of these cases did I want to get rid of any of it. But because of the circumstance, I felt that I had to. So, you know, I went through the process to do it.

Scott Leavitt also provided testimony about investments in precious metals and an account with Kitco for the benefit of Jeremy Johnson. The following are excerpts from Mr. Leavitt's deposition testimony:

p. 47, l. 23 - p. 48, l. 1

Q. ...did Jeremy Johnson use a large amount of the money from I Works to purchase precious metals?

A. Yes.

p. 48, l. 12 - p. 49, l. 9

Q. ... do you know what Jeremy Johnson and I Works ordered from Kitco and other companies regarding precious metals? Like, you know, what kinds? Did they buy silver? Did they buy gold coins, gold nuggets, what have you?

A. There were two orders that I helped order that I know what they were. The other ones were just, send money here. But the two I did, one was silver bars and one was some gold coins and some gold bars, I believe, and some silver coins, the ones I -- the two I did.

Q. ... what was the total value of those transactions?

A. The silver bars was, I believe a million.

Q. So-

A. I mean there were other orders too but they were more just send the money. So I don't know what the orders were, the type.

Q. And who directed you to send the money on those orders?

A. Jeremy Johnson.

The Receiver has determined that Jeremy Johnson and I Works purchased approximately \$2.25 million in precious metals from Kitco between June 2006 and July 2008. Mr. Johnson also purchased another \$1.43 million in precious metals from CNI from February 24, 2010 to March 25, 2010. As previously discussed, Jeremy Johnson transferred approximately \$2.9 million worth of precious metals to the Vowells as alleged partial repayment on the \$6.5 million note. These precious metals were then sold and the sale proceeds were transferred to the Vowells' entities as summarized below.

| <u>Date</u>     | <u>Entity</u>        | <u>Dealer</u>                  | <u>Amount</u>          |
|-----------------|----------------------|--------------------------------|------------------------|
| 8/23/10~8/25/10 | Treadstone Partners  | CNI                            | \$ 1,247,733.49        |
| 12/29/2010      | Katts                | United Precious Metal Refining | 822,813.36             |
| 12/29/2010      | Spyglass Enterprises | United Precious Metal Refining | 822,813.35             |
|                 |                      |                                | <u>\$ 2,893,360.20</u> |



The Receiver has also discovered that a number of the entities discussed above purchased a total of approximately \$2.35 million in precious metals from CNI and United Precious Metal Refining as summarized below.

- A wire of \$500,000 was sent by Triple 7 to CNI on April 8, 2010 to purchase U.S. \$50 (1 tr oz) of gold.
- On June 4, 2010, Triple 7 wired \$277,860 to CNI on June 4, 2010 to purchase U.S. \$50 (1 tr oz) of gold.
- Spyglass Holdings LLC paid \$170,675 on June 30, 2010 to CNI to purchase silver coins and silver eagles.
- Two wires totaling \$551,040 were transferred on November 18, 2010 from Paydirt Capital to CNI to purchase Australia 1-oz platinum bars.
- \$846,939.89 was paid to United Precious Metal Refining on January 18, 2011. This payment was made by Kombi Capital to purchase 595 oz of gold.

The whereabouts of these precious metals is uncertain and subject to further investigation.

Finally, Jeremy Johnson disclosed on his financial statement provided to the FTC that approximately \$1 million worth of precious metals was transferred to his parents in September, 2008 as a “gift”.

### **Aircraft**

As previously discussed, Jeremy Johnson’s use of others to hold some of his assets is part of an ongoing pattern. Under Tab 95 is the dry lease agreement supplied by Upper Limit Aviation Inc. (Upper Limit). This agreement was entered into between Rotortrends Inc. (Rotortrends), as lessor, and Upper Limit, as lessee, dated December 10, 2010 for a 2005 Robinson R44 Raven II (N321WT). This aircraft is owned by Zibby Flight Services, an entity which is 100% owned by Jeremy and Sharla Johnson. Kevin Pilon, an individual defendant, signed the lease agreement on behalf of Rotortrends, as lessor. Approximately \$114,000 in lease payments was paid by Upper Limit to Rotortrends from January 2011 to June 2011.

Rotortrends was incorporated in Delaware in May 2010 and is nominally owned by Shane Scott. This entity is primarily used for the purpose of holding title to aircraft. Based on the documents and accounting records supplied by Rotortrends, this entity acquired a 2004 Robinson R44 II (7523S) and a 1996 Robinson R22 Beta II (13HG) from Iprerogative Inc. around June 2010.

iPrerogative Inc. is owned by Duane Fielding, one of the individual defendants. In his personal financial statement submitted to the FTC, Mr. Fielding asserts that he sold these two aircraft to Rotortrends in August 2010. However, according to the accounting records of Receivership Defendants obtained from I Works, the 2004 Robinson R44 II (7523S) was paid for by I Works on January 15, 2010.

Under Tab 96 is Upper Limit's estimate for aircraft maintenance of \$122,730 dated December 27, 2010 for the 1996 Robinson aircraft (N13HG). The bank records the Receiver obtained directly from the bank show that iPrerogative Inc. paid \$122,730 to Upper Limit on January 13, 2011, a date after the aircraft was apparently transferred from iPrerogative Inc. to Rotortrends.

Other than the aircraft held by Rotortrends, the Receiver discovered at least four additional aircraft that were purchased and held under various names beginning in July 2010, but which are in fact assets of the Receivership Defendants and/or Jeremy Johnson. The funding came from payment processing revenue as shown below.

List of Aircraft Ownership

| Reg#  | Year Made     | Model      | Acquired Date | Price      | Owned By         |
|-------|---------------|------------|---------------|------------|------------------|
| 858CH | 1982 Piper    | PA-60-602P | 10/12/10      | \$ 120,000 | Alpha Yankee LLC |
| 145PD | 2006 Robinson | R44 II     | 10/14/10      | \$ 260,000 | Choker Block LLC |
| 34BK  | 2004 Robinson | R44 II     | 07/02/10      | \$ 240,000 | Scud Runner LLC  |
| 633AS | 2010 Robinson | R66        | 12/10/10      | \$ 798,490 | Omaha Eight LLC  |

Fund Trail

| Reg#  | Year Made     | Cash Receipts/(Disbursements) |                 |                    |  |
|-------|---------------|-------------------------------|-----------------|--------------------|--|
|       |               | Date                          | Amount          | From/To            | Description                                  |
| 858CH | 1982 Piper    | 10/12/10                      | \$ (120,275.00) | Phoenix Rising     | For purchase of 858CH to seller              |
|       |               | 10/14/10                      | \$ (122,000.00) | Powder Monkeys     |  |
| 145PD | 2006 Robinson | 10/14/10                      | \$ (139,412.50) | Phoenix Rising     | For purchase of 145PD to seller              |
| 34BK  | 2004 Robinson | 07/02/10                      | \$ (240,312.50) | Phoenix Rising     | For purchase of N34BK to seller              |
| 633AS | 2010 Robinson | 12/10/10                      | \$ (724,490.00) | Silvermix Holdings | For purchase of 633AS to seller              |
|       |               | 08/24/11                      | \$ 695,562.50   | SRLA LLC           | Proceeds from sale of 633AS sent to SRLA LLC |

All of the entities listed above were formed in or after March 2010. According to the documents supplied by AIC Title Service under Tab 97, these entities are purportedly owned by other entities of the Vowells or an entity of John Hafen, and managed by Todd and/or Jason Vowell.

Notably, the entities that own or once owned these aircraft are different from the entities that paid for the purchase of these aircraft. Further, under Tab 98 is a security agreement for \$724,490 on the 2010 Robinson R66 (633AS) aircraft that was executed in favor of Silvernix Holdings from Omaha Eight LLC (Omaha Eight). The Agreement of Limited Liability Company of Omaha Eight shows that SRLA LLC (SRLA) is the sole member and Todd and Jason Vowell are the managers for Omaha Eight (Tab 97). Todd Vowell is also the sole member of SRLA. The security agreement is inconsistent with email correspondence dated January 3, 2011 from Aviation Insurance Managers Inc. to Todd Vowell concerning the Aircraft Application for this aircraft (Tab 99), which stated that Omaha Eight is an aircraft holding company owned by Jeremy Johnson and Todd Vowell.

In addition, the security agreement for this aircraft dated December 10, 2010 was signed by Jeremy Johnson and Todd Vowell for Omaha Eight, and notarized by John Hafen (Tab 98).

The following is an excerpt of John Hafen's deposition testimony regarding this security agreement:

p. 182, l. 14 - p. 183, l. 16

Q. Do you have any recollection of notarizing this document?

A. No, I don't.

Q. This is a little out of the ordinary, though. It's not a typical document that you notarize. Is that right?

A. It is not. It doesn't have the typical wording. No, it doesn't. But it's not uncommon that documents don't have all of the right wording.

Q. Did you ask for any proof from Jeremy Johnson as to his interest in Omaha Eight, LLC?

A. I do not recall that.

Q. Did you ask Todd Vowell for any proof of his ownership interest in Omaha Eight, LLC?

A. I don't recall that either.

Q. Did you understand that Jeremy Johnson and Todd Vowell were signing on behalf of Omaha Eight, LLC?

A. I don't know. The only thing I can tell you is I know I would have notarized the signatures that were there when I was present.

Q. But typically you would ask for evidence of the signatory's authorization to sign on behalf of the entity they were signing on behalf of; correct?

A. Correct.

Q. But you don't recall doing that in this case; correct?

A. I don't recall this document.

It appears that the security agreement for the 2010 Robinson R66 in favor of Silvernix Holdings from Omaha Eight was created to hide another one of Jeremy Johnson's assets. This aircraft was subsequently sold by Jason Vowell in August 2011 and the sale proceeds of \$695,562.50 were sent to SRLA according to the documents provided by AIC Title Service and the related bank records. The sales proceeds were not sent to Silvernix Holdings, the purported lender.

Under Tab 100 is some of the email correspondence produced by the Vowells. These emails clearly demonstrate that Jeremy Johnson was instructing Todd Vowell to handle the agreements and transmit the funds pertaining to various aircraft for him, including the four aircraft in the table set forth above. The email correspondence (Bates Stamp TVE000185) under Tab 101 shows that Kerry Johnson was also assisting Jeremy Johnson in concealing the true ownership in one of these aircraft.

**JMD Energy Inc.**

Four payments totaling \$1,250,000 were made by Powder Monkeys to JMD Energy Inc. (also doing business as JMD Energy Well 001 Partnership, and collectively referred to as “JMD Energy”) from June 2010 to October 2010.

The payment of \$1,250,000 was made for Jeremy Johnson’s capital investment in JMD Energy. The email correspondence and related documents produced by the Vowells under Tab 102 show that Todd Vowell transmitted the funds to JMD Energy for Jeremy Johnson as instructed and approved by Mr. Johnson. Subsequently, Jeremy Johnson transferred his working interest (33.3333%) and net revenue interest (27.083333%) in JMD Energy to Kerry Johnson on June 2, 2010 (Tab 103).

Under Tab 104 is email correspondence Todd Vowell sent to JMD Energy on February 28, 2011. This email states that Kerry Johnson is no longer the owner of this interest and the interest needed to be equally split between Jeremy Johnson and Chad Elie.

The Receiver contacted JMD Energy and served it with the preliminary injunction order. Based on documents and information turned over by JMD Energy, the capital contributed to JMD Energy totaled \$2,850,100, and is comprised of the following:

| <u>Investor</u>            | <u>Contributed<br/>Amount</u> | <u>Ownership %</u> |
|----------------------------|-------------------------------|--------------------|
| Larry Brady                | \$ 1,600,000                  | 33%                |
| Jeremy Johnson             | 1,250,000                     | 33%                |
| Farnes Egbert              | 100                           | 34%                |
| <b>Total Contributions</b> | <b>\$ 2,850,100</b>           | <b>100%</b>        |

Under Tab 105 are the preliminary financial statements of JMD Energy for the period ended August 29, 2011 and December 31, 2010. According to the financial information provided by JMD Energy, the accumulated loss of JMD Energy was over \$2.7 million from inception to August 29, 2011, and the net worth of the partnership was approximately \$90,000 as of August 29, 2011. The table below summarizes its total income and expense for 2010 and for the first eight months of 2011.

|                            | 1/1/10~<br>12/31/10      | 1/1/11~<br>8/29/11     | Total                    |
|----------------------------|--------------------------|------------------------|--------------------------|
| Total Income               | \$ 504,822.14            | \$ 397,760.05          | \$ 902,582.19            |
| Total Expense              | 3,090,416.64             | 558,643.44             | 3,649,060.08             |
| Net Income                 | <u>\$ (2,585,594.50)</u> | <u>\$ (160,883.39)</u> | <u>\$ (2,746,477.89)</u> |
| Income to<br>Expense Ratio | <u>16.34%</u>            | <u>71.20%</u>          | <u>24.73%</u>            |

JMD Energy is in the process of obtaining additional funding and investment for further development of the well and production.

**Preliminary Analysis of Disbursement of \$51.4 Million from Revenue**

In summary, the processing entities as discussed above, successors of I Works and other named Receivership Defendants, generated approximately \$51.4 million in revenue, including \$46.5 million processing revenue. The revenue was commingled and routed through a complex maze of entities and individuals as discussed throughout this report. Despite this complex web of fund transfers and transactions, the Receiver’s preliminary analysis shows the revenue was ultimately paid to or used for the following:

|  | Amount              |
|--|---------------------|
| Foreign Bank Accounts                  | \$ 5,512,318        |
| Precious Metals                        | 2,346,540           |
| Aircraft & Vehicles                    | 2,202,572           |
| Payments to Casinos                    | 2,747,907           |
| Real Estate                            | 6,805,325           |
| Investments/Payments to Others         | 10,576,904          |
| Legal & Appraisal Fees                 | 2,474,872           |
| Receivership Defendants                | 8,390,384           |
| Payments to/for Affiliated Individuals | 10,354,453          |
|  | <u>\$51,411,275</u> |

|   | <u>Paid By</u>                                       | <u>Time Period of Payments</u> | <u>Net Amount Paid</u>     |
|---|--|--------------------------------|----------------------------|
| <b><u>Foreign Accounts</u></b>                    |  |                                |                            |
| Triple Seven Inc. (Cypress)                       | Triple 7   | February 2010 to April 2010    | \$ 2,715,048               |
| Triple Seven Inc. (Cypress)                       | Powder Monkeys                                       | August 2010                    | 1,930,000                  |
| Mastery Merchant LLC (Andorra)                    | Mastery Merchant                                     | October 2010                   | 867,270                    |
| <b>Total payments to foreign bank accounts</b>    |  |                                | <b><u>\$ 5,512,318</u></b> |
| <b><u>Precious Metals</u></b>                     |  |                                |                            |
| CNI   | Triple 7   | April 2010 & June 2010         | \$ 777,885                 |
| CNI   | Paydirt Capital                                      | November 2010                  | 551,040                    |
| United Precious Metal Refining                    | Kombi Capital  | January 2011                   | 846,940                    |
| California Numismatic Investment                  | Spyglass Holdings                                    | June 2010                      | 170,675                    |
| <b>Total payments for precious metals</b>         |  |                                | <b><u>\$ 2,346,540</u></b> |
| <b><u>Aircraft</u></b>                            |  |                                |                            |
| 1982 Piper- 858CH                                 | Powder Monkeys                                       | October 2010                   | \$ 120,000                 |
| 2004 Robinson R44II - N34BK                       | Phoenix Rising                                       | July 2010                      | 240,000                    |
| 2006 Robinson R44 II - 145PD                      | Powder Monkeys/<br>Phoenix Rising                    | October 2010                   | 260,000                    |
| 2010 Robinson R66 - 633AS                         | Silvernix Holdings/<br>Mastery Merchant<br>Triple 7/ | October 2010 & December 2010   | 798,490                    |
| PNC Aviation Finance                              | Powder Monkeys                                       | April 2010 to October 2010     | 157,374                    |
| Aviation Insurance Managers                       | Mastery Merchant                                     | July 2010                      | 116,777                    |
| AIC Title Services                                | Silvernix Holdings                                   | January 2011                   | 343,000                    |
| <b>Total payments for Aircraft</b>                |  |                                | <b><u>\$ 2,035,641</u></b> |
| <b><u>Vehicles</u></b>                            |  |                                |                            |
| Desert BMW of Henderson<br>(Arvin Black)          | Triple 7   | March 2010                     | 84,308                     |
| Mercedes (Payoff)                                 | Attack Productions                                   | November 2010                  | 20,688                     |
| Newby Buick                                       | Paydirt Management                                   | December 2010                  | 61,935                     |
| <b>Total Payments for Vehicle</b>                 |  |                                | <b><u>\$ 166,931</u></b>   |
| <b>Total payments for Aircraft &amp; Vehicles</b> |  |                                | <b><u>\$ 2,202,572</u></b> |

|  | <u>Paid By</u>             | <u>Time Period of Payments</u> | <u>Net Amount Paid</u>     |
|--|----------------------------|--------------------------------|----------------------------|
| <b><u>Payments to Casinos</u></b>        |                            |                                |                            |
| For Benefit of Jeremy Johnson:           |                            |                                |                            |
| Wynn Las Vegas                           | Triple 7                   | April 2010                     | \$ 250,000                 |
| Wynn Las Vegas                           | Powder Monkeys             | July 2010                      | 100,000                    |
|  |                            | May 2010 to                    |                            |
| Wynn Las Vegas                           | Phoenix Rising             | August 2010                    | 239,000                    |
| Wynn Las Vegas                           | Paydirt Capital            | February 2010 to March 2010    | 490,000                    |
| Encore                                   | Powder Monkeys             | October 2010                   | 64,000                     |
| Encore                                   | Paydirt Capital            | October 2010                   | 200,000                    |
| Encore                                   | Attrack Productions        | September 2010                 | 120,000                    |
|  |                            |                                | <u>\$ 1,463,000</u>        |
| For Benefit of Arvin Lee Black:          |                            |                                |                            |
| Wynn Las Vegas                           | Mastery Merchant           | July 2010                      | \$ 210,155                 |
| Wynn Las Vegas                           | Powder Monkeys             | July 2010                      | 889,752                    |
| Wynn Las Vegas                           | Phoenix Rising             | March 2010                     | 185,000                    |
|  |                            |                                | <u>\$ 1,284,907</u>        |
| <b>Total payments to Casinos</b>         |                            |                                | <b><u>\$ 2,747,907</u></b> |
| <b><u>Properties/Title Companies</u></b> |                            |                                |                            |
| 573 Woodsvie Property                    | Kombi Capital              | May 2010                       | \$ 800,001                 |
| 505 Woodsvie Property                    | Triple 7                   | May 2010                       | 663,902                    |
| Springdale Land                          | Kombi Capital              | June 2010                      | 229,178                    |
| Rockville Land                           | Kombi Capital              | July 2010                      | 364,080                    |
| 5 S 500 # 1105, Salt Lake City           | Triple 7                   | November 2010                  | 219,461                    |
| FDIC Lot 8 & 16                          | WCDI Land Development      | October 2010                   | 76,551                     |
| American Secure Title                    | Triple 7                   | May 2010                       | 67,600                     |
| American Title Insurance                 | Kingfish Management        | February 2011                  | 142,481                    |
| Chicago Title of NV, Inc.                | Treadstone Partners        | April 2011                     | 100,000                    |
| Dixie Title Company                      | Kombi Capital              | August 2010                    | 120,130                    |
| Dixie Title Company                      | Paydirt Management         | May 2011                       | 119,000                    |
| Escrow Specialists                       | Paydirt Properties         | March 2010 & April 2011        | 65,706                     |
| Mountain West Title & Escrow             | Triple 7                   | May 2010                       | 121,397                    |
| Nevada Title Company                     | WCDI Land Development      | August 2010                    | 1,454,402                  |
| Southern Utah Title Co                   | Kingfish Management        | February 2011                  | 42,165                     |
| Southern Utah Title Co                   | Paradise Ranch Development | November 2010                  | 100,000                    |
| United Title Services                    | Katts/Spyglass Enterprises | August 2010 to December 2010   | 163,095                    |
| United Title Services                    | Kombi Capital              | March 2010 & April 2010        | 447,000                    |
| United Title Services                    | Summerset Ranch            | November 2010                  | 532,565                    |
| Property Improvement<br>& Maintenance    | Kombi Capital              | May 2010 to November 2010      | <u>976,610</u>             |
| <b>Total Payments for Properties</b>     |                            |                                | <b><u>\$ 6,805,325</u></b> |

|  | <u>Paid By</u>       | <u>Time Period of Payments</u>         | <u>Net Amount Paid</u>      |
|--|----------------------|--|-----------------------------|
| <b><u>Investments/Payments to Others</u></b>                       |                      |  |                             |
| Net Investment Loss of TD  |                      |  |                             |
| Ameritrade   | Various Entities     | March 2010 to September 2011           | \$ 7,802,621                |
| JMD Energy   | Powder Monkeys       | June 2010 to October 2010              | 1,250,000                   |
| Mountain Financial LLC   | Kombi Capital        | April 2010                             | 287,500                     |
| Yapo Ventures LLC  | Fishhook Partners    | January 2011                           | 250,000                     |
| Daniel Coleman   | Powder Monkeys       | July 2010 to August 2010               | 285,000                     |
| 249 Investors  | Katts                | June 2011                              | 120,000                     |
| III Corporation  | Mastery Merchant     | September & October 2010               | 263,191                     |
| III Corporation  | Powder Monkeys       | October 2010                           | 54,601                      |
| III Corporation  | Paydirt Properties   | December 2010                          | 49,669                      |
| III Corporation  | Summerset Ranch LLC  | September & November 2010              | <u>214,322</u>              |
| <b>Total Investments/Payments to Others</b>                        |                      |  | <b><u>\$ 10,576,904</u></b> |
| <b><u>Legal &amp; Appraisal Fees Paid</u></b>                      |                      |  |                             |
| Legal - Various Law Firms & Attorneys                              | Triple 7             | March 2010 to June 2010 & January 2011 | \$ 933,297                  |
|  | Mastery Merchant     | June 2010 to October 2010              | 1,057,804                   |
|  | Powder Monkeys       | July 2010 to October 2010              | 194,354                     |
|  | Attrack Productions  | November 2010                          | 219,417                     |
| Michael L. Meyer   | Kombi Capital        | July 2010 & December 2010              | 20,000                      |
|  | Flatline Investments | January 2011                           | 25,000                      |
|  | Treadstone Partners  | January 2011                           | <u>25,000</u>               |
| <b>Total Payments for Legal &amp; Appraisal Fees</b>               |                      |  | <b><u>\$ 2,474,872</u></b>  |
| <b><u>Payments to Receivership Defendants &amp; Affiliates</u></b> |                      |  |                             |
| I Works Inc.   | Triple 7             | April 2010                             | \$ 100,000                  |
|  | Flying High          | August 2010                            | 200,000                     |
|  | Cerberus             | September 2010                         | 300,000                     |
| Employee Plus, Inc.  | Triple 7             | April 2010 to June 2010                | 658,865                     |
|  | Mastery Merchant     | August 2010                            | 100,000                     |
|  | Powder Monkeys       | June 2010 to October 2010              | 951,646                     |
|  | Flying High/Cerberus | October 2010 to December 2010          | 100,466                     |
| Money Harvest Inc.   | Triple 7             | December 2009 to April 2010            | 5,829,707                   |
| New Horizons Finance Inc.  | Kombi Capital        | March 2010 & March 2011                | <u>149,700</u>              |
| <b>Total Payments to Receivership Defendants</b>                   |                      |  | <b><u>\$ 8,390,384</u></b>  |



|  | <u>Paid By</u>            | <u>Time Period of Payments</u> | <u>Net Amount Paid</u>      |
|--|---------------------------|--------------------------------|-----------------------------|
| <b><u>Payments to/for Individuals</u></b>      |                           |                                |                             |
| <b>Jeremy Johnson &amp; His Family</b>         |                           |                                |                             |
| Jeremy Johnson                                 | Flying High               | December 2010                  | \$ 65,000                   |
| KB Family LP                                   | Triple 7                  | April 2010                     | 76,000                      |
| KB Family LP                                   | Paydirt Capital           | June 2009 to March 2010        | 105,449                     |
| KV Electric Inc.                               | Triple 7/Powder Monkeys   | November & December 2010       | 155,000                     |
| Kerry Johnson                                  | Paydirt Management        | December 2010                  | 105,000                     |
|  |                           |                                | <u>\$ 506,449</u>           |
| <b>Duane Fielding</b>                          | Paradise Ranch Developmen | April 2011                     | <u>102,039</u>              |
| <b>Chad Elie</b>                               | Triple 7                  | April 2010 to June 2010        | \$ 336,921                  |
|  | Powder Monkeys            | July 2010 to October 2010      | 177,164                     |
|  |                           |                                | <u>\$ 514,085</u>           |
| <b>Lee Black &amp; Sole Group</b>              | Triple 7                  | March 2010 to June 2010        | \$ 46,404                   |
|  | Powder Monkeys            | August 2010                    | 200,000                     |
|  | Kombi Capital             | April 2010 to June 2011        | 1,146,101                   |
|  |                           |                                | <u>\$ 1,392,505</u>         |
| <b>John Hafen &amp; His Entities</b>           | Triple 7                  | April 2010 to August 2010      | \$ 2,892,883                |
|  | Paydirt Group             | March 2010 to June 2011        | 703,699                     |
|  | WCDF Land Development     | August 2010                    | 450,000                     |
|  | Treadstone Partners       | February 2011 to April 2011    | 237,650                     |
|  | Flatline Investments      | March 2011 to April 2011       | 260,000                     |
|  | Vanquish Enterprises      | November 2010                  | 114,000                     |
|  |                           |                                | <u>\$ 4,658,232</u>         |
| <b>The Vowells' Family</b>                     |                           |                                |                             |
| Todd Vowell                                    | Katts Group               | January 2009 to September 2011 | 386,624                     |
| Todd Vowell                                    | Paydirt Group             | January 2009 to June 2011      | 829,386                     |
| Jason Vowell                                   | Paydirt Group             | January 2009 to June 2011      | 540,292                     |
| Sheree Vowell                                  | Paydirt Group             | January 2009 to June 2011      | 921,993                     |
| Sheree Vowell                                  | Triple 7                  | April & May 2010               | 325,327                     |
| Dionna Vowell                                  | Katts Group               | July 2009 to July 2010         | 177,521                     |
|  |                           |                                | <u>\$ 3,181,143</u>         |
| <b>Total Payments to/for above Individuals</b> |                           |                                | <u><u>\$ 10,354,453</u></u> |

## Conclusion

As described in this report, Jeremy Johnson transferred revenue without independent consideration from named Receivership Defendants to affiliated entities that he directly or indirectly controlled and to individuals with whom he colluded. The transferred revenue amounts to approximately \$51.4 million.

This report provides specific detail and support regarding the formation and operation of dozens of companies used as conduits to re-route revenue and to commingle and hide funds. The report also provides specific detail and support regarding the routing and the amount of money moved back and forth among entities and individuals. Finally, the report concludes with a detailed schedule showing how this \$51.4 million was disbursed.

This financial reconstruction documents and supports the Receiver's conclusion that all remaining cash generated by and assets acquired from the \$51.4 million which was transferred belongs to the Receivership Defendants and/or Jeremy Johnson and is property of the receivership estate. The Receiver believes that the Preliminary Injunction should be clarified and expanded as may be necessary or appropriate to expressly include in the receivership estate all such cash and assets regardless of how title to such cash and assets is presently held.

Respectfully submitted,

/s/

Robb Evans of Robb Evans & Associates LLC  
Receiver

**Coates, Pamela**

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District of Nevada

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**Filer:** Robb Evans  
**Document Number:** 464

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Blaine T Welsh [Blaine.Welsh@usdoj.gov](mailto:Blaine.Welsh@usdoj.gov), [doriayn.olivarra@usdoj.gov](mailto:doriayn.olivarra@usdoj.gov), [eunice.jones@usdoj.gov](mailto:eunice.jones@usdoj.gov),  
[Mary.Booker@usdoj.gov](mailto:Mary.Booker@usdoj.gov), [sue.knight@usdoj.gov](mailto:sue.knight@usdoj.gov)

Brett D. Ekins [bekins@joneswaldo.com](mailto:bekins@joneswaldo.com), [lcheney@joneswaldo.com](mailto:lcheney@joneswaldo.com)

Collot Guerard [cguerard@ftc.gov](mailto:cguerard@ftc.gov), [cguerard@comcast.net](mailto:cguerard@comcast.net), [dsalsburg@ftc.gov](mailto:dsalsburg@ftc.gov), [lgreisman@ftc.gov](mailto:lgreisman@ftc.gov),  
[rtyndall@ftc.gov](mailto:rtyndall@ftc.gov)

Dotan Weinman [dweinman@ftc.gov](mailto:dweinman@ftc.gov)

Edward D Boyack [sherri@edblaw.net](mailto:sherri@edblaw.net)

Gary Owen Caris [gcaris@mckennalong.com](mailto:gcaris@mckennalong.com), [lhawes@mckennalong.com](mailto:lhawes@mckennalong.com), [pcoates@mckennalong.com](mailto:pcoates@mckennalong.com)

Jacob A. Reynolds [jreynolds@hutchlegal.com](mailto:jreynolds@hutchlegal.com), [bpereira@hutchlegal.com](mailto:bpereira@hutchlegal.com)

Janice Kopec [jkopec@ftc.gov](mailto:jkopec@ftc.gov)

Jared Green [jared.green@mccormickbarstow.com](mailto:jared.green@mccormickbarstow.com), [tammy.deja@mccormickbarstow.com](mailto:tammy.deja@mccormickbarstow.com)

Jeannette F. Swent [jeannette.swent@usdoj.gov](mailto:jeannette.swent@usdoj.gov)

Jeremy D. Johnson [royalorangecat@gmail.com](mailto:royalorangecat@gmail.com)

John Christian Barlow [federalcourt@johnchristianbarlow.com](mailto:federalcourt@johnchristianbarlow.com), [morgan.skinner@kcsq.com](mailto:morgan.skinner@kcsq.com)

Joseph R Brooke [jbrooke@ftc.gov](mailto:jbrooke@ftc.gov)

Lesley Anne Hawes [lhawes@mckennalong.com](mailto:lhawes@mckennalong.com), [gcaris@mckennalong.com](mailto:gcaris@mckennalong.com), [pcoates@mckennalong.com](mailto:pcoates@mckennalong.com)

Loren E. Weiss [lweiss@rqn.com](mailto:lweiss@rqn.com), [docket@rqn.com](mailto:docket@rqn.com), [rfrodente@rqn.com](mailto:rfrodente@rqn.com)

Mark A. Hutchison [mhutchison@hutchlegal.com](mailto:mhutchison@hutchlegal.com), [mcarnate@hutchlegal.com](mailto:mcarnate@hutchlegal.com)

Michael C. O'Brien [mobrien@vancott.com](mailto:mobrien@vancott.com)

Michael F. Thomson [mftnotice@djplaw.com](mailto:mftnotice@djplaw.com), [mmontoya@djplaw.com](mailto:mmontoya@djplaw.com)

Michael R Shaw [mshaw@joneswaldo.com](mailto:mshaw@joneswaldo.com), [smoen@joneswaldo.com](mailto:smoen@joneswaldo.com)

Michael P. Studebaker [mike@studebakerlaw.com](mailto:mike@studebakerlaw.com)

Nathan K. Fisher [taylorn@dixontruman.com](mailto:taylorn@dixontruman.com)

Randolph L. Howard [rhoward@klnevada.com](mailto:rhoward@klnevada.com), [ckishi@klnevada.com](mailto:ckishi@klnevada.com), [usdistrict@klnevada.com](mailto:usdistrict@klnevada.com)

Reza Sina [reza@sinalawgroup.com](mailto:reza@sinalawgroup.com), [brothbard@roadrunner.com](mailto:brothbard@roadrunner.com)

Teresa Chen [tchen@ftc.gov](mailto:tchen@ftc.gov)

Todd W Prall [tprall@hutchlegal.com](mailto:tprall@hutchlegal.com), [markerlawmediation@gmail.com](mailto:markerlawmediation@gmail.com), [ntaylor@hutchlegal.com](mailto:ntaylor@hutchlegal.com)

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