

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
CASE NO.: 21-61176-CIV-SINGHAL

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PROPERTY INCOME INVESTORS, LLC,
EQUINOX HOLDINGS, INC.
PROPERTY INCOME INVESTORS 26, LLC
PROPERTY INCOME INVESTORS 304, LLC,
PROPERTY INCOME INVESTORS 201, LLC,
PROPERTY INCOME INVESTORS 3504, LLC,
PROPERTY INCOME INVESTORS 1361, LLC,
PROPERTY INCOME INVESTORS 4020, LLC,
PROPERTY INCOME INVESTORS 9007, LLC,
PROPERTY INCOME INVESTORS 417, LLC,
PROPERTY INCOME INVESTORS 4450, LLC,
PROPERTY INCOME INVESTORS 3050, LLC,
LARRY B. BRODMAN and ANTHONY
NICOLOSI (f/k/a ANTHONY PELUSO),

Defendants.

_____ /

RECEIVER'S SECOND INTERIM QUARTERLY REPORT

Miranda L. Soto, Esq., solely in her capacity as Receiver (the "Receiver") for Defendants Property Income Investors, LLC; Equinox Holdings, Inc.; Property Income Investors 26, LLC; Property Income Investors 304, LLC; Property Income Investors 201, LLC; Property Income Investors 3504, LLC; Property Income Investors 1361, LLC; Property Income Investors 4020, LLC; Property Income Investors 9007, LLC; Property Income Investors 417, LLC; Property Income Investors 4450, LLC; and Property Income Investors 3050, LLC (collectively, the "Receivership Entities"), and pursuant to the Order Granting Plaintiff Securities and Exchange Commission's (the "Commission") Motion for Appointing Receiver, dated June 15, 2021 (Doc. 10), respectfully files her Second Interim Report.

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Overview of Significant Activities During This Reporting Period	1
II.	BACKGROUND	3
A.	Procedure and Chronology	3
B.	The Receiver’s Role and Responsibilities	4
C.	Receivership Entities	5
D.	Other Relevant Non-Party Entities	7
III.	THE RECEIVER’S PROGRESS AND PRELIMINARY FINDINGS DURING THE RELEVANT PERIOD	7
A.	Actions Taken By The Receiver During Reporting Period	8
i.	Securing Receivership Estate Personal Property	8
a.	Bank Accounts And Cash Proceeds.....	8
b.	Other Personal Property	9
ii.	Securing And Maintaining Receivership Real Property	10
a.	Engaging Property Management Company	10
b.	Mortgage and Tax Obligations	12
c.	Insurance Status and Renewals	13
iii.	Marketing And Listing Receivership Real Estate.....	13
iv.	Analyzed Various Documentation And Worked With Retained Forensic Accountant	15
v.	Analyzed Potential Framework For Claims Process	16
vi.	Continued Outreach With Investors And Interested Parties	17
B.	The Receiver’s Preliminary Findings From Her Ongoing Investigation.....	17
i.	The Equinox and Property Income Investors Offerings	18
a.	The Equinox Offering	18
b.	The Property Income Investors Offerings.....	19
ii.	Nearly \$2 Million Was Paid To Company Insiders Including Brodman.....	21
iii.	The Use Of Sales Agents To Solicit Investors And Payment Of Transaction-Based Compensation	23
iv.	Investor Funds Appear To Have Been Routinely Commingled And Used For Unauthorized Purposes For Several Years.....	26
v.	Over \$50,000 Of Investor Funds Were Recently Lost When Brodman Forfeited A Real Estate Purchase Deposit	30

IV. THE NEXT QUARTER 31

A. Investigation.....31

B. Maintaining, Marketing And Selling Receivership Properties32

C. Formulation and Submission Of Claims Process For Court Approval.....33

D. Third Party Claims33

I. INTRODUCTION

Miranda L. Soto, Esq., solely in her capacity as Receiver (the “Receiver”) for Receivership Entities Property Income Investors, LLC (“PII”); Equinox Holdings, Inc. (“Equinox”); Property Income Investors 26, LLC; Property Income Investors 304, LLC; Property Income Investors 201, LLC; Property Income Investors 3504, LLC; Property Income Investors 1361, LLC; Property Income Investors 4020, LLC; Property Income Investors 9007, LLC; Property Income Investors 417, LLC; Property Income Investors 4450, LLC; and Property Income Investors 3050, LLC, hereby files this Second Interim Report to inform the Court, investors, and interested parties of the significant activities undertaken from July 1, 2021 to September 30, 2021, as well as proposed courses of action moving forward. In addition to providing notice of the receivership to all known investors shortly after her appointment, the Receiver has established an informational website at www.propertyiireceivership.com which is regularly updated with important court filings (including this and subsequent Interim Reports), announcements, and other news that might be of interest to affected individuals and third-party entities.

A. Overview of Significant Activities During This Reporting Period

During the time period covered by this Interim Report (July 1, 2021 through September 30, 2021), the Receiver and her counsel have engaged in significant activities including but not limited to:

- Sought and obtained Court approval to retain Keyes Property Management, LLC to provide property management services for the seven residential multi-family properties owned by the Receivership Entities (the “Properties”), including the collection of rent from tenants and attending to maintenance and upkeep for the properties;
- Interviewed multiple real estate brokers and ultimately engaged Local Real Estate Co. to assist with the marketing and sale of the Properties;
- Worked with Local Real Estate Co. to develop a strategy to market and sell the Properties, listed the Properties for sale, and reviewed and responded to offers from potential purchasers;

- Prepared and filed the Receiver's First Interim Report on July 30, 2021 (Doc. 20) which provided a comprehensive summary, analysis, and supporting documentation of the Receiver's preliminary observations, continuing investigation, and contemplated next steps;
- Identified, obtained, and imaged computers and cloud accounts previously used by Receivership Entities and arranged for contents to be stored on document review platform;
- Directed and coordinated transfer of account balances of bank accounts previously used by the Receivership Entities at JP Morgan Chase Bank, N.A., to Receiver's newly-opened fiduciary accounts;
- Obtained Court approval of retention of (i) Kaufman & Company, P.A. to provide forensic accounting and tax services, (ii) E-Hounds, Inc. to provide computer imaging and preservation, and (iii) K.Tek Systems, Inc. to develop a receivership website;
- Worked with website vendor to establish informational website for investors and other interested parties now available at www.propertyireceivership.com;
- Worked with her forensic accountants to identify, gather, and analyze investor files and relevant financial documentation in order to understand operation of Receivership Entities and begin formulating framework for Court-approved claims process;
- Prepared and filed her Liquidation Plan setting forth a fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property (Doc. 24);
- Continued investigation into status and condition of the Properties, including analysis of status of outstanding mortgages, taxes and liens, research into utility status and obligations, verification of property and casualty insurance, identification of pending or past-due code enforcement issues, and filing of Lis Pendens for each of the Properties. Where necessary, the Receiver also advanced funds to cover outstanding and due expenses;
- Reviewed loan documents for Properties with existing mortgages and engaged in discussions with counsel for relevant lenders and servicers regarding Order Appointing Receiver including deferral of foreclosure actions and plan for sale of Properties;
- Renewed expiring general and casualty insurance policies for the Properties and continued efforts to obtain windstorm coverage for all Properties;
- Analyzed status and necessary steps for approximately \$70,000.00 in outstanding and overdue real estate tax obligations for several of the Properties, including timeline for holders of tax certificates to seek redemption;

- Continued review and analysis of company documents, including investor files and records of corporate ownership and structure;
- Disposed of contents of storage unit holding various items from Receivership Entities' previous office in order to eliminate ongoing storage costs;
- Continued review of potential claims to recover investor assets wrongfully misappropriated and/or fraudulently transferred;
- Interviewed numerous individuals, personnel and service providers involved with the Receivership Entities, including employees, vendors, investors, legal counsel, and other interested parties in order to ascertain locations of the properties, books, records, bank accounts and other assets of the Receivership Entities;
- Served subpoenas on parties and non-parties seeking documents related to their role and relationship with Receivership Entities;
- Engaged in discussions with counsel for investors that had initiated litigation against Receivership Entities and secured agreement to indefinite stay of litigation pending Receiver's investigation;
- Responded to phone calls and written communications from investors, tenants, and other interested parties and continued to provide updates and announcements on the informational website at www.propertyireceivership.com;

The above referenced activities are discussed in more detail in the pertinent sections of this Interim Report.

II. BACKGROUND

A. Procedure and Chronology

On June 7, 2021, the Commission filed a complaint (Doc. 1) (the "Complaint") in the United States District Court for the Southern District of Florida (the "Court") against Defendants Larry Brodman, Anthony Nicolosi f/k/a Anthony Peluso, and the Receivership Entities. The Commission alleged that Defendant Brodman and the Receivership Entities raised at least \$9 million from over 150 investors who were told that their funds would be used almost entirely to purchase "turnkey, multifamily properties" in South Florida which would then be renovated, rented to tenants, and eventually sold. *Id.* ¶ 3. Investors were also told that they would be entitled

to receive a portion of the rental income and any sale proceeds generated from the Property(ies) they were investing in.

Although a portion of investor funds were used to purchase various properties in the South Florida area, the Commission alleged that Defendant Brodman and the PII entities misappropriated and diverted over \$2 million in investor funds, extensively commingled investor funds, and in some instances used investor funds to make purported “profit” payments and distributions to other investors. Doc. 10 ¶¶ 4, 70-71. The Commission also alleged that, despite statements in the offering materials that commissions would only be paid to licensed brokers, PII and Brodman used at least \$1.2 million in investor funds to pay undisclosed sales commissions to unlicensed sales agents including Defendant Nicolosi. *Id.* ¶¶ 68-69.

On June 15, 2021, the Court granted the Commission’s Motion for Appointment of Receiver and entered an Order appointing Miranda L. Soto as the Receiver over the Receivership Entities (“Order Appointing Receiver”) (Doc. 10).

B. The Receiver’s Role and Responsibilities

As an independent agent of the Court, the Receiver’s powers and responsibilities are set forth in the Order Appointing Receiver which provides, in relevant part, that the Receiver:

- “[S]hall have all powers, authorities, rights and privileges heretofore possessed by the officers, directors, managers and general and limited partners of the Receivership Entities under applicable state and federal law...” and “shall assume and control the operation of the Receivership Entities and shall pursue and preserve all of their claims.” Doc. 10 ¶¶ 4-5;
- Shall “take custody, control, and possession of all Receivership Property and records relevant thereto from the Receivership Entities...” and “manage, control, operate and maintain the Receivership Estates and hold in Receiver’s possession, custody and control all Receivership Property, pending further Order of the Court.” *Id.* ¶ 7(b)-(c);
- Is “authorized, empowered, and directed to investigate the manner in which the financial and business affairs of the Receivership Entities were conducted and (after obtaining leave of this Court) to institute such actions and legal proceedings...as the Receiver deems necessary and appropriate...” *Id.* ¶ 37; and

- Is directed to “develop a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property...and to “file and serve a full report and accounting of each Receivership Estate” for each calendar quarter. *Id.* ¶¶ 46, 48.

C. Receivership Entities

Equinox Holdings Inc. (“Equinox”) is a Florida corporation with its principal place of business in Coral Springs, Florida. Equinox was formed in 2012 for the purpose of converting Equinox Holdings LLC into a corporation. Jeffrey Rosenfeld and David Cohen were listed as managing members for the existing limited liability company and the newly-formed corporation. Equinox does not appear to currently own any real property.

Property Income Investors, LLC, is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII was formed by Larry Brodman in March 2016 and lists Mr. Brodman as the Manager. PII is the owner of residential real property located at 530 NE 34th Street, Pompano Beach, Florida 33064.

Property Income Investors 1361, LLC (“PII 1361”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 1361 was formed by Larry Brodman in August 2017 and lists Mr. Brodman as the Manager. PII 1361 is the owner of residential real property located at 1361 SE 4th Street, Deerfield Beach, Florida 33441.

Property Income Investors 201, LLC (“PII 201”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 201 was formed by Larry Brodman in February 2017 and lists Mr. Brodman as the Manager. PII 201 is the owner of residential real property located at 201 E. 30th Street, Riviera Beach, Florida 33404.

Property Income Investors 26, LLC (“PII 26”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 26 was formed by Larry Brodman in December 2016 and lists Mr. Brodman as the Manager. PII 26 previously owned residential

real property located at 10600 NW 37th Street, Coral Springs, Florida 33065, and 417 N. E. Street, Lake Worth, Florida 33460.

Property Income Investors 304, LLC (“PII 304”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 304 was formed by Larry Brodman in February 2017 and lists Mr. Brodman as the Manager. PII 304 is the owner of residential real property located at 3050 Coral Springs Drive, Coral Springs, Florida 33065.

Property Income Investors 3050, LLC (“PII 3050”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 3050 was formed by Larry Brodman in June 2019 and lists Mr. Brodman as the Manager. PII 3050 does not appear to currently own any real property.

Property Income Investors 3504, LLC (“PII 3504”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 3504 was formed by Larry Brodman in May 2017 and lists Mr. Brodman as the Manager. PII 3504 is the owner of residential real property located at 3775 NW 116th Terrace, Coral Springs, Florida 33065.

Property Income Investors 4020, LLC (“PII 4020”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 4020 was formed by Larry Brodman in November 2017 and lists Mr. Brodman as the Manager. PII 4020 is the owner of residential real property located at 4020 Riverside Drive, Coral Springs, Florida 33065.

Property Income Investors 417, LLC (“PII 417”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 417 was formed by Larry Brodman in April 2018 and lists Mr. Brodman as the Manager. PII 417 does not appear to currently own any real property.

Property Income Investors 4450, LLC (“PII 4450”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 4450 was formed by Larry Brodman in September 2018 and lists Mr. Brodman as the Manager. PII 4450 is the owner of residential real property located at 4450 Coral Springs Drive, Coral Springs, Florida 33065.

Property Income Investors 9007, LLC (“PII 9007”), is a Florida limited liability company with its principal place of business in Coral Springs, Florida. PII 9007 was formed by Larry Brodman in January 2018 and lists Mr. Brodman as the Manager. PII 9007 previously owned residential real property located at 9009 38th Drive, Coral Springs, Florida 33065.

D. Other Relevant Non-Party Entities

Capital Market Partners, Inc. (“CMP”) is a Florida corporation formed by Defendant Nicolosi in June 2000. It was originally known as AJP Capital Corp. but changed its name to Capital Market Partners, Inc. in August 2003. CMP appears to have received a significant amount of transfers from one or more of the Receivership Entities during the Relevant Period.

LBB Maintenance & Repair LLC (“LBB”) is a Florida limited liability company formed by Larry Brodman in April 2019. LBB appears to have received a significant amount of transfers from one or more of the Receivership Entities during the Relevant Period.

Property Income Investors Holdings, LLC (“PIIH”) is a Florida limited liability company formed by Larry Brodman in February 2019. PIIH does not appear to have ever owned or participated in any real estate transaction, but it does appear that a significant amount of transfers were made between PIIH and bank accounts owned by other Receivership Entities.

III. THE RECEIVER’S PROGRESS AND PRELIMINARY FINDINGS DURING THE RELEVANT PERIOD

The Receiver’s issuance of interim quarterly reports is intended to, among other things, present a detailed summary of actions taken by the Receiver during the reporting period as well as

to share the status of her various preliminary findings and ongoing investigation. Unless specifically indicated herein, any previously-expressed preliminary findings are incorporated herein and remain consistent with the Receiver's ongoing investigation. The Receiver reserves the right to revise, amend, and/or supplement these conclusions as the investigation progresses. The Receiver presents the following non-exclusive conclusions that she continues to supplement based on her ongoing investigation and document review and with the assistance of her Retained Professionals.

A. Actions Taken By the Receiver During Reporting Period

i. Securing Receivership Estate Personal Property

a. Bank Accounts and Cash Proceeds

Upon her appointment, the Receiver learned that the Receivership Entities' primary banking relationship was with JP Morgan Chase Bank, N.A. ("Chase Bank"). Upon being served with the Order Appointing Receiver, Chase Bank froze approximately \$14,000 being held in 11 different accounts maintained by the Receivership Entities at Chase Bank. After opening fiduciary accounts at ServisFirst Bank in early July 2021, Chase mailed a check for \$16,335.50 to the Receiver which was deposited into the Receiver's fiduciary accounts.¹

The Receiver and her counsel also discovered that proceeds from two recent sales of properties formerly owned by the Receivership Entities were being held in escrow by a Boca Raton law firm. The Receiver's counsel contacted that law firm, provided a copy of the Order Appointing Receiver, and directed the law firm to transfer the escrowed funds to a trust account held at the Receiver's law firm until the Receiver was able to open the fiduciary accounts contemplated by

¹ The difference between the amount transferred to the Receiver and the amount previously frozen was due to several monthly rent deposits from property tenants prior to the Receiver's retention of a property management company.

the Order Appointing Receiver. On June 22, 2021, the sum of \$1,125,513.37 was wired to the Receiver's trust account, and on July 14, 2021, that amount was transferred to the Receiver's fiduciary accounts established at ServisFirst Bank.

As of the date of the filing of this Report, the total balance of the Receiver's fiduciary accounts at ServisFirst Bank was \$1,177,390.82.

b. Other Personal Property

Following her appointment, the Receiver and her counsel learned that the Receivership Entities' office, located at 7301 Wiles Road, Unit 108, Coral Springs, Florida 33067, had been previously vacated and that the contents were being stored in a storage unit located in Coral Springs, Florida. The Receiver's counsel obtained the keys to the storage unit, which contained various pieces of office furniture, several computers and televisions and assorted investor documentation and books and records. After preparing an inventory, the Receiver's counsel took possession of several computers and various paper files (including what appeared to be investor files) for imaging and preservation.

Given that the storage unit was incurring monthly costs of over \$300, the Receiver attempted to find non-profits or third parties that would accept the various office furniture as a donation. However, this search did not yield any serious interest – likely due to the items' used (and in some instances worn and/or damaged) condition. The Receiver then hired a junk removal company to dispose of the remaining contents that appeared to have little to no value and the storage unit was vacated in mid-September 2021.² The Receiver continues to maintain and store

² Defendant Brodman previously contacted the Receiver to request the return of two pieces of office furniture that he claimed belonged to a relative and had sentimental value. Based on Mr. Brodman's representation that investor funds had not been used to purchase those pieces of furniture and it appearing that the furniture had no material value, the Receiver agreed to Mr. Brodman's request.

the various company documents and computer hardware that were previously removed from the storage unit, and she is also currently storing four flat-screen televisions that she will try to donate to a local non-profit or charity. In addition, the Receiver retained several signed pieces of NFL memorabilia which she believes have potential resale value and will list shortly on her website under the “Assets for Sale” section and will also explore other potential avenues for sale.

ii. Securing and Maintaining Receivership Real Property

a. Engaging Property Management Company

At the time of the Receiver’s appointment, the Receivership Entities owned seven multifamily residential properties in the South Florida area. Further details on each of these properties, including purchase and property information, is set forth in Section V.F of the First Interim Report (Doc. 20) and incorporated herein. The Receiver’s immediate priority at that time was to secure the Properties, ensure that tenants were aware of her appointment and their continuing obligation to pay monthly rent, and investigate the condition of the Properties and whether there were any existing encumbrances.

The Receiver learned that there were a myriad of pending (and in some cases due or overdue) maintenance issues and utility bills. Pending the retention of a property management company, the Receiver and her counsel addressed these issues directly (and where necessary advanced funds to ensure that time-sensitive obligations were satisfied). The Receiver subsequently interviewed several property management companies and ultimately received Court approval to retain Keyes Property Management (“Keyes”) on July 1, 2021 (Doc. 15). Keyes immediately began outreach to current tenants, inspection of the Properties, and implemented its proposed property management services. The Receiver also provided all of the tenants with correspondence notifying them of Keyes’ retention and has been pleased with Keyes’ diligence and service thus far.

Although the Properties each visually appeared to be in good condition with no known material defects or problems, it became apparent that the Receivership Entities were behind in attending to maintenance issues in the months preceding the Receiver's appointment. For example, tenants have submitted approximately 50 work orders for repairs through a tenant communication portal established by Keyes that ranged from minor issues to the replacement of a nearly 30-year-old air conditioner unit to a roof leak repair. The Receiver has been in constant contact with Keyes to ensure that the items were promptly addressed and at a market rate. During the Relevant Period from July 1, 2021 to September 30, 2021, total repair costs and utility expenses totaled nearly \$20,000 – which accounted for approximately 35% of the approximately \$73,000 in rental income that was collected during that period. When factoring in Keyes' management expenses, the Properties ultimately generated approximately \$47,000 in gross rental income paid to the Receivership during the Relevant Period.

The Receiver also worked with Keyes to understand and investigate each tenant's relationship including previous rent history, lease status, and other obligations. Based on Keyes' analysis, it appears that (i) nearly all of the leases had expired and were continuing on a month-to-month basis, and (ii) nearly all of the tenants were paying monthly rent that was below market – and in many instances significantly below market. Although the Receiver considered attempting to raise the rents to bring them closer to the market rates for the respective locale, the Receiver consulted with her professionals and ultimately determined to keep the rents as-is given a number of factors including that (i) tenants could refuse to agree to the new increases but refuse to vacate the units, thus resulting in lost rent and possibly necessitating eviction proceedings; (ii) tenants could refuse to agree to the new increases and vacate the units, thus resulting in vacancies and lost rent while a new tenant was located (which would have also resulted in payment of a commission

to Keyes amounting to the first month's rent); and (iii) the Properties with tenants on month-to-month leases would be seen as more desirable by potential buyers.³

The Receiver's investigation also showed that, prior to her appointment, tenant security deposits do not appear to have been properly handled and/or segregated. Specifically, records reviewed by the Receiver showed that the Receivership Entities had collected approximately \$23,000 in security deposits on the Properties; yet the total balance of the various Receivership accounts at Chase Bank was approximately \$14,000 at the time of the Receiver's appointment and no account was titled as a security deposit account. Consequently, credits for security deposits will have to be given to the ultimate purchasers.

b. Mortgage and Tax Obligations

As previously detailed in the First Interim Report, the Receiver discovered that two of the Properties had an outstanding mortgage at the time of her appointment – of which one was already delinquent. As further detailed in that Report, it appears that the proceeds of one of those mortgages had been used to immediately pay off a mortgage for a different Receivership property. Doc. 20 at pp. 25-27. The Receiver and her counsel have provided the respective servicers and lenders for the current mortgages with a copy of the Order Appointing Receiver and have been in contact with their counsel about the Receiver's plans to sell the Properties.

The Receiver's investigation also showed that a number of the Receivership Entities failed to pay property income taxes owing in 2020. As a result, the collecting county sold "tax certificates" in order to recoup the delinquent amounts. A "tax certificate" is an interest-bearing

³ Certain tenants were either receiving housing assistance or had begun the process of seeking housing assistance. As part of the requirements for receiving housing assistance, the tenant was required to be on a new one-year lease. Where necessary in order to continue receiving that housing assistance, the Receiver agreed to enter into a new one-year lease with that particular tenant. Where possible, the Receiver also requested an increase in the monthly rent.

first lien representing unpaid delinquent real estate property taxes which are sold through a public auction to the buyer offering the lowest rate of interest. If the tax certificate remains outstanding and unpaid for two years, the owner of the certificate may apply for a tax deed and ultimately seek to foreclose and even acquire the property. It appears that there are approximately \$70,000 in outstanding tax certificate obligations for a number of the Properties. *Id.* At pp. 27-28. Given that the tax certificates were recently issued and thus there is no immediate risk of the tax certificates being converted to a tax deed, the Receiver intends to satisfy any outstanding tax certificates at the closing of the sale of the corresponding property. In the event any of the respective Properties remains unsold by June 1, 2022, the Receiver will reevaluate this plan.

c. Insurance Status and Renewals

One of the Receiver's immediate priorities following her appointment was to verify that each of the Properties was covered by property and casualty insurance. The Receiver was able to locate the insurance agency that had written the current policies and verify that all Properties were covered by property and casualty insurance. However, the Receiver's investigation showed that none of the Properties carried windstorm insurance coverage despite their location in South Florida.

The insurance policies in place for four of the Properties were scheduled to lapse beginning in August 2021. As a result, the Receiver solicited quotes from brokers to renew the policies and also to implement windstorm coverage at renewal. The Receiver elected to finance the insurance premiums given the imminent listing of the Properties which will allow greater flexibility to cancel or otherwise transfer the policies at the time of sale and avoid any refund process.

iii. Marketing and Listing Receivership Real Estate

After securing and stabilizing the Properties immediately following her appointment and subsequently obtaining Court approval for Keyes to manage the Properties, the Receiver focused

on devising a plan to market and sell the Properties that would generate the highest possible recovery for the Receivership Estate. The Receiver solicited bids from real estate professionals interested in marketing and selling the Properties, which included the filing of her Notice of Soliciting Proposals from Real Estate Professionals on July 20, 2021 (Doc. 18). The Receiver received four proposals, interviewed those prospective agents, and ultimately selected Daniel Otten with Local Real Estate Co. to serve as the listing agent based on Mr. Otten's marketing strategy and discounted commission structure.

Following his engagement, Mr. Otten and his team worked diligently to visit and inspect the Properties, utilize a professional photographer to prepare offering materials, and develop a comprehensive pricing and listing strategy. Following extensive discussions and collaboration with Mr. Otten and his team, the Receiver authorized the listing of the Properties which went live in September 2021. The Properties are listed on several listing sites as well as on the Receiver's Assets for Sale page of her website.⁴

As the Receiver and Mr. Otten's team have advised prospective buyers, the Receiver's sale of real estate is subject to compliance with relevant federal statutes as well as approval by the Court. Specifically, the Receiver must abide by 28 U.S.C. 2001(b) which not only requires that any sale of real estate must be approved by the Court and supported by three independent appraisals, but also requires that the Receiver publish notice of the sale in a local newspaper for at least ten days before any sale may be confirmed and allows an interested third-party to submit a "bona fide offer" which guarantees at least a 10% increase over the proposed sale price during the ten-day period following publication of the notice. Unless otherwise warranted, the Receiver

⁴ See www.propertyreceivership.com/assets-for-sale

intends to abide by these requirements and will seek Court approval of any sale of the Properties pursuant to 28 U.S.C. 2001. The Receiver will also post a copy of any sale motion on her website.

The listings have generated significant demand from prospective buyers, and the Receiver will continue to work with Mr. Otten and his team to evaluate these offers, negotiate and/or respond if warranted (as further explained below), and ultimately enter into a Purchase and Sale Agreement that will be presented for the Court's approval. As of the date of this Interim Report, the Receiver is currently under contract to sell four of the Properties and intends to file the corresponding sale motions in the near future when appropriate.

iv. Analyzed Various Documentation and Worked With Retained Forensic Accountant

Following her appointment, the Receiver's counsel visited the storage unit containing the contents of the Receivership Entities' previous office and took possession of various computer hardware and hard copy documents including what appeared to be investor files. The Receiver subsequently received Court approval to engage E-Hounds to assist in the imaging and preservation of the computer hardware and transfer the data to a review platform. After receiving a quote of \$8,000 from a copy service to image the large quantity of hard copy documents, the Receiver was able to use her law firm's in-house office services team to scan the documents at no cost to the Receivership. The Receiver also issued subpoenas to financial institutions and third parties that provided services to the Receivership Entities and ultimately received a significant amount of responsive documents. Indeed, the production from Chase Bank alone (which maintained the various bank accounts for the Receivership Entities) was nearly 14,000 pages.

The Receiver is currently reviewing company records and third-party productions in order to (i) understand the Receivership Entities' business operations and relationships prior to her appointment; (ii) identify any potential assets that belong to the Receivership Entities; and (iii)

identify and analyze investor transactions. Given the Commission's allegations of "extensive commingling of investor funds," the Receiver sought and obtained Court approval to retain Kaufman & Company, P.A. ("Kaufman") to provide forensic accounting and tax services to the Receiver. The Receiver has asked Kaufman to prioritize the analysis of the bank accounts and assembly of an investor roster showing the amounts raised from and distributed to each investor. As set forth further in Section III.B.iv below, Kaufman has provided the Receiver with its preliminary findings on the "extensive commingling" alleged to have taken place within the Receivership Entities' bank accounts.

The Receiver also continues to investigate any potential claims the Receivership Estate may have against any third-parties based on funds transferred to those third parties or services provided by those third parties.

v. **Analyzed Potential Framework For Claims Process**

As previously detailed in her First Interim Report, the Receiver continues to prioritize devising procedures and a framework to implement a Court-approved claims process that can return assets to investors and other interested parties with approved claims. The Receiver is working with Kaufman to assemble a record of all investor transactions, which will in turn enable her to preliminarily identify the universe of investors which appear to have suffered losses. The Receiver understands from conversations with investors that they believed they were investing in a specific property (or properties) and thus have inquired how the Receiver intends to treat those investors in a claims process. The Receiver has advised those investors that she is working with her forensic accounting professionals to understand how the Receivership Entities treated and used investor funds, and that determination will then guide her in proposing a claims process for the Court's review. The Receiver still believes she will be able to file a motion with the Court seeking approval of a claims process by **December 31, 2021**. That motion will be posted to the Receiver's

website, and any interested parties seeking to convey their position to the Court may do so within two weeks of the motion's filing (pursuant to the Court's rules).

vi. Continued Outreach with Investors And Interested Parties

The Receiver and her counsel have been in contact with a number of investors and interested parties since her appointment. This has included the mailing of two letters summarizing the status to investors' last known mailing address as well as fielding numerous calls and emails. The Receiver appreciates the information provided by those parties. The Receiver has also worked to establish an informational website that would provide relevant court documents, news, and other updates for investors and interested parties. The Court approved the Receiver's request to retain K. Tek Systems to develop, host, and maintain an informational website, and the Receiver subsequently worked with K. Tek to develop a website located at www.propertyreceivership.com that went live in July 2021. The website also contains information on assets currently for sale by the Receiver (including the Receivership Properties) as well as a link for investors and interested parties to submit their contact information to the Receiver.

B. The Receiver's Preliminary Findings From Her Ongoing Investigation

The Receiver continues to locate, gather, and review company documents and other responsive records as part of her investigation. This has included the identification and review of company documents located in the storage unit, the imaging and review of documents stored in several computers previously used by the Receivership Entities, and obtaining documents from various third parties through subpoenas or other requests. This process has been complicated by the fact that Defendants do not appear to have maintained complete, current, and separate books and records for the various businesses operated by the Receivership Entities. Indeed, the Receiver's current investigation suggests that corporate formalities of those various businesses were routinely disregarded. The Receiver also understands that Defendants Brodman and Nicolosi

have previously asserted their Fifth Amendment right against self-incrimination during the Commission's investigation and it has been communicated through their respective counsel that Mr. Brodman will continue to assert those rights during the Receiver's investigation. The Receiver and her team have worked tirelessly and proactively to push through these obstacles.

i. The Equinox and Property Income Investors Offerings

a. The Equinox Offering

On or around November 14, 2012, Equinox was formed by Jeffrey Rosenfeld and David Cohen. On or around December 11, 2012, Equinox Holdings filed a Form D Notice of Exempt Offering of Securities with the Commission indicating it intended to raise up to \$20 million in an offering that was purportedly exempt from registration pursuant to Rule 506. The Receiver has seen several connections between Equinox and a company named Medical Connections Holdings, Inc. ("MCH"), including that (i) Jeffrey Rosenfeld previously served as the CEO of MCH, (ii) Defendant Nicolosi at one point served as the President of MCH, and (iii) several previous investors in MCH subsequently invested in Equinox.

As set forth in a Private Placement Memorandum dated January 17, 2013 (the "Equinox PPM"), Equinox told prospective investors it sought to capitalize from identifying and investing in "distressed and opportunistic real estate investments." The Equinox PPM indicated it was seeking to raise up to \$7 million from investors, of which up to 10% of the proceeds would be used to compensate licensed broker/dealers for their efforts, and the vast majority of the proceeds would be used for "real estate acquisition development." The PPM described two "targeted acquisitions" consisting of large parcels of undeveloped land that Equinox sought to purchase and subsequently develop with proceeds from the offering.

During that time period, Mr. Brodman was listed as Equinox's Chief Operating Officer and Director while Theodore Grothe was listed as the Vice President, Secretary, and Director.⁵ Mr. Rosenfeld resigned from Equinox later in 2013,⁶ and Mr. Brodman is listed as the company's CEO in its 2013 amended annual report.⁷ As of the February 2016 annual report, Mr. Brodman was the only listed officer and director for Equinox.⁸

The Receiver has obtained bank records for three bank accounts maintained by Equinox dating back to June 2013. Based on the Receiver's preliminary investigation, it appears that Equinox raised at least \$3 million from at least 35 investors as early as November 18, 2012, and that Equinox continued to raise funds from investors as recently as August 2020. Although Equinox does appear to have used a portion of those funds to purchase real estate, it appears that a significant portion of the \$3 million was not used for the purchase of real estate. Moreover, although Equinox has not owned any real estate since February 2015, it appears that at least \$1 million has been raised from Equinox investors from that time to the Receiver's appointment. This investigation remains ongoing.

b. The Property Income Investors Offerings

In March 2016, Brodman formed PII. Brodman subsequently formed at least 10 entities between December 2016 and June 2019 that each contained "Property Income Investors" in the

⁵<http://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2013%5C0906%5C00195349.Tif&documentNumber=P12000094600>

⁶<http://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2013%5C1115%5C53565093.Tif&documentNumber=P12000094600>

⁷<http://search.sunbiz.org/Inquiry/CorporationSearch/GetDocument?aggregateId=domp-p12000094600-0a7d4e41-25ed-485b-a8ff-a26d32f50db3&transactionId=p12000094600-464d4b95-cc3d-49f7-82a3-b7b539b9ab37&formatType=PDF>

⁸<http://search.sunbiz.org/Inquiry/CorporationSearch/GetDocument?aggregateId=domp-p12000094600-0a7d4e41-25ed-485b-a8ff-a26d32f50db3&transactionId=p12000094600-494ca438-0bf0-4b90-96a2-5f9d7fba3024&formatType=PDF>

name followed by a specific number (which in most cases appears to have been a reference to the street number of a specific property).⁹ These entities were formed for the purpose of purchasing specific real estate parcels

No later than 2016, the Receiver understands that prospective investors were targeted to invest in PII (or related entities) through “cold calls” made by Brodman, Nicolosi, and apparently other sales agents working at Nicolosi’s direction. From speaking with investors, the Receiver has been told that the “cold calls” touted specific property(ies) that had been or would be purchased and promised annual returns ranging from 5% to 10% (with some investors being promised even higher returns). Specifically, investors were told that they would receive returns derived from the Receivership Entities’ renovation and ownership of multi-family properties consisting of (i) 70% of the net rental profits (with Brodman receiving the remaining 30%), and (ii) 50% of the profits when the property was sold (with Brodman receiving the remaining 50%). Investors were assured that there was minimal risk and little to no downside associated with the investments.

The Receiver has identified private placement memorandums that were prepared by several of the Receivership Entities, including a September 2016 private placement memorandum prepared for PII (the “PII PPM”).¹⁰ The PII PPM indicated to prospective investors, among other things, that:

- PII would “use the net proceeds from this offering to acquire property and for general working capital purposes”;
- Cash commissions of up to 10% of the raised proceeds would be paid to any “licensed broker/dealers” assisting in the offering;

⁹ For example, PII 26 was formed in December 2016 and listed Mr. Brodman as the manager. In or around December 28, 2016, PII 26 paid \$495,000 to purchase a seven-unit multifamily residential property located at 26 Wisconsin St., Lake Worth, FL 33461.

¹⁰ As discussed below in Section V.B., it does not appear that the PII PPM was provided to a significant number of investors.

- Officers (i.e., Defendant Brodman) “will not receive a salary or management fee,” but rather would be entitled to 30% of the Company’s net income (or loss) from operations as well as 50% of the Company’s gains (or losses) from the sale of any property.
- Investors holding Class B membership interests would be entitled to their pro rata share of 30% of the Company’s net income (or loss) from operations as well as 50% of the Company’s gains (or losses) from the sale of any property.
- “Investors should not purchase our Class B membership interests if they need or expect to receive quarterly distributions.”
- “We will use debt financing to acquire most of our properties. Lenders will place mortgages on these properties.”
- “We expect to incur operating losses in future periods because we expect to incur expenses which will exceed revenues for an unknown period of time.”

The “Use of Proceeds” section further specified that, assuming \$4 million was raised during the offering, \$3.6 million would be used to make real estate acquisitions and the remaining \$400,000 would be used for working capital. The section further indicated that PII “reserve[s] the right to modify the use of proceeds as we deem fit at our sole discretion.”

The Commission has alleged that although PII raised at least \$9 million from investors, only \$4.1 million – less than 50% - was actually used to purchase real estate. When factoring in purported renovations, it appears that the total cost and renovation of for all purchased properties (including the Properties) was approximately \$5 million. Although the Receiver only recently obtained approval to retain a forensic accountant, the Commission’s allegations appear to be consistent with a preliminary review of the documents and financial statements in the Receiver’s possession. Thus, it does not appear that the representations in the PII PPM that 90% of investor funds would be invested in real estate were accurate.

ii. Nearly \$2 Million Was Paid To Company Insiders Including Brodman

A significant percentage of funds raised from investors were paid to company insiders – including Brodman. According to payroll records from ADP, Brodman received at least

\$1,206,302 in Form 1099 compensation from 2014 to 2020 (excluding compensation paid during 2019, which was not included in the provided records). The Receiver has also seen evidence that Brodman made significant withdrawals from various bank accounts belonging to the Receivership Entities in the past year. The companies' primary administrative employee, Cindy Lieberman, also received nearly \$500,000 in salary during the same period – including a salary of \$93,900 in 2019 and \$107,000 in 2020.

From 2019 to 2021, it appears that nearly \$500,000 was transferred from various company bank accounts to a bank account owned by LBB Maintenance & Repair, LLC (“LBB”), a company owned by Brodman. Despite the name of the company suggesting it was in the business of maintenance and repair, it appears that LBB's primary purpose was as a conduit for funds transferred from the PII Entities to then be transferred to Mr. Brodman or for his benefit. A significant portion of funds transferred to LBB were then sent to Brodman's personal account where they were then used for Brodman's personal benefit including the payment of a mortgage, monthly lease payments for a Maserati, and other expenses.

These regular and recurring distributions to Brodman are contrary to representations in the PII PPM that “Mr. Brodman will not receive any compensation or management fee while overseeing the Company's operations,” and several investors have also indicated that they were told this by Mr. Brodman or other sales agents. A subsequent section of the PII PPM confirmed that “[o]ur officers will not receive a salary or management fees.” Rather, Mr. Brodman “would be allocated Class A Membership interests which would entitle him to 30% of the Company's net income (or loss) from operations and 50% of the Company's gains (losses) from the sale of any property.”

The Commission has alleged that approximately \$1.04 million was generated in **gross** rent payments during the Relevant Period (spanning over seven years), which would have entitled Brodman to at most approximately \$312,000 as his share of rental payments during that span. This of course does not account for any other expenses incurred during the companies' operations, which would serve to correspondingly reduce the amount owed to Brodman (and investors). As for the proceeds of property sales, the Commission has alleged (and the Receiver has not seen any contrary information) that no property sale proceeds were distributed to investors during the Relevant Period. Instead, it appears that many investors were encouraged to "roll over" their profits from a property sale into another PII entity. Accordingly, based on the representations to investors, Brodman would have been entitled **at most** to \$312,000 (and likely less, after expenses) during the seven-year Relevant Period – an amount that is dwarfed by the \$500,000 in transfers that was transferred to LBB alone from 2019 to 2021.

iii. The Use Of Sales Agents To Solicit Investors And Payment Of Transaction-Based Compensation

As referenced above, the Receiver has seen evidence that the Receivership Entities frequently used sales agents to solicit prospective investors in the various Receivership Entities. These sales agents include Defendant Brodman, an individual who appears to be Mr. Brodman's relative, Defendant Nicolosi, and several other individuals that were apparently affiliated with Nicolosi's company CMP. In a previous filing with the Commission, CMP was described as "a brokerage firm" and listed Nicolosi as its CEO.¹¹ Of note, several of the sales agents affiliated with CMP appear to have used fictitious names when communicating with prospective investors.

¹¹ See https://www.sec.gov/Archives/edgar/data/1140303/000135448811001230/mcth_10ka.htm

It appears that these sales agents primarily contacted prospective investors through the use of “cold calls” based on lead lists purchased from third parties.

The Receiver has not seen any evidence that any sales agents held the requisite licenses to sell securities. The Receiver has learned that Defendant Nicolosi (when he was known as Anthony Peluso) was barred from the securities industry in June 2001 for engaging in high-pressure sales tactics and making misrepresentations to customers. In June 2003, Mr. Peluso changed his name from Anthony Joseph Peluso to Anthony Joseph Nicolosi. In 2010, Mr. Nicolosi was the subject of a cease and desist order from the Alabama Securities Commission based on his role in soliciting investors in a different company and his misrepresentations and omissions concerning his previous industry bar and name change.¹²

After making these “cold calls,” those agents – either themselves or through an administrative employee at PII – sent correspondence (typically by email) to those prospective investors containing information on the proposed investment. This correspondence usually consisted of a short description and potential returns of the specific property investment, an attachment containing pictures and projections for the property, and a “Subscription Booklet” containing instructions to complete an investment. Of note, while the “Subscription Booklet” instructed interested investors to complete the attached Subscription Agreement and Operating Agreement, the vast majority of the Subscription Booklets distributed to prospective investors appear to only include the Subscription Agreement (and did not include the Operating Agreement). Further, although the Subscription Agreement provides that the “offer and sale of securities is being made in connection with the private placement memorandum,” it appears the “Subscription Booklet” often did not contain a copy of the PII PPM. The Receiver has only seen that a very

¹² See <https://asc.alabama.gov/Orders/2010/CD-2010-0062.PDF>

limited amount of prospective investors received the PII PPM (and typically only when requested by a diligent prospective investor).

Some emails were sent directly by the sales agents, including the below email sent by Defendant Nicolosi:



Anthony Nicolosi <anicolosi@propertyii.com>

R.E. Investment/ [REDACTED]

5 messages

Anthony Nicolosi <anicolosi@propertyii.com>

Thu, Apr 6, 2017 at 6:37 PM

To: keithbuckholz@gmail.com, [REDACTED]

[REDACTED]

Thanks to [REDACTED] for the introduction.

To introduce myself, I am the Director of Assets for a fund manager in Coral Springs. My job is to return 7% or better on the long term properties and 10% or better on our flips, per year. Me being a Wall St. executive for 20 years, I am able to invest my clients money along side the fund in each LLC. I am also the person that heads the buying, rehab and selling of the properties as well as management when needed.

This is the next property I am doing a full renovation on turning this into a living tropical oasis. I am extending into the patio and splitting one unit to take it from 4 units to 5 units. Square footage under air is 4610 with 12 parking spots, private gates and pool. All new interior kitchens, bathrooms, doors, impact windows, floors, AC, plumbing and electric. Remodel entire grounds including driveway, landscaping, pool and patio. Construction should take 4 months, new tenants and sale of property should take less than 6-9 months total. All details from, architect, GC, comps, rent comps, permitting have all been evaluated and prepared to start the project. We close May 5.

You can invest minimum of 25k and max 100k, the return is 22.01% net back to you within 6-9 months. Give or take 3%.

Please read over the material, write down questions and lets speak tomorrow or Monday. We have plenty more back up material about the area but I'm sure you are familiar with Delray Beach.

Anthony J. Nicolosi
Director of Assets
Property Income Investors
954-800-0879-B
561-789-2316-M
www.propertyii.com

Book 4 6 17.pdf
3395K

In some instances, the agents advertised the ability for prospective investors to use their retirement funds for the investment.

The Receiver has seen information supporting the Commission's allegations that a significant amount of investor funds were used to pay commissions to these sales agents. For

example, Nicolosi's company, CMP, received at least \$888,170 in payments from the Receivership Entities during the Relevant Period. The Receiver has also seen additional payments to other sales agents made through other bank accounts. The Receiver believes that most, if not all, of these payments were provided as compensation for the solicitation of investors to the Receivership Entities. Although Defendant Nicolosi has taken the position that at least a portion of his compensation was purportedly attributable to other non-solicitation activities, the Receiver understands that other individuals affiliated with CMP (including those who used fictitious names with prospective investors) had no duties other than soliciting investors.

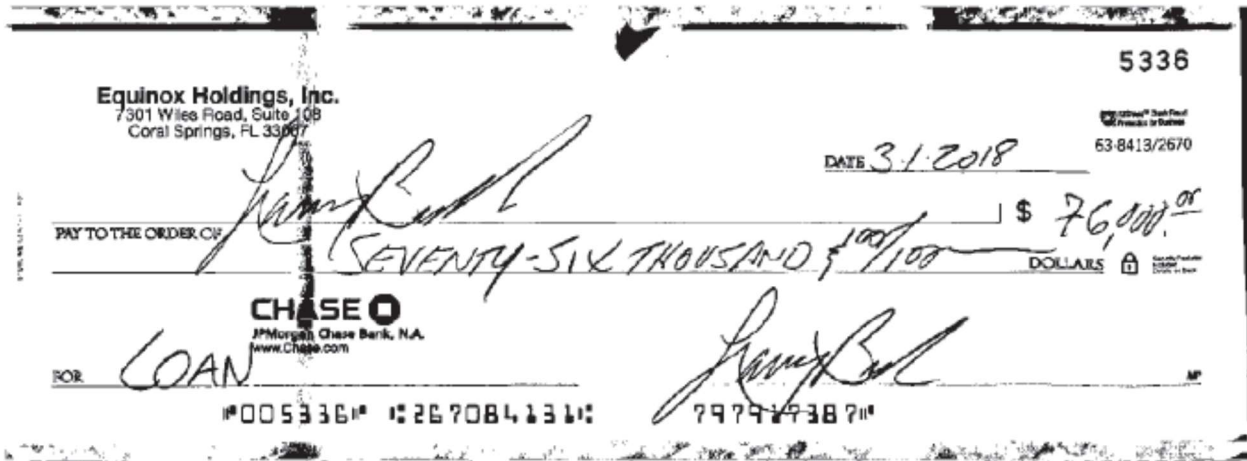
iv. Investor Funds Appear To Have Been Routinely Commingled And Used For Unauthorized Purposes For Several Years

A preliminary analysis conducted by the Receiver's forensic accountants indicates that approximately \$9 million was raised from at least 150 investors during the relevant time period. The Receiver has seen significant evidence that investor funds were routinely commingled between the Receivership Entities' bank accounts for no apparent legitimate or business purpose; rather, it appears that corporate formalities were frequently disregarded and that a Receivership Entity facing a shortfall in currently-available funds would regularly use funds from other Receivership Entities as needed. The Receiver has asked her forensic accountants whether it would be feasible to essentially "unwind" these various transactions and to attempt to treat each entity separately. Although that inquiry remains ongoing, the Receiver has been informed that it would be significantly time-intensive (and costly) to attempt to reconcile material differences between the reported intercompany obligations owed among the companies, and that even after completing such a task it would still be uncertain whether the entities would be able to be treated as independent companies.

The Receiver has also seen a troubling pattern of investor funds being routinely misused or misappropriated as early as 2018 (and perhaps earlier). For example, investor J.R. made an investment of \$501,000 with Equinox Holdings in January 2018, of which \$487,000 was deposited into Equinox's bank account ending in x7387 (the "Equinox Account") on January 23, 2018 and the remaining \$13,000 was deposited into the same account on January 30, 2018. Prior to the initial deposit on January 23, 2018, the balance of the Equinox Account was less than \$1,000. From January 23, 2018 to March 7, 2018, less than \$500 in other deposits were made to the account. During that period, the following activity took place in the Equinox Account:

- \$101,200 in checks were written to Capital Market Partners, Defendant Nicolosi's company;
- \$112,000 in checks were written to Defendant Brodman;
- \$82,000 was transferred to a different Equinox Holdings bank account which was used to make payments of \$77,162.50 to four investors;
- Various purchases that did not appear to be business expenses, including transactions at Best Buy, NYY Steakhouse, Dolphin Stadium, and Boston's on the Beach; and
- At least \$10,500 in withdrawals.

Of the \$112,000 in checks that were written to Brodman, one check for \$76,000 dated March 1, 2018 was deposited into his personal account with the notation "Loan" in the memo:



The proceeds from this “loan” were apparently used (i) to make payments of approximately \$70,000 to the U.S. Treasury/IRS, (ii) to make a \$6,719.15 purchase at “Teacups Puppies and Boutiques,” and (iii) a \$3,000 payment on Brodman’s home mortgage. The Receiver has not seen any indication this “loan” was repaid or any documentation one would expect in an arm’s length transaction.

In another example, PII 26 purchased a property located at 417 N. E St., Lake Worth, FL in May 2018. After that sale had closed, several additional investor deposits totaling \$175,000 were deposited into PII 26’s bank account (the “PII 26 Account”) in June 2018.¹³ The PII 26 Account had a beginning balance in June 2018 of \$1,958.50. During the following month, over \$150,000 was transferred from the PII 26 Account to PII’s bank account (the “PII Account”). Prior to these deposits, the PII Account had a beginning balance in June 2018 of less than \$1,000. Following receipt of these transfers from the PII 26 Account, the PII Account made the following transfers:

- \$102,436.82 to the Equinox Account;
- \$12,272 to an account belonging to PII 9007;

¹³ Indeed, at least one wire transfer in the amount of \$50,000 specifically includes the address for the 417 Property in the wire details.

- \$14,000 to an account belonging to PII 201;
- \$18,500 to an account belonging to PII 304; and
- \$6,000 to an account belonging to PII 3504.

The \$102,436.82 transferred to the Equinox Account (which had a beginning monthly balance of \$2,637.18) was used to make the following transactions:

- A purchase of \$795.00 at the “Palm Beach Equine Clinic” and a purchase of \$1,036.23 at Dolphins Stadium.
- Nearly \$50,000 in checks to Capital Market Partners, Defendant Nicolosi’s company;
- Over \$30,000 in checks to Mr. Brodman; and
- \$1,036.23 to “Jetblue Vacations.”

In short, it appears that very little – if any – of the investor deposits in the PII 26 account during the June 2018 timeframe were used for any purpose relating to the 417 Property.

In early August 2020, at the same time that the Commission issued a subpoena to Defendant Brodman and the Receivership Entities, Brodman apparently reached out to investor J.R. – the same investor that had made the \$501,000 investment referenced above – about an “opportunity that had come up” that required additional funds to close on a property. Based on those representations, J.R. agreed to make an additional \$400,000 investment (consisting of retirement funds) that were deposited into the Equinox Account on August 5, 2020.¹⁴ Prior to that \$400,000 deposit, the Equinox Account had a balance of \$2,756.65. On the day of the \$400,000 deposit, the Equinox Account made the following transfers:

- \$99,000 to an account belonging to PII;
- \$22,000 to an account belonging to PII 26;

¹⁴ Based on the Receiver’s review of records, it appears this deposit was made the day after a credit card for the Receivership Entities was used for a \$3,000 charge to Mr. Brodman’s attorney.

- \$52,000 to an account belonging to PII 304;
- \$16,000 to an account belonging to PII 9007;
- \$13,000 to an account belonging to PII 4450; and
- \$27,500 to an account belonging to Property Income Investors Holdings, LLC.

Despite Brodman's representations to investor J.R. that the \$400,000 investment would be used to purchase a property, the bank statements show that **none of the funds were used to purchase any real estate.** Instead, at that time, the Receiver understands that quarterly distributions to investors for the first quarter of 2020 were several months overdue and that distributions for the second quarter of 2020 were currently due. Records reviewed by the Receiver indicate that at least \$125,000 traceable to the \$400,000 deposit were used to pay overdue quarterly distribution checks to investors. **In other words, money from new investors was used to pay purported distributions to existing investors that was represented to be income from operations.** Brodman also diverted (i) at least \$46,000 traceable to the \$400,000 deposit to the LBB Account which he controlled; (ii) \$15,000 to make payments towards an overdue company credit card; and (iii) at least \$30,000 to other Receivership Entities. The Receiver is continuing to investigate these circumstances.

v. **Over \$50,000 Of Investor Funds Were Recently Lost When Brodman Forfeited A Real Estate Purchase Deposit**

The Receiver discovered that, in January 2021 and February 2021, the PII 26 Account wired a total of \$55,000 to a law firm that Brodman had frequently used to handle real estate transactions on behalf of the Receivership Entities. Further investigation showed that these transfers were a deposit for the purchase of a single-family residential property containing a horse barn and stalls located in Parkland, Florida. It appears that Brodman intended for this property to be purchased by PII 26 using a loan that would be collateralized both by the property being

purchased **and** the 3050 Property that had recently been purchased in August 2019 by PII 304. The 3050 Property had been purchased free-and-clear, and this cross-collateralization would have significantly encumbered the property and thus diminished the value of any PII 26 investments. In addition, the purchase of a single-family residential property (with a horse barn and stables) is inconsistent with the representations to investors that PII would use their funds to purchase residential multi-family properties for renovation, leasing, and resale.

The day before the transaction was scheduled to close, Brodman informed his realtor that he would not be able to close the transaction. As a result, the \$55,000 in investor funds that were being held as a deposit were forfeited to the seller and thus lost. There is no indication these losses were disclosed to investors.

IV. THE NEXT QUARTER

A. Investigation

Based on the Receiver's preliminary investigation, it appears that the Properties (together with the \$1.15 million in recovered recent sales proceeds) represent the largest (and likely sole) assets of material value that are attributable to investor funds. With the assistance of her retained professionals, the Receiver will continue to interview third parties and gather and review relevant documents from the Receivership Entities and third parties. It will be necessary to obtain and review all such documents in order to complete an understanding of the operation of the various Receivership Entities, the flow of funds through and for the benefit of those Receivership Entities, to identify any additional sources of recovery, and to prepare an accounting. The Receiver continues to work diligently on this task, but without knowing the volume of documents she expects to receive, it is difficult to estimate the time needed for completion.

The Receiver's investigation will also focus on identifying relevant documentation to allow her forensic accountants to complete an analysis of all investor transactions, a necessary task to

assess and administer investor claims. In the course of reviewing, analyzing, and compiling this information, the Receiver may also request that certain investors provide copies of relevant documentation evidencing their relationship with the Receivership Entities.

The Receiver will continue to attempt to locate additional funds and other assets and may institute proceedings to recover assets on behalf of the Receivership Entities. In an effort to more fully understand the conduct at issue and in an attempt to locate more assets, the Receiver will continue to conduct interviews and/or depositions of parties and third parties who may have knowledge of the fraudulent scheme.

B. Maintaining, Marketing And Selling Receivership Properties

The Receiver and her team continue to devote significant time to working with her real estate agent to market and liquidate the Properties. The Properties were listed for sale in September 2021, and the Receiver understands there has been significant interest from potential buyers. The Receiver will continue to work with her real estate professionals to prioritize offers that offer the greatest potential recovery for the Receivership Estate. Pursuant to the Order Appointing Receiver, the Receiver is required to obtain Court approval for any proposed sale of the Properties and the approval process is governed by several federal statutes. This process includes obtaining several valuations of the subject property demonstrating the sufficiency of the proposed sale price as well as publishing a notice of the proposed sale in a local newspaper that will allow an interested third party to submit a “bona fide offer” that is at least 10% higher than the proposed sale price. *See, e.g.*, 28 U.S.C. §§2001, 2004. As of the date of this Interim Report, the Receiver is currently under contract to sell four of the Properties and intends to file the corresponding sale motions in the near future when appropriate. Any interested parties are encouraged to visit the Receiver’s Assets for Sale section of her website which contains the listing information for each of the available Properties.

The Receiver will continue to work with Keyes to ensure that the remaining Properties are maintained and managed.

C. Formulation and Submission Of Claims Process For Court Approval

The Receiver has prioritized the process of returning investor funds as soon as possible through a Court-approved claims process. As referenced above, the Receiver and her professionals are working to complete a preliminary analysis of individual investor accounts both with Equinox and PII. Once that analysis is complete, the Receiver anticipates seeking Court approval for the parameters and framework for a claims process that will subsequently allow the Receiver to begin making Court-approved distributions to investors holding approved claims. The Receiver still plans to file her motion seeking approval of a claims process **by December 31, 2021**, which will be available on her website. In the event that the Court approves the proposed claims process framework, the Receiver will then proceed with distributing proof of claim forms to potential claimants, reviewing completed claim forms submitted by a to-be-determined deadline, and ultimately asking the Court to approve her determinations of those submitted claim forms and authorize an initial distribution. The Receiver continues to prioritize the return of funds to investors as expeditiously and efficiently as possible.

D. Third Party Claims

The Receiver has started to analyze the existence and viability of potential claims against third parties that may have received payments or transfers to which they were not entitled to receive or persons or entities that provided services to or otherwise improperly benefitted from their affiliation with the Receivership Entities. It is too early to estimate whether or not the Receiver will bring any such claims or whether any claims will result in any recovery to the Receivership Estate. In proceeding with these determinations, the Receiver intends to consider a number of factors including the cost-benefit analysis of bringing any potential claim. Thus, the Receiver is

not yet able to predict the likelihood, amount or effectiveness of any particular claim or the claims as a whole. The Receiver may, however, plan to first offer those who are required to return money to the Receivership Estate the opportunity to do so cooperatively in an effort to avoid costly litigation for all involved. The Receiver intends to seek Court approval before instituting any such third-party actions.

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY PC

/s/ Raquel A. Rodriguez

Raquel A. Rodriguez, Esq. (FBN 511439)

One Biscayne Tower

2 S. Biscayne Blvd, Suite 1500

Miami, FL 33131-1822

T: 305-347-4080

F: 305-347-4089

raquel.rodriguez@bipc.com

and

BUCHANAN INGERSOLL & ROONEY PC

By: /s/ Jordan D. Maglich

Jordan D. Maglich, Esq. (FBN 0086106)

401 E. Jackson St., Suite 2400

Tampa, FL 33602

T: 813-222-1141

F: 813-222-8189

jordan.maglich@bipc.com

Attorneys for Receiver,

Miranda L. Soto

CERTIFICATE OF SERVICE

I hereby certify that on November 1, 2021, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system which will send a Notice of Electronic Filing to the following counsel of record:

Alice Sum, Esq.
Securities and Exchange Commission
801 Brickell Avenue, Suite 1950
Miami, Florida 33131
*Counsel for Plaintiff, Securities and
Exchange Commission*

Mark C. Perry, Esq.
2400 East Commercial Blvd., Ste 201
Fort Lauderdale, Florida 33308
*Counsel for Defendant, Anthony
Nicolosi, f/k/a Anthony Peluso*

I further certify that on November 1, 2021, a true and correct copy of the foregoing was sent via electronic mail to the following:

Carl F. Schoeppl, Esq.
Schoeppl Law, P.A.
4651 North Federal Highway Boca
Raton, Florida 33431-5133 Telephone:
(561) 394-8301
Facsimile: (561) 394-3121
E-mail: carl@schoeppllaw.com
Counsel for Defendant Larry Brodman

Larry Brodman
E-mail: larrybro58@gmail.com

/s/ Jordan D. Maglich
Attorney