

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.

RECEIVER'S EIGHTH INTERIM QUARTERLY REPORT

(Period Covered: January 1, 2023 – March 31, 2023)

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), hereby files her Eighth Interim Report to inform the Court, investors, and interested parties of the significant activities undertaken from **January 1, 2023 to March 31, 2023 (the “Reporting Period”)**, as well as proposed courses of action moving forward.

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I. INTRODUCTION

A. Overview of Significant Activities During Reporting Period

During the time period covered by this Report (January 1, 2023 through March 31, 2023), the Receiver and her counsel have engaged in significant activities including but not limited to:

- Analyzed and reviewed documentation for investor claimants who disputed calculations and reviewed supplemental information provided in support of claimed investment calculations with Receiver's CPA professionals;
- Communicated with Receiver's CPA professionals regarding guidance on annual reports for Receivership entities, Department of Revenue letters, and tax documents related to the Receivership accounts;
- Worked with Receiver's CPA professionals to determine the extent of claims determinations to present a claims analysis to the Court, including an evaluation of the transfers of money between Equinox and PII entities, the calculations for investor claims, issues with tax returns for the PII Entities, K-1s for the investors, and addressing individual investor concerns regarding taxes;
- Conducted the depositions of Defendant Nicolosi, Defendant Brodman, and non-party Cindy Lieberman to ascertain information regarding potential third-party claims, to assist in obtaining information regarding the accounting of Receivership Entities prior to the Receivership, to further understand the financial connection(s) between the Receivership Entities and the Equinox entity formed on or about 2012, and to assist the SEC in enforcing judgments against Defendants Nicolosi and Brodman;
- Communicated with various investors and/or their representatives to provide updates on recent developments, field potential leads from investors on additional assets that may be available, and status of the K-1 forms;
- Updated Receiver's website and communicated regularly with investors regarding status of review of claimant documents and Receivership;
- Continued investigation into operation of Receivership Entities, including analysis of business operations, investor files, offering documents, and financial activities;
- Worked with IRS to successfully abate some of the tax penalties related to accounting practices that occurred prior to the Receivership;
- Negotiated a tolling agreement of the statute of limitations with a third party related to potential malpractice claims for accounting practices related to the Receivership Entities;
- Continued review of potential third-party claims to recover investor assets wrongfully misappropriated and/or fraudulently transferred;

- Communicated with SEC counsel regarding settlements with Defendant Brodman and Defendant Nicolosi and investigated action on behalf of Receivership to collect the settlement proceeds owed to the Receivership Estate;

The above referenced activities are discussed in more detail in the pertinent sections of this 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 Properties 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). The Commission and the individual Defendants mediated this case on April 5, 2022, which resulted in an impasse. (Doc. 47.) Subsequently, on October 3, 2022, the Commission reached an agreement with each individual Defendant. Pursuant to this settlement, the Court entered judgments against both individual Defendants as follows: (1) \$414,813.00 against Defendant Nicolosi and (2) \$1,594,265.00 against Defendant Brodman. (Doc. 104-105.) Pursuant to the Judgments, the Defendants were ordered to pay the above-stated amounts to the Receiver. Since these judgments have been entered, the Receiver and her staff have communicated with the Commission that the Receiver is willing assist in any requested to help enforce the judgments against the Defendants and collect for the Receivership Estate.

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.

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. Reviewed Investor Documentation and worked with Receivership Accountants to move toward the filing of a Final Claims Determination Motion with the Court for Valid Investor Claimants.

As detailed in previous Reports, the Receiver previously filed the Receiver’s *Motion to Establish and Approve (i) Proof of Claim Form and Claim Bar Date; (ii) Procedure to Administer, Review, and Determine Claims; and (iii) Notice Procedures and Incorporated Memorandum of Law* (the “Claims Motion”) on December 31, 2021. The Claims Motion is available on the Receiver’s website at www.propertyreceivership.com. In this Motion, the Receiver proposed (i) the establishment of a deadline for the submission of claims, (ii) approved forms for claim submissions, (iii) claims notification and publication procedures, and (iv) the framework by which the Receiver will calculate and administer the claims process. (Doc. 48.) Although the Court issued an Order on January 10, 2022, granting the Claims Motion, the Court subsequently vacated

that Order after two responses to the Claims Motion were filed on January 14, 2022. The Receiver subsequently filed a Reply in support of the Claims Motion on January 21, 2022. (Doc. 61.)

On April 14, 2022, the Court approved and entered an Order granting the Claims Motion. (Doc. 77). Once the Receiver received approval from the Court, the Receiver took all action to effectuate the claims process including the mailing of 158 investor claims packets, which explained the claims process, provided a preliminary calculation of each investor's claim (for investors with documentation in the Receivership's possession), and requested that individual investors complete a questionnaire (the "Claims Form") and provided documentation to establish their respective claims. The preparation of the claim amounts required having Receiver's professionals sort through extensive and often incomplete company documents to reconcile invested sums with any dividends or other payouts recorded as having been sent to investors. The Receiver's professionals also had to engage in open-source research to verify correct mailing addresses for about a half dozen investors whose addresses were not accepted by the UPS website for delivery labels, which required sending their packages for delivery by United States Post. As required in the Order, the Receiver also caused notices of the claims process to be published in two newspapers – the Sun Sentinel of Fort Lauderdale, Florida and the Wall Street Journal. The Receiver published announcements regarding the publication on the Receiver's website.

The Receiver distributed the approved Proof of Claim form to all potential claimants along with detailed instructions on preparing and submitting the completed form to the Receiver by the established submission deadline.¹ The deadline to submit a claim occurred on the Claims Bar Date: September 28, 2022. During this process, there were several questions that investors raised, which required the Receiver and/or her attorneys to discuss with specific investors and resolve. Of

¹ A sample claims packet is located on the Receiver's website at www.propertyreceivership.com.

the packets sent to Claimants, 117 packets were returned timely to the Receiver and her staff. While 82 investors agreed with the Proof of Claim Form determination that was put forward by the Kaufman Professionals, 35 investors disputed the Proof of Claim Amount that was contained in their Proof of Claim forms. Specifically, 9 investors from the Equinox pool of investors and 24 investors from the PII pool of investors disputed the claims amount. The Receiver and her professionals commenced review and analysis all of the claims and documentation submitted to reconcile these claims with company records obtained by the Receiver. This review included follow up communications with investors regarding their claims submissions or responding to investor questions about the Receiver's plans for distributions. After her review and analysis is completed, the Receiver will file one or more motions seeking the Court's approval of (i) her determinations of timely submitted claims, and (ii) an interim (and additional as necessary) distribution to claimants with approved claims and the source(s) of funds used to make any distribution(s). The investigation of the transfer of funds between entities and the intermingle nature of the money transferred between Equinox and PII Entities has warranted additional analysis from the Receiver's forensic accountants and necessitated the Receiver to take additional steps to determine the extent of Equinox involvement in the PII Entities.²

ii. Deposed Defendant Nicolosi, Defendant Brodman, and Non-Party Cindy Lieberman regarding Accounting Practices, Potential Third-party Claims, the Flow of Funds Among Equinox, PII, the Various PII Entities, and Receivership Defendants..

The Receiver's counsel deposed Defendant Nicolosi, Defendant Brodman, and non-party Cindy Lieberman during the Reporting Period. After discussion with the Commission, the

² The Receiver, her staff counsel, and the Kaufman Professionals plan to decide in May to determine the cutoff date, if any, for Equinox investments and the extent of investments that will be included in this Receivership due to the commingling of funds between Receivership entities.

Receiver determined that these depositions were necessary to evaluate the transfer of funds between the Receivership Defendants in addition to the potential for additional third-party actions.

Counsel for the Receiver, Raquel A. Rodriguez, conducted the remote depositions of Anthony Nicolosi and Larry Brodman on March 22, 2022 and March 23, 2023, respectively. Mr. Nicolosi was represented by attorney, Mark C. Perry, and Mr. Brodman represented himself. Aside from responding to questions about general background information, Mr. Nicolosi asserted his Fifth Amendment constitutional right against self-incrimination. Mr. Brodman responded to less than a handful of background questions and asserted his Fifth Amendment constitutional right against self-incrimination. Receiver has reserved her right bring Mr. Nicolosi and Mr. Brodman's objections and refusal to answer questions to the Court's attention to rule on said objections at a later date.

Ms. Lieberman's in person deposition, also conducted by Counsel for the Receiver, Raquel A. Rodriguez, took place on March 24, 2023. C Ms. Lieberman did not have counsel representing her at her deposition. Ms. Lieberman was an employee of Equinox and had extensive familiarity with the operations of Equinox, the PII Entities and Mr. Brodman's management of the enterprise. The Receiver and her counsel found Ms. Lieberman's testimony to be credible and helpful since she had vast institutional knowledge about the Equinox entity predating the Receivership and the Receivership Entities. Ms. Liberman provided helpful information in unraveling the accounting and banking records of the Receivership Entities, understanding the operations of the Receivership Entities and the involvement of third parties that may have facilitated the scheme in addition to information related to Equinox Holding, Inc. as the operating entity for the PII Entities, the intermingling of funds and the transfer of funds among PII Entities and Equinox to pay salaries, and, additional information about the financial records and transactions. Ms. Lieberman's

testimony provided additional avenues for the Receiver to investigate other persons and entities which may have potential liability for facilitating Defendants' fraud. Based upon the wealth of knowledge obtained by Ms. Lieberman, the Receiver believes that Ms. Lieberman's continued assistance could be value to her and the Kaufman Professionals.

iii. Continued to work with Receiver's Professionals to Finalize Claims Amounts, evaluate the Flow of Funds between Receivership Defendants, and Address Tax Issues regarding the Entities.

During the Reporting Period, the Receiver and her professional worked diligently to continue their investigation to finalize the claims determination for valid investor claimants. This work involved continued reconciling of the disputed claims and analyzing copious documents that were sent by individual investors to support their individual claim amounts. The Receiver, after reviewing the supporting documents, provided these documents to the Kaufman Professionals to reconcile the amounts owed and determine the flow of funds between the Receivership Defendants. In their review of investor documentation and the documents provided by the Receiver and Commission in the investigation that took place at the start of the Receivership, the Kaufman Professionals used their knowledge and expertise to reconcile differences between the Receiver's preliminary claims assessments and the claims submitted, for the Receiver's review. In addition to assisting with the analysis of the Final Claims Determination, the Kaufman Professional also prepared K1s (investor tax returns) for the Entities and individual claimants.

Further, the Receiver has worked with individual investors to address specific tax concerns in documents that were incorrectly prepared or contained incorrect information prior the Receiver taking control of the Receivership Entities. Due to the actions of the Receivership Defendants prior to the Receivership, the IRS had provided several tax penalties that totaled over \$200,000.00. ***The Receiver, through her work with the Kaufman Professionals, successfully abated all penalties to save the investor claimants these funds.*** The penalties were abated as follows:

PENALTIES ABATED:

PII LLC	\$63,000
PII 4450	37,800
PII 9007	25,200
PII 304	\$75,600
PII 3504	42,840

The services provided by the Kaufman Professionals have been instrumental to helping the Receiver understand and account for the flow of funds between the various entities and have assisted the Receiver in developing her recommendations to the Court. Additionally, the Kaufman Professionals have greatly aided the Receiver in achieving the tax abatements with the IRS for the Receivership Entities. Due the above-referenced information discovery at the depositions, it will be necessary for the Kaufman Professionals to further assist the Receiver in calculating the proposed distribution schedule in support of the Receiver’s anticipated Claims Determination Motion and eventual Motion for Interim Distribution.

iv. Securing Receivership Estate Personal Property**a. Bank Accounts and Cash Proceeds**

As reported in detail in previous Reports, the Receiver opened fiduciary bank accounts at ServisFirst Bank (the “ServisFirst Accounts”) following her appointment and coordinated the freeze and closure of the Receivership Entities’ existing bank accounts with JP Morgan Chase Bank, N.A. (“Chase Bank.”) The ServisFirst Accounts allow the pool of Receivership funds to continue to gain interest while the Receiver determines the appropriate method to distribute funds. As of the date of the filing of this Report, the total balance of the ServisFirst Accounts was **\$4,924,117.37.**

b. Other Personal Property

The Receiver continues to maintain and store the various company documents, collectible items, and computer hardware that were previously removed from the storage unit. The Receiver has been working to liquidate the remaining Personal Property in the most cost-effective manner to bring in funds to the Receivership Estate. The Receiver intends to list collectible property on a public forum that will bring in monetary funds to the Receivership pool of funds within this calendar year.

v. **Securing and Maintaining Receivership Real Property**

a. Managing and Maintaining Real Property Assets

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 discussed in previous Interim Status Reports. (Doc. 63, 81, 99.) All of the Receivership properties have been sold and the money has been brought into the pool of funds in the Receivership.

vi. **Continued to Analyze the Receivership Documentation to Determine the Extent of Commingling and to Evaluate Treatment of Equinox and PII in this Receivership.**

The Receiver and her professionals continue to review 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 Court approved the Receiver's retention of the Kaufman Professionals 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. Kaufman has provided the Receiver with its preliminary findings on the “extensive commingling” alleged to have taken place within the Receivership Entities’ bank accounts.

A main consideration currently before the Receiver is the transfer of funds between Equinox Holding Inc. and the Property Income Investor Entities. The inclusion of Equinox investments predating the formation of PII Entities has been considered by the Kaufman Professionals and is being reviewed by the Receiver. Ultimately, the Receiver will determine the appropriate and equitable distribution to the investors as per her Claims Analysis. In addition to reviewing the flow of funds, the Receiver 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. The Receiver is working with her professionals to prepare notice to third parties regarding potential claims of the Receiver against them based upon recent additional information obtained.

vii. Continued Outreach with Investors and Interested Parties

The Receiver and her counsel have been in contact with a substantial number of investors during the post-claims process period. The Court approved the Receiver’s retention of a website vendor to establish an informational website that would provide relevant court documents, news, and other updates for investors and interested parties, and that website went live in July 2021 and is located at www.propertyireceivership.com. The website also allows interested parties to submit their contact information to the Receiver, and the Receiver’s team has been compiling that information and speaking with interested parties. The Receiver’s staff spent a great deal of time speaking with investors regarding the completion of the Proof of Claims form and the information details in the Claims Process instructions. Throughout the Claims Process, the Receiver’s counsel continues to speak regularly with investors regarding the status of the litigation and the ongoing work being completed by the Receiver’s Professionals.

viii. 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.³

³<http://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2013%5C0906%5C00195349.Tif&documentNumber=P12000094600>

Mr. Rosenfeld resigned from Equinox later in 2013,⁴ and Mr. Brodman is listed as the company's CEO in its 2013 amended annual report.⁵ As of the February 2016 annual report, Mr. Brodman was the only listed officer and director for Equinox.⁶

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 approximately \$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. A significant portion of these funds were raised prior to late 2016 when the Property Income Investors offerings began. Although Equinox does appear to have used some investor funds to purchase real estate during 2012 – 2015, it appears that a significant portion of the \$3 million was not used for the purchase of real estate. Indeed, the Receiver has only been able to identify three real estate transactions in Broward and Palm Beach Counties involving Equinox during the time period from December 2012 to February 2015, none of which involved Equinox paying a purchase price higher than \$108,000. Moreover, although Equinox has not owned any real estate since February 2015, it appears that nearly \$2 million was raised from Equinox investors from that time up to the Receiver's appointment. The Receiver's analysis of Equinox Holdings Inc.'s bank statements and corporate financial records establishes that Equinox Holdings, Inc. used investor funds to pay

⁴<http://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2013%5C1115%5C53565093.Tif&documentNumber=P12000094600>

⁵<http://search.sunbiz.org/Inquiry/CorporationSearch/GetDocument?aggregateId=domp-p12000094600-0a7d4e41-25ed-485b-a8ff-a26d32f50db3&transactionId=p12000094600-464d4b95-cc3d-49f7-82a3-b7b539b9ab37&formatType=PDF>

⁶<http://search.sunbiz.org/Inquiry/CorporationSearch/GetDocument?aggregateId=domp-p12000094600-0a7d4e41-25ed-485b-a8ff-a26d32f50db3&transactionId=p12000094600-494ca438-0bf0-4b90-96a2-5f9d7fba3024&formatType=PDF>

salaries to Brodman and all PII employees, expenses for many or all of the PII Entities, compensation to Nicolosi's company, and personal expenses of Brodman.

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 name followed by a specific number (which in most cases appears to have been a reference to the street number of a specific property).⁷ These entities were formed for the purpose of purchasing specific real estate parcels, and in most cases each entity opened a separate bank account at JP Morgan Chase.

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 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 memoranda that were prepared by several of the Receivership Entities, including a September 2016 private placement memorandum

⁷ 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.

prepared for PII (the “PII PPM”).⁸ 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;
- 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 the Receivership Entities raised at least \$9 million from investors, at least \$2.44 million was misappropriated by PII and Brodman. Doc. 1 ¶¶ 60-61.

ix. The Promoters Used Equinox Investments, Inc. as Their Vehicle for Soliciting Investors in Property Income Investors, Paying Expenses of the PII Entities, Paying Themselves and Making “Distributions” All

⁸ As discussed below in Section V.B., it does not appear that the PII PPM was provided to a significant number of investors.

While Comingling Assets of the PII Entities Under the Guise of “Loans” Without Following Established Business Practice.

Prospective investors in the PII Entities were told that they would receive quarterly distributions generated by the rental income received from the property owned by the entity they invested with. Although it appears that many investors simply received identical quarterly distributions that equated to an annual return ranging from 6% to 7%, the investment documents signed by each investor specified that any distributions paid to investors would be made from a percentage of the “Net Cash From Operations” with the remainder going to Mr. Brodman. However, it appears that at least several of the Receivership Entities did not generate sufficient cash flow from operations to pay the quarterly distributions made to investors, and those entities instead depended on transfers (or “loans” which do not appear to have ever been repaid) from other Receivership Entities to pay the distributions.

For example, prospective investors interested in investing with PII 1361 were required to execute an Operating Agreement as a Class B Member.⁹ In relevant part, Section 4.1(c) of that Operating Agreement provided that Class B Members would be entitled to receive periodic distributions in the amount of “70% of the Net Cash From Operations.” The Operating Agreement defined Net Cash From Operations as:

“Net Cash From Operations” means the gross cash proceeds from Company operations (including sales and dispositions of Company property in the ordinary course of business) less the portion thereof used to pay or establish reserves for all Company expenses, debt payments, capital improvements, replacements, and contingencies, all as determined by the Manager. Net Cash From Operations shall not be reduced by depreciation, amortization, cost recovery deductions or similar

allowances, but shall be increased by any reductions of reserves as herein provided previously established pursuant to the first sentence hereof and from Net Cash From Sales or Refinancings.

⁹ Mr. Brodman is believed to be the sole Class A Member of all PII entities.

Thus, the amount that should have been paid to a Class B Member would have been calculated by subtracting Company expenses, capital improvements, and other reserves from the income received during the company's operations which typically solely consisted of tenant rental income. During 2019, according to a Profit and Loss Statement generated by the QuickBooks software maintained by the Receivership Entities, PII 1361 generated \$43,395.00 in rental income. However, PII 1361 also incurred \$38,685.90 in expenses from operations, including \$10,444.50 in property taxes, \$3,534.31 in insurance expense, and \$16,261.34 in repairs and maintenance. This resulted in PII 1361 generating net income of \$4,709.10 during 2019. Pursuant to the Operating Agreement, investors (Class B Members) would have been entitled to 70% of this Net Cash From Operations which should have resulted in total annual distributions to Class B Members of \$3,296.37.

However, a review of PII 1361's bank statements show that a total of \$42,484.00 in distribution checks were made during 2019 to investors. Standing alone, this represented a nearly 100% distribution of all gross rental income received from tenants and was approximately 1,000% higher than the net cash from operations purportedly generated by PII 1361 during 2019. Additionally, the bank statements also suggest that PII 1361 may have significantly understated its repair and maintenance expenses based on \$49,120.00 in apparently-unreported payments that appear to be for the renovation of one of the units – approximately \$30,000 higher than the \$16,261.34 in repairs and maintenance reported in PII 1361's 2019 Profit and Loss Statement. In order to meet its ongoing expenses, including quarterly distributions paid to investors and other obligations including renovation expenses, PII 1361's bank account statements reflect **over \$100,000.00** in incoming transfers from nine different PII entities. In addition, the statements also

reflect that \$24,230.00 was transferred from PII 1361 to four different PII entities during that time period.

A similar pattern was seen in an analysis of financial and bank statements for PII 3504, which owned a property located at 3775 NW 116th Terrace, Coral Springs, FL 33065. Although PII 3504 received \$58,530 in rental income during 2019, the Profit and Loss Statement generated by the QuickBooks software maintained by the Receivership Entities reflected \$34,358.98 in expenses which resulted in net income of \$24,370.13. However, during 2019, PII 3504 paid out nearly \$28,000 in quarterly distributions to investors – more than the purported net income. In addition, the P&L did not reflect (nor were investors informed) that PII 3504 had taken out a mortgage on the 3775 Property and that it made a total of \$22,040.87 in monthly mortgage payments during the majority of the year – in addition to the \$34,358.98 in expenses reflected on the Profit and Loss Statement.¹⁰

The \$58,530 in rental income received by PII 3504 during 2019 was not sufficient to pay the combined \$84,382 in expenses, investor distributions, and mortgage payments. In order to cover this shortfall, PII 3504's bank account statements reflect **over \$50,000.00** in transfers from at least nine different PII entities. In addition, the statements also reflect that \$127,770 – which included the mortgage proceeds deposited in PII 3504's bank account in October 2019 – was transferred from PII 3504 to at least six different PII entities during that time period.

In sum, PII 1361 generated \$43,395.00 in rental income during 2019, but during the same period it made total payments of over \$100,000 for property expenses and investors distributions. Similarly, the \$58,530 in rental income received by PII 3504 was not sufficient to cover the total

¹⁰ The existing mortgage was satisfied in October 2019 when PII 3504 took out a new mortgage which resulted in the deposit of \$106,443.62 in PII 3504's bank account. Following deposit of the \$106,443.62 mortgage proceeds, PII 3504 made a total of \$107,200.00 in transfers to other PII entities – including the vast majority to the Property Income Investors Holdings account controlled by Brodman.

payments of the combined \$84,382 in expenses, investor distributions, and mortgage payments. Because the rental income generated by PII 1361 and PII 3504 during 2019 was not sufficient to cover the corresponding entity's expenses during that same time period, each entity thus necessarily depended on the deposit of funds from other entities (consisting of investments by other investors) to meet these shortfalls. The Receiver is continuing her investigation to determine if similar shortfalls were present in other PII entities.

x. 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 Equinox Holdings 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 year preceding the Receivership. Brodman also granted generous pay raises and bonuses to the Companies' primary administrative employee, Cindy Lieberman, amounting to nearly \$500,000 in salary during the same period – including a salary of \$93,900 in 2019 and \$107,000 in 2020. Based on our review of records and Ms. Lieberman's deposition testimony, we do not believe her acceptance of this compensation was inappropriate. Her knowledge of the operations of the entities and the responsibilities placed upon her (for which she had no prior formal training) satisfied the Receiver that she provided the services for which she was being compensated but lacked sufficient knowledge and financial sophistication to understand that Mr. Brodman, Mr. Nicolosi and their sales agents were defrauding investors. This is reinforced by the fact that she relied on the accounting firm Coleman & Cohen, LLC, which routinely collected company records for reconciliation of company accounts.

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 to transfer funds from the PII Entities 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.

xi. 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 relied on sales agents to solicit prospective investors in the various Receivership Entities. These sales agents include Defendant Brodman, an individual who the Receiver believes to be Mr. Brodman’s nephew, Defendant Nicolosi, and several other individuals that were apparently affiliated with Nicolosi’s company, CMP. CMP received regular payments from Equinox throughout a substantial portion of the existence of the PII Entities. CMP in turn paid funds out to Nicolosi and the sales agents who procured PII investors. In a previous filing with the Commission, CMP was described as “a brokerage firm” and listed Nicolosi as its CEO.¹¹ Of note, at least one 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

¹¹ See https://www.sec.gov/Archives/edgar/data/1140303/000135448811001230/meth_10ka.htm

from Anthony Joseph Peluso to Anthony Joseph Nicolosi. Mr. Nicolosi testified in his deposition Peluso was the surname of his adoptive family and Nicolosi was his birth name. 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 None of this was disclosed in the PPM's the Receiver and her professionals have been able to obtain.

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 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:

¹² 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: [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.

xii. Investor Funds Appear to Have Been Routinely Commingled and Used for Unauthorized Purposes for Several Years

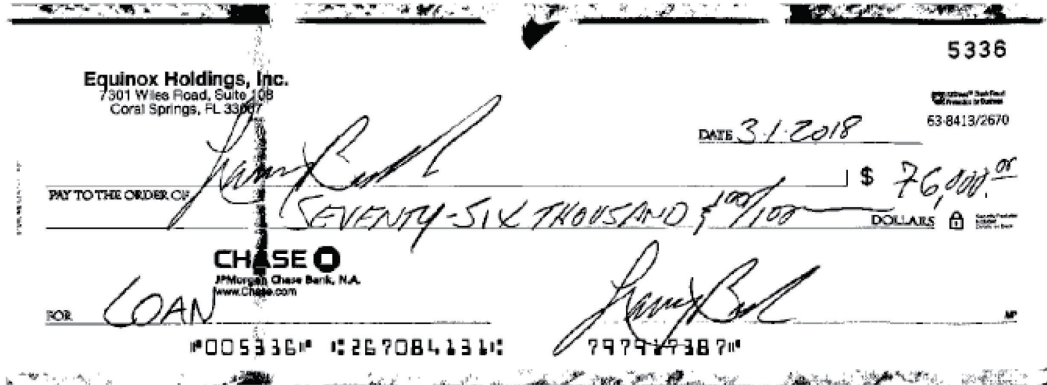
A preliminary analysis conducted by the Receiver's forensic accountants indicates that approximately \$9 million was raised from at least 150 investors during the relevant time period. The Receiver has seen significant evidence that investor funds were routinely commingled between the Receivership Entities' 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 also seen bank statements showing how an investor's funds would be wired into one entity and would, almost immediately or shortly thereafter, be wired to another entity. Bank records also demonstrate how funds were transferred to entities whose bank funds were running low to the point of insolvency from other entities. No formal loan documentation, company resolutions or meeting minutes were produced, despite the accounting firm's subsequent characterization of these transfers as "inter-company" loans. Nor do the financial statements or tax returns evidence payment of any actual or imputed interest from one entity to another for these "loans". 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. 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. After reviewing Ms. Lieberman's deposition along with the investigation already completed by the Kaufman Professionals, the Receiver does not believe that it is a good use of time and resources to continue to task her accounting professional with unwinding the transactions. Moreover, based

on the financial records reviewed and the Receiver's analysis of the way in which Brodman managed the Receivership Entities, it is apparent that corporate formalities were ignored and misused, transfers were made between companies without valid consideration, these transfers rendered the transferor company insolvent on either a balance sheet or going concern basis, and that the entities were part of a coordinated scheme to defraud.

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;
- \$14,000 to an account belonging to PII 201;

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.

- \$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 prior to the transfers) 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. The same day that the \$400,000 was deposited, 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;

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 any attorney hired by Mr. Brodman for himself.

- \$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.

Of note, J.R. was not an investor in any of these PII entities.

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.

xiii. Over \$50,000 of Investor Funds Were Lost When Brodman Forfeited a Real Estate Purchase Deposit

The Receiver discovered that, in January 2021 and February 2021 (several months after the Commission issued a subpoena to Defendant Brodman and the Receivership Entities), 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. We have since learned Mr. Brodman sought to buy

this property for his wife, who had two horses. 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 (by a separate Receivership Entity with different investors), and this cross-collateralization would have significantly encumbered the property and thus diminished the value of any PII 304 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. The Receiver is looking into whether there is a cost-effective way to attempt to claw back these funds without investing considerable Receivership resources to accomplish this goal. Based upon information obtained at Ms. Lieberman's deposition, the Receiver and her Counsel are conducting further investigation surrounding the real estate transactions.

IV. THE NEXT QUARTER

A. Investigation

The Properties (along with the \$1.15 million in sale proceeds that were being held in trust at the time of the Receiver's appointment) represented the largest material asset that are attributable to investor funds. With the assistance of retained professionals, the Receiver will continue to gather and review relevant documents from the Receivership Entities and third parties to determine

if there are other viable claims. The Receiver is currently moving forward with third-party claims and has served notices to some of those third parties.

The Receiver continues to work diligently on reviewing the transfer of funds between entities with her professionals and determine, in her discretion, the most equitable recommendation to the Court for compensating defrauded investors. Part of this investigation involves allowing her forensic accountants complete their analysis of all investor transactions and the flow of funds, a necessary task to assess and administer the Court-approved claims process and to receive final approval for the Claims Determinations for individual investors. In reviewing, analyzing, and compiling this information, the Receiver has requested that investors provide copies of relevant documentation evidencing their relationship with the Receivership Entities, which went into evaluating the reconciled claims amount for investors.

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 may conduct additional depositions of parties, third parties, or non-parties who may have knowledge of the fraudulent scheme.

B. Filing the Claims Determination Motion with the Court regarding Reconciled Claims Amounts, Seeking Court Approval of Claim Determinations, and Moving Forward with all Steps to Facilitate Interim Distribution to Investors.

On December 31, 2021, the Receiver filed her Claims Motion with the Court, which, in relevant part, sought approval of the framework and procedures for a claims process through which recovered funds could eventually be distributed to claimants with approved claims. On April 15, 2022, the Court approved the Claims Motion and the Receiver moved forward with mailing the 158 Proof of Claim forms to known potential claimants along with detailed instructions on preparing and submitting the completed form to the Receiver by the established submission

deadline. The Claims Bar Deadline occurred on September 28, 2022. The Receiver has now reviewed all timely-submitted claims. At present, the Receiver is concluding her analysis with her professionals to verify investor claims and gain a greater understanding of the flow of funds between the entities. Once completed, Receiver will file her Claims Determination Motion with the Court, which will request approval for the claims amount, establish an objection procedure for individuals further disputing their claims, and provide a path for future interim distribution of Receivership funds to investor claimants. The Receiver anticipates filing this motion as soon as the investigation into the information learned at the depositions of Nicolosi, Brodman, and Lieberman is complete. The Receiver is working diligently with her accounting professionals to ensure that all funds and transfers are properly evaluated prior to determining final claims amounts.

C. Third Party Claims

The Receiver continues to analyze the 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. The Receiver has aggressively worked to hold those accountable who worked with the Receivership Entities and mismanaged funds in such a manner that perpetuated the fraud. Specifically, the Receiver has negotiated and executed a Tolling Agreement of the Statute of Limitations for accounting malpractice with the accountants (Anthony Coleman and David Cohen) who were the accountants for the Receivership Entities as well as Mr. Brodman, personally. This agreement preserved the Receiver's ability to litigation against the accountants if it is determined that malpractice existed. The information provided at the depositions in this Reporting Period validated the Receiver's suspicion that the accountants were very involved in the accounting of the Receivership Defendants beyond the mere preparation of tax returns. While securing the tolling agreements for Accountants Coleman and Cohen is was discovered that neither

accountant had or has malpractice insurance. At present, the Receiver is evaluating other potential agreements with professionals who worked with the Receivership Defendants to ensure that all claims against them are properly preserved. At this time, it is too early to estimate whether the Receiver will bring formal litigation claims against these parties or whether any claims will result in any recovery to the Receivership Estate especially in light of the recently discovered information of some of the third parties not having any insurance coverage.

In proceeding with making the determination whether to proceed with litigation against third parties, the Receiver intends to consider several 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 to avoid costly litigation for all involved. The Receiver intends to seek Court approval before instituting any such third-party actions.

Date: May 1, 2023

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on May 1, 2023, 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 May 1, 2023, a true and correct copy of the foregoing was sent via electronic mail to the following:

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4651 North Federal Highway
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Counsel for Defendant Larry Brodman

Larry Brodman
E-mail: larrybro58@gmail.com

A handwritten signature in blue ink that reads "Lauren Humphries". The signature is written in a cursive style with a large initial 'L' and 'H'.

Lauren V. Humphries, Esq.
Florida Bar No. 117517