

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  
NICOLSI (f/k/a ANTHONY PELUSO),

Defendants.

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**RECEIVER'S FIRST 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 First Interim Report.

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## **I. INTRODUCTION**

Miranda L. Soto, Esq., solely in her capacity as Receiver (the “Receiver”) for Defendants 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 First Interim Report to inform the Court, investors, and interested parties of the significant activities undertaken to date 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 received Court approval to retain a vendor to establish an informational website at [www.propertyiireceivership.com](http://www.propertyiireceivership.com) which will be operational in the coming weeks and will be 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 (June 15, 2021 through June 30, 2021), the Receiver and her counsel have engaged in significant activities including but not limited to:

- Interviewed numerous individuals, personnel and service providers involved with the Receivership Entities, including Defendants Brodman and Nicolosi, 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;
- Gained entry to, secured, and inventoried a storage unit containing the contents of an office previously used by the Receivership Entities in Coral Springs, Florida, including documents and computers located in that office;

- Identified, secured, and froze 12 bank accounts previously used by the Receivership Entities at JP Morgan Chase Bank, N.A., obtained account statements and other documentation, and begun analyzing account activity and flow of funds;
- Identified approximately \$1.125 million being held in escrow for the benefit of one or more Receivership Entities at a Boca Raton, Florida law firm and arranged for the transfer of those funds to the Receiver's law firm trust account pending opening of fiduciary bank accounts;
- Identified real estate parcels currently and previously owned by Receivership Entities (the "Properties") and took continuing steps to secure and safeguard those assets, including analysis of status of outstanding mortgages, taxes and liens, research into utility status and obligations, verification of property and casualty insurance, and identification of pending or past-due code enforcement issues. Where necessary, the Receiver through her law firm also advanced funds to cover outstanding and owing expenses;
- Visited each of the properties owned in the names of the Receivership Entities and engaged in extensive communication with the current tenants, including providing notification of the Receiver's appointment and the need to continue to make required rent payments in addition to providing a dedicated email address where tenants can send notices or request help;
- Engaged in discussions with property tenants regarding necessary repairs and utility interruption issues and, where necessary, taking action to address these issues;
- Identified approximately \$70,000.00 in outstanding and overdue real estate tax obligations for several of the Properties, including the sale of tax certificates that will require redemption;
- Interviewed and solicited proposals from professionals to assist the Receiver with executing her duties under the Order Appointing Receiver, including information technology, forensic accounting, and tax;
- Interviewed several property management companies to assist in managing the Properties, ultimately sought and received Court approval to retain Keyes Property Management to provide property management services, and engaged in extensive communications with tenants and Keyes to ensure smooth transition;
- Begun process of obtaining and opening bank accounts for each of the Receivership Entities;
- Identified, reviewed, and secured company documents, including investor files and records of corporate ownership and structure;
- Begun her review of potential claims to recover investor assets wrongfully misappropriated and/or fraudulently transferred;

- Served the Order Appointing Receiver on 20 individuals and entities who the Receiver determined may have assets and/or records belonging to Receivership Entities;
- Served four subpoenas on parties and non-parties seeking documents related to their role and relationship with Receivership Entities;
- Identified litigation initiated by investor in Receivership Entities and contacted investor counsel regarding litigation stay provisions set forth in Order Appointing Receiver;
- Identified mortgage and servicing entities for several Properties and engaged in discussions with counsel for servicing company regarding past due loan payments and deferral of foreclosure actions pursuant to Order Appointing Receiver;
- Fielded calls from investors, interested parties, tenants, and potential purchasers and brokers;
- Obtained control of the company's website ([www.propertyii.com](http://www.propertyii.com)); and
- Taken steps to secure the domain name of [www.propertyiireceivership.com](http://www.propertyiireceivership.com) that, when operational, will serve as an informational website for investors and other interested parties.

The above referenced activities are discussed in more detail in the pertinent sections of this Interim Report. The Receiver and her professionals have continued their diligent work in the time that has elapsed following June 30, 2021, and details of those activities will be included in this report where necessary and instructive.

## **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") alleging that Defendants Larry Brodman, Anthony Nicolosi f/k/a Anthony Peluso, and the Receivership Entities violated the Securities Act of 1933 and the Securities Exchange Act of 1934 by engaging in a series of unregistered fraudulent securities offerings that involved false or materially misleading representations to investors and which ultimately resulted in the misuse or misappropriation of over \$2 million of investor funds. Doc. 1.

According to the Complaint, the series of unregistered fraudulent securities offerings were conducted on behalf of 11 companies controlled by Receivership Entity Property Income Investors, LLC (“PII”) and Defendant Brodman. Those companies, whose names typically consisted of the phrase “Property Income Investors” and the street number of the property which was being purchased (i.e., Property Income Investors 1361, LLC), comprise the Receivership Entities along with PII. *Id.* ¶ 2. Investors 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. Defendants told prospective investors 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. *Id.* Indeed, many investors were told that they could expect to receive annual returns of or around 7.5% which would be paid in quarterly distributions. *Id.* ¶ 44. In total, PII and Brodman raised at least \$9 million from January 2016 to September 2020 (the “Relevant Period”). *Id.* ¶ 2.

Although some investor funds were used to purchase various properties in the South Florida area, the Commission alleges that investor funds were frequently commingled with funds from other Receivership Entities. *Id.* ¶ 4. The Commission also alleges that PII and Brodman misused approximately \$1.2 million in investor funds by paying undisclosed sales commissions to unlicensed sales agents, including Defendant Nicolosi. *Id.* Brodman also allegedly diverted over \$1 million in investor funds to his personal account. Finally, at least \$500,000 in investor funds were used to make purported payments of profits or distributions to other investors. Doc. 10 ¶¶ 70-71.

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). The Receiver has commenced with her initial investigation and has also taken a number of actions to preserve and safeguard Receivership documents and assets.

**B. The Receivership Process And The Receiver’s Role and Responsibilities**

At the Commission’s request, the Receiver submitted a proposal outlining her willingness to serve as a Receiver in this matter and indicating that she and the attorneys she intended to retain would provide a discount ranging from 20% - 30% from their standard hourly rates charged to clients. The Receiver serves as an independent agent of the Court and does not work for the Commission or any other government agency. Pursuant to the Order Appointing Receiver, the Court has directed 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.

As contemplated by the Order Appointing Receiver, the Receiver anticipates seeking Court approval at a future point in time for the institution of an equitable claims process for the benefit



of Kinetic Funds investors who have been victimized and suffered legitimate losses as a result of Defendants' actions, as well as other third-party vendors and/or creditors.

As described further in Section VI.B, the Receiver has already taken possession of assets and funds owned by the Receivership Entities and is in the process of determining whether any additional assets and funds may be identified and obtained. The assets secured by the Receiver largely include the Properties, and the Receiver has already begun working on the process to liquidate the Properties in a manner designed to be most cost-effective and beneficial for defrauded investors.

It is the Receiver's goal to, at the appropriate time and likely **by the end of this calendar year**, file a motion asking the Court to establish a claims process for the distribution of funds to creditors, including defrauded investors. As part of that process, she will seek Court approval of a proof of claim form and procedures for providing notice of the claims process to known and potential creditors, including publication in local and perhaps national newspapers and other media. The Receiver will ask the Court to establish a claims bar date by which all claimants will be required to serve their proof of claim forms on the Receiver, who will then evaluate the claims.

After the Receiver completes her evaluation of all timely received claims, she will present her determinations to the Court and ask the Court to approve them on an interim basis. She will then serve notice of her determinations on the claimants, who will have an opportunity to object to the Receiver's determinations through specific procedures approved by the Court and consistent with due process requirements. In the Receiver's experience, most objections can be resolved or settled using such procedures, but if any objections cannot be resolved, they will be presented to the Court for resolution. Through this process, the Receiver intends to propose and establish groups

or classes of creditors with approved claims and corresponding levels of priority that are entitled to receive distributions from the Receivership Estate.

Once the claims process has been completed or substantially completed, the Receiver will evaluate the amount of cash available for distribution and move the Court to approve a first interim distribution to claimants with approved claims. If material claim objections are pending at the time the Receiver determines a distribution is appropriate, among other options, she may move the Court to establish reserves for the claims at issue so they do not impair the Receiver's ability to make a distribution to claimants with undisputed claims. The Receiver anticipates making multiple distributions as assets become available, subject to cost/benefit concerns. When the Receiver determines there are no more assets to collect or claims to pursue, she will move the Court to make a final distribution to claimants and to close the Receivership.

The Receiver will also file a final report and accounting. While the procedures outlined above are generalized and are subject to change as the Receiver learns more about the defendants and Receivership Entities, the Receiver is hopeful that these procedures and safeguards will allow her to return assets to creditors, including defrauded investors, in an efficient and cost-effective manner.

**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 34<sup>th</sup> 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 4<sup>th</sup> 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. 30<sup>th</sup> 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 37<sup>th</sup> 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 116<sup>th</sup> 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 38<sup>th</sup> 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** 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.

### **III. OVERVIEW OF RECEIVER'S PRELIMINARY FINDINGS**

The Receiver is in the process of reviewing voluminous records recovered by her professionals and is also continuing efforts to obtain additional documents from third parties. This process has been complicated by several factors. First, the Receiver's appointment comes during the ongoing COVID-19 pandemic, which has resulted in delays to the Receiver's ability to timely obtain relevant documents from third parties including Defendants' banking institutions. Second, Defendants seemingly do not appear to have maintained complete, customary and separate books and records for the various businesses operated by the Receivership Entities, and it appears that corporate formalities of those various businesses were routinely disregarded. Third, the Receiver 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.

Although the Receiver's appointment occurred only two weeks before the end of the required reporting period, she and her counsel have been working diligently during that time period and thus have been able to make certain preliminary observations which are set forth below. Based on the review of some of the records (which remains ongoing) as well as interviews with employees, investors, and others, and with the caveat that these are not final determinations, the

Receiver believes they should be shared with the Court, the investors, and other potentially interested parties.

**A. 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) at least one previous investor 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. At this initial point of her investigation, the Receiver is presently unable to determine whether Equinox acquired any real estate as a result of this offering – including the two “targeted acquisitions” described in the PPM. The question thus remains whether the Equinox PPM’s representations that 90% of investor funds would be invested in real estate were accurate.

Later in 2013, Defendant Brodman was listed as the company's Chief Operating Officer in a September 3, 2013 filing with the State of Florida.<sup>1</sup> Mr. Rosenfeld resigned from Equinox later in 2013,<sup>2</sup> and Mr. Brodman is listed as the company's CEO in its 2013 amended annual report.<sup>3</sup> As of the February 2016 annual report, Mr. Brodman was the only listed officer and director for Equinox.<sup>4</sup>

Based on the Receiver's preliminary investigation, it appears that Equinox raised funds from at least 25 investors as early as November 18, 2012, and that Equinox continued to raise funds from investors as recently as August 2020.

**b. The Property Income Investors Offerings**

In March 2016, Brodman formed PII. At some point later that year, separate limited liability companies were formed with some iteration of "Property Income Investors" in the title and, it appears, were used to purchase specific real estate parcels. Brodman subsequently formed at least 10 entities between December 2016 and June 2019 that each contained "Property Income Investors" in the name followed by a specific number (which in most cases appears to have been a reference to the street number of a specific property).<sup>5</sup>

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<sup>1</sup><http://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2013%5C0906%5C00195349.Tif&documentNumber=P12000094600>

<sup>2</sup><http://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2013%5C1115%5C53565093.Tif&documentNumber=P12000094600>

<sup>3</sup><http://search.sunbiz.org/Inquiry/CorporationSearch/GetDocument?aggregateId=domp-p12000094600-0a7d4e41-25ed-485b-a8ff-a26d32f50db3&transactionId=p12000094600-464d4b95-cc3d-49f7-82a3-b7b539b9ab37&formatType=PDF>

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

<sup>5</sup> 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.

No later than 2016, the Receiver understands that prospective investors were targeted 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 was being (or had been) purchased and that investors were 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 a September 2016 private placement memorandum prepared for PII (the “PII PPM”).<sup>6</sup> The PII PPM indicated to prospective investors that PII intended “to use the net proceeds from this offering to acquire property and for general working capital purposes,” and that cash commissions of up to 10% of the raised proceeds would be paid to any “licensed broker/dealers” assisting in the offering. 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 PII raised at least \$9 million from investors during the Relevant Period of January and that the total cost and renovation of for all purchased properties

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<sup>6</sup> As discussed below in Section V.B., it does not appear that the PII PPM was provided to a significant number of investors.



(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. These allegations, if true, would also suggest that the representations in the PII PPM that 90% of investor funds would be invested in real estate were not accurate.

**B. 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.<sup>7</sup> Of note, several of the sales agents affiliated with CMP appear to have used fictitious names when communicating with prospective investors. 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

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<sup>7</sup> See [https://www.sec.gov/Archives/edgar/data/1140303/000135448811001230/mcth\\_10ka.htm](https://www.sec.gov/Archives/edgar/data/1140303/000135448811001230/mcth_10ka.htm)

investors in a different company and his misrepresentations and omissions concerning his previous industry bar and name change.<sup>8</sup>

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 investors were often not provided a copy of PII PPM in the “Subscription Booklet” they were provided by the Receivership Entities; the Receiver has only seen that a very 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:

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<sup>8</sup> See <https://asc.alabama.gov/Orders/2010/CD-2010-0062.PDF>



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]

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 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.

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

A significant percentage of funds raised from investors were used to pay salaries and other benefits 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.

These distributions to Brodman are contrary to representations in the PPI 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 PPI 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, which would have entitled Brodman to at most approximately \$312,000 as his share of rental payments. 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. 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. Accordingly, based on the representations to investors, Brodman would have been entitled at most to \$312,000 during the Relevant Period (and likely less, after expenses) – an amount that was vastly exceeded by the transfers that have been preliminarily attributed to Brodman.

**D. 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 thus 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.

**E. Investor Funds Appear To Have Been Routinely Commingled And Used For Unauthorized Purposes, Including To Make Payments To Existing Investors**

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. Although the Receiver has only recently been able to engage a forensic accountant pursuant to the Court's July 21, 2021 Order (Doc. 19), a preliminary review of the Receivership Entities' bank accounts shows a general and widespread pattern of using available funds from other bank accounts to satisfy current obligations. Indeed, there is little to suggest that the Receivership Entities observed any semblance of corporate formalities when operating the business.

This widespread commingling appears to have been present for at least several years, if not longer. For 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 deposits totaling \$175,000 from what appear to be investors were deposited into PII 26's bank account (the "PII 26 Account") in June 2018.<sup>9</sup> Prior to these deposits, 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 an account belonging to Equinox Holdings;

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<sup>9</sup> Indeed, at least one wire transfer in the amount of \$50,000 specifically includes the address for the 417 Property in the wire details.

- \$12,272 to an account belonging to PII 9007;
- \$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 Receiver has also seen evidence that new investor funds were used to make payments to existing investors – including as recently as August 2020. During the summer of 2020, an existing investor was contacted by Mr. Brodman and solicited to invest in a new property that was being purchased. Based on these solicitations, the investor made a \$400,000 investment (of retirement funds) that were deposited into Equinox’s bank account ending in x7387 (the “Equinox Account”) on August 5, 2020.<sup>10</sup> 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;
- \$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.

At the time of these transfers, the Receiver understands that quarterly distributions to investors for the first quarter of 2020 were several months overdue and that the distribution for the second quarter of 2020 was currently due. Bank records show that the \$99,000 in transfers from the Equinox Account to the PII Account – which had a beginning balance on August 1, 2020, of

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<sup>10</sup> 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.

\$177.76 – were used to fund approximately \$40,000 in overdue distributions to investors. In addition, the PII Account made over \$15,000 in payments towards an overdue company credit card and transferred an additional \$30,000 to other Receivership Entities. There is no evidence that any portion of the \$400,000 deposit was used to purchase any property. The Receiver is continuing to investigate these circumstances.

**F. The Receivership Entities' Real Estate Holdings**

At the time of the Receiver's appointment, it appears that the Receivership Entities owned seven multi-family residential properties in the South Florida area. The Receiver and her counsel immediately took steps to determine the status and condition of each of the Properties, including making contact with tenants and also ascertaining the existence of any mortgage liens, outstanding tax obligations, or other delinquencies that could threaten the property value. The Properties appear to be in good condition from these preliminary observations, and the Receiver and her counsel are not aware of any significant impairments or existing problems with the Properties. The Receiver and her counsel have also taken steps to verify that the Properties are covered by current property and casualty insurance. A brief summary of pertinent information for each property is set forth below:

1. **1361 SE 4<sup>th</sup> Street, Deerfield Beach, FL 33441** was acquired by PII 1361 on October 13, 2017 for a purchase price of \$635,000. The property has five units, and currently four units are occupied by tenants. A picture of the exterior is below:





2. **3775 NW 116<sup>th</sup> Terrace, Coral Springs, FL 33065** (the “3775 Property”) was acquired by PII 1361 on October 13, 2017 for a purchase price of \$635,000. The property has five units, and currently four units are occupied by tenants. A picture of the exterior is below:



3. **4020 NW 81<sup>st</sup> Ave (Riverside), Coral Springs, FL 33065** (the “4020 Property”) was acquired by PII 4020 on December 16, 2017 for a purchase price of \$468,000. The property

has four units, and all four units are currently occupied by tenants. A picture of the exterior is below:



4. **4450 Coral Springs Drive, Coral Springs, FL 33065** was acquired by PII 4450 on December 7, 2018 for a purchase price of \$405,000. The property has two units, and both units are currently occupied by tenants. A picture of the exterior is below:



5. **3050 Coral Springs Drive, Coral Springs, FL 33065** was acquired by PII 304 on August 29, 2019 for a purchase price of \$1,250,000. The property has eight units, and all eight units are currently occupied by tenants. A picture of the exterior is below:



6. **201 E. 30<sup>th</sup> St., Riviera Beach, FL 33404** was acquired by PII 201 on February 1, 2017 for a purchase price of \$265,000. The property has three units, and all three units are currently occupied by tenants. A picture of the exterior is below:



7. **530 NE 34<sup>th</sup> St., Pompano Beach, FL 33064** was acquired by PII on August 31, 2018 for a purchase price of \$345,000. The property has two units, and both units are currently occupied by tenants. A picture of the exterior is below:



**G. The Properties Have Nearly \$1 Million In Current And Delinquent Mortgage And Tax Obligations**

The Receiver's initial investigation showed that two of the Properties – 3775 NW 116<sup>th</sup> Terrace and 4020 Riverside Drive – are encumbered by mortgages totaling approximately \$800,000. It appears that these were not the only mortgages taken out by the Receivership Entities during the Relevant Period. In addition, several of the Properties were delinquent in paying their 2020 property tax obligations which resulted in the sale of tax certificates collectively totaling approximately \$70,000 as liens against the Properties, with interest continuing to accrue.

**a. The Mortgage Obligations**

At the time of her appointment, the Receiver discovered that the 3775 Property had an outstanding mortgage that was taken out in October 2019 in the amount of \$400,000. The 3775 Property was originally purchased in October 2017, and it appears that this was the third mortgage that had been taken out on the 3775 Property. The 4020 Property was also encumbered by a

mortgage that was taken out in January 2020 in the original amount of \$374,000 (the “\$374,000 Mortgage”). The 4020 Property had been purchased in December 2017. 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 are engaged in discussions about obtaining relevant documentation and information and preventing any efforts to accelerate or otherwise foreclose on the Properties.

The Receivership Entities appear to have used mortgage financing not only to partially fund the purchase of real estate but also to cover other obligations. For example, PII 4450 obtained a mortgage in the amount of \$250,000 at the time that the 4450 Property was purchased in December 2018 (the “\$250,000 Mortgage”). The terms of the \$250,000 Mortgage provided that the balance would be due and payable in one year – December 2019. On January 16, 2020, PII 4020 obtained the \$374,000 Mortgage, and the following transactions took place in the Receivership Entities’ bank accounts:

- **January 21, 2020:** Mortgage proceeds of \$334,160.88 from the \$374,000 Mortgage were deposited into PII 4020’s bank account. The balance in PII 4020’s bank account prior to the deposit was less than \$2,000.
- **January 24, 2020:** The amount of \$254,000 was transferred from PII 4020’s bank account to a bank account owned by Property Income Investors Holdings, Inc. with an account number ending in x1205 (the “PIIH Account”). The balance in the PIIH Account prior to the deposit was less than \$2,000.
- **January 24, 2020:** The amount of \$253,000 was transferred from the PIIH Account to a bank account owned by PII 4450 with an account number ending in x7396 (the “PII 4450 Account”). The balance in the PII 4450 Account prior to the deposit was less than \$2,000.
- **January 24, 2020:** The amount of \$252,146.67 was wired from the PII 4450 Account to satisfy the \$250,000 Mortgage.

In short, these transactions show that proceeds from a mortgage obtained on one property – the 4020 Property – were then used to satisfy an existing mortgage on a different property – the

PII 4450. These transactions thus benefitted investors in the 4450 Property by removing a significant mortgage lien on that property, and simultaneously disadvantaged those investors in the 4020 Property which transformed a free-and-clear asset into a significantly-encumbered asset and further dissipated the proceeds that could be used to satisfy that encumbrance. There is no indication that any of these transactions were disclosed to investors or had any legitimate business purpose.

**b. Outstanding Tax Obligations**

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 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.

The Receiver discovered the existence of tax deeds for five of the Properties collectively representing over \$70,000 in delinquent and owing property taxes<sup>11</sup>, as set forth below:

- PII 3504 (3050 Coral Springs Drive): \$29,240.93 owing for 2020 property taxes;
- PII (530 NE 34<sup>th</sup> St): \$7,898.04 owing for 2020 property taxes;
- PII 1361 (1361 SE 4<sup>th</sup> St): \$11,861.18 owing for 2020 property taxes;
- PII 4450 (4450 Coral Springs Dr): \$10,352.76 owing for 2020 property taxes; and
- PII 201 (201 E. 30<sup>th</sup> St): \$13,051.66 owing for 2020 property taxes.

Of note, tax certificates were not sold for the two remaining properties because each of those properties had an existing mortgage and the mortgage holder advanced the funds needed to pay

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<sup>11</sup> It appears that one of the Receivership Entities, PII 26, reflects outstanding tax charges from 2003 and 2004. As this is well before the relevant period and PII 26 does not currently own any properties, the Receiver is not including those amounts for these purposes.

the overdue property taxes. As a result, those amounts advanced to satisfy the property tax obligations for those two properties were added to the existing mortgage balance. As the certificates will continue to accrue interest over time and the certificate holder has the right to seek issuance of a tax deed if the certificate remains outstanding, the Receiver intends to satisfy the certificates in the coming months. The Receiver is in the process of working with her forensic accountant to understand the flow of funds between the various entities in order to determine which funds should be used to satisfy the outstanding certificates.

#### **IV. ACTIONS TAKEN BY RECEIVER DURING REPORTING PERIOD**

During the period covered by this Interim Report, the Receiver took a number of steps to fulfill her duties under the Order Appointing Receiver.

##### **A. Taking Possession Of Receivership Property**

##### **1. Physical Premises, Books and Records, Electronic Documents, Discussions With Relevant Parties, And Service Of Order Appointing Receiver**

Following the Receiver's appointment on June 15, 2021, the Receiver and her counsel immediately began outreach efforts to the individual Defendants and other relevant individuals that provided services to the Receivership Entities. The Receiver learned that the Receivership Entities had operated out of an office located at 7301 Wiles Road, Unit 108, Coral Springs, Florida 33067, but that the office had been vacated in mid-May 2021 and the contents moved to a storage unit located in Coral Springs, Florida. The Receiver's counsel made contact with Defendant Brodman directly, spoke with counsel for Defendant Nicolosi, and also spoke with Cindy Lieberman – a now-former employee that had been overseeing the company and the Properties in recent months.

The Receiver's counsel traveled to Coral Springs, Florida to visit and inventory the storage unit and also to interview Ms. Lieberman, who provided access to the storage unit. The storage

unit contained various pieces of office furniture, several computers and televisions and assorted investor documentation and books and records. The Receiver's counsel obtained the keys to the storage unit and took possession of certain relevant files for preservation and imaging, including files identified as investor files for both PII and Equinox. An inventory was prepared for all of the physical property at the premises and the office's contents (absent the physical files now in the Receiver's custody) remain in the storage unit. The Receiver envisions attempting to sell or otherwise dispose of the non-documentary contents of the storage unit to avoid continually incurring the continuing storage costs.

The Receiver's counsel conducted an interview with Ms. Lieberman concerning her job duties, the Properties, and other aspects of her time working with the Receivership Entities. In addition, the Receiver also obtained a desktop computer and laptop from Ms. Lieberman that belonged to the Receivership Entities.

The Receiver requested Court approval to retain various vendors to assist her with viewing and imaging the contents of the computer equipment, scanning the physical documents located in the storage unit and provided by other sources, reviewing and analyzing the Receivership Entities' bank and accounting records, and helping her meet any tax obligations. That motion was granted on July 21, 2021 (Doc. 19), and the Receiver has since taken steps to engage the approved vendors. In the interim, the Receiver and her counsel have engaged in a limited and targeted review of documents located in the storage unit, from other third parties, from financial institutions and other third parties, and information available in the public record.

**B. Securing Receivership Assets**

**1. Bank Accounts**

Upon her appointment, the Receiver and her counsel moved expeditiously in reviewing documents and information for the purpose of identifying institutions that potentially held relevant



financial accounts or other holdings. The Receiver immediately forwarded copies of the asset freeze orders to the pertinent institutions and worked to confirm that those institutions understood their obligations under the freeze orders. Based on discussions with the Commission and review of pertinent documents, the Receiver understood that the Receivership Entities' primary banking relationship was with JP Morgan Chase Bank, N.A. ("Chase Bank"). The Receiver successfully froze a total of approximately \$14,000 being held in 11 different accounts maintained by the Receivership Entities at Chase Bank and is working with Chase Bank to transfer those funds to her fiduciary accounts at ServisFirst Bank.

## **2. Escrowed Proceeds From Recent Real Estate Sales**

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 engaged in discussions with 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 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.

## **3. Multifamily Residential Properties Owned By The Receivership Entities And Retention Of 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 are contained in Section V.F, *supra*. The Receiver's counsel visited each of these properties on June 28, 2021 and hand-delivered correspondence notifying the tenants of the Receiver's appointment and directing the continued payment of rent to the Receiver pending

retention of a property management company. The Receiver's counsel was able to speak directly with many of the tenants and provide additional information about the Receiver's appointment and duties.

The Properties appeared to be in good condition, although the Receiver was advised of various pending and overdue repair issues and utility bills. The Receiver and her counsel worked to address these pending issues as necessary and also interviewed several potential property management companies that would be able to efficiently and properly manage the Properties. The Receiver ultimately selected Keyes Property Management ("Keyes") and filed her Expedited Motion to Retain Property Management Professionals on June 28, 2021 (Doc. 14). The Court granted that Motion on July 1, 2021 (Doc. 15), and Keyes immediately began working to provide and implement its property management services. The Receiver has provided all of the tenants with correspondence notifying them of Keyes' retention and has been pleased with Keyes' diligence and service thus far.

In addition to managing the properties and facilitating the payment of utilities and handling any necessary repairs, Keyes will also be working to assist the Receiver with understanding the current rental rates being paid by the tenants and favorably positioning the Properties for a future sale. The Receiver understands that the vast majority of current tenants are on a month-to-month lease term as a result of the expiration of their previous leases, and thus it is likely that the current rents are below market rate. With Keyes' assistance, the Receiver will be evaluating whether it is necessary or beneficial to raise rents to be commensurate with market rates and also to have tenants execute annual lease contracts. Among the considerations the Receiver will take into account will be positioning the Properties for the most advantageous sale terms.

The Receiver believes it is prudent to begin the process of marketing and listing the Properties for sale, and she has begun to interview prospective real estate brokers to assist her with this process. Pursuant to Paragraph 32 of the Order Appointing Receiver, the Receiver is authorized to engage a broker to assist her with the sale of the property “on terms and in the manner the Receiver deems most beneficial to the Receivership Estate...” Doc. 10. The Receiver will work with the real estate broker she selects to determine the most cost-effective and beneficial method of liquidating the Properties, which remains subject to Court approval. Any inquiries regarding interest in purchasing one or more of the Properties should be directed to the Receiver at [piireceiver@bipc.com](mailto:piireceiver@bipc.com).

**C. Pending Lawsuits**

The Receiver discovered that, on June 21, 2021, several investors filed a lawsuit against the Receivership Entities in Broward County Circuit Court styled *Richard Bentley et al. v. Larry Brodman, et al.*, Case No CACE-21-012218. The Receiver’s counsel contacted counsel for the plaintiff investors to advise them of the litigation stay provisions of the Order Appointing Receiver, and the plaintiffs’ counsel agreed to (i) indefinitely stay the response deadline for any Receivership Entities, and (ii) file a motion seeking a stay of that action based on the Order Appointing Receiver.

**D. Outreach With Investors and Third Parties**

Shortly after her appointment, the Receiver was able to use the investor records secured from the Coral Springs storage unit to prepare a preliminary list of all known investors in both Equinox and the PII entities. Using that list, the Receiver prepared correspondence to all known investors informing them of her appointment and inviting them to direct any inquiries or questions to an email account established by the Receiver ([piireceiver@bipc.com](mailto:piireceiver@bipc.com)). The Receiver’s counsel and staff have subsequently engaged in discussions with dozens of investors who responded to that correspondence and have updated the Receiver’s records accordingly where necessary.

The Receiver has now received Court approval to retain a website vendor to establish an informational website at [www.propertyreceivership.com](http://www.propertyreceivership.com) that she will use to provide information and updates concerning the Receivership. The website is expected to be operational in the coming weeks and will include Court filings, an FAQ section, a registration link, and information on a claims process and assets for sale. Once the website is operational, investors are encouraged to provide their information and use the website as a primary source of information, although they are welcome to contact the Receiver or her counsel with any questions. The Receiver also encourages individuals or attorneys representing investors who may have information that may be helpful in securing further assets for the Receivership estate or identifying other potential parties who may have liability to either the Receivership estate or investors to contact Soraya Hamilton by email at [Soraya.hamilton@bipc.com](mailto:Soraya.hamilton@bipc.com) or by phone at (305) 347-4058.

## **V. THE NEXT QUARTER**

### **A. Investigation**

Based on the Receiver's preliminary investigation, it appears that the Properties (together with the \$1.15 million in sales proceeds recovered) represent the largest (and likely sole) assets of material value that are attributable to investor funds. The Receiver intends to confirm this understanding through her continuing investigation of the Receivership Entities with the assistance of a forensic accountant, including by analyzing company documents and financial records. The Receiver and her counsel will continue to interview third parties and gather and review relevant documents from the Receivership Entities and third parties. The Receiver has obtained documents from a number of third parties and has also started issuing subpoenas for the production of documents. 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 is working 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.

Another priority for the Receiver is to continue compiling and analyzing individual investor accounts both with Equinox and the PII entities. This is a necessary task to assess and administer investor claims. The Receiver has located a significant amount of investor files and expects to identify more relevant documentation on the computer equipment that is being imaged and preserved by her information technology professionals. 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. 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. It remains uncertain as to when the Receiver will seek Court approval for a claims process, but the Receiver recognizes the importance of the return of funds to investors as expeditiously and efficiently as possible and will provide a more definitive time estimate as her analysis progresses.

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 and Liquidating Assets**

The Receiver has retained Keyes to assist with maintaining the Properties by providing property management services. The Receiver is in the process of interviewing and selecting a real

estate broker to assist her with marketing and listing the Properties for sale and thus convert those assets to cash for the benefit of investors and on the most favorable terms. The Receiver will also continue her investigation to determine whether there exist any other potential assets attributable to investor funds that she may seek to recover.

**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 intend to complete an initial analysis of individual investor accounts both with Equinox and PII. Once those analyses are completed, the Receiver will then work on formulating a claims process that will provide the most equitable determination of investor claims and distribution of Receivership assets. The Receiver will then submit that proposed claims framework for Court approval. Although it remains very early in the Receiver's appointment, the Receiver currently anticipates filing the motion for approval of the proposed claims framework with the Court **by the end of this calendar year.**

**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 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

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*Attorneys for Receiver*

*Miranda L. Soto*

**CERTIFICATE OF SERVICE**

I hereby certify that on July 30, 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*  
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I further certify that on July 30, 2021, a true and correct copy of the foregoing was sent via electronic mail to the following:

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