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Geoff Winkler of American Fiduciary Services

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

PROFIT CONNECT WEALTH SERVICES,
INC., JOY I. KOVAR, and BRENT
CARSON KOVAR,

Defendants.

Case No.: 2:21-cv-01298-JAD-BNW

**DECLARATION OF GEOFF
WINKLER IN SUPPORT OF MOTION
FOR ORDER IN AID OF
RECEIVERSHIP ALLOWING AND
DISALLOWING CLAIMS**

I, Geoff Winkler, declare as follows:

1. I am over 21 years old and am a founding member and the chief executive officer of American Fiduciary Services LLC (“AFS”), which is based in Portland, Oregon.
2. I am competent to testify to the matters presented in this declaration, and I submit this declaration in support of my motion to allow or disallow claims against the receivership estate (the “Motion”). This declaration is based on my personal knowledge,

1 except where made on information and belief, and as to those matters, I believe them to be
2 true.

3 3. On August 6, 2021, on stipulation of the parties, the Court appointed me as the
4 permanent receiver of Profit Connect Wealth Services, Inc. and any of its subsidiaries and
5 affiliates (“Profit Connect”).

6 4. Joy Kovar and Brent Kovar held Profit Connect out as a cryptocurrency mining
7 company that had created and patented a series of “supercomputers” with data centers in
8 Pasadena, California, and Las Vegas, Nevada. Profit Connect claimed and offered investors
9 “seat time” on its supercomputers while it was allegedly mining cryptocurrency, which Profit
10 Connect told investors would earn them 15-30% returns in zero-risk FDIC accounts for
11 whatever amount they invested. Despite the claims that the “supercomputers” had mined
12 between \$500 million and \$1 billion in cryptocurrency, from May 2018 through July 2021,
13 Profit Connect successfully mined only \$352.93 in cryptocurrency, demonstrating that it never
14 did, in fact, have operational mining supercomputers as it claimed to. During this period and
15 based on our forensic accounting, approximately 880 investors deposited \$24,697,801 into
16 Profit Connect’s bank accounts, comprising 99.9% of the cash inflows.

17 5. In June 2023, I obtained Court approval of claim procedures, including the
18 retention of Kurtzman Carson Consultants (“KCC”) to provide an electronic claims process
19 and to maintain the register of claims. Pursuant to the Court-approved claim procedures, I
20 gave investors and creditors notice via postcard of the September 11, 2023, deadline to file
21 claims (the “Claims Bar Date”). A true and correct copy of the postcard is attached as Exhibit
22 “1.” I also posted information about the Claims Bar Date on the website that I maintain for
23 this receivership and emailed those investors who had provided us with email addresses. In
24 addition, we published notice of the Claims Bar Date in *USA Today* and the *Las Vegas Review*
25 *Journal*. True and correct copies of the proof of publication are attached as Exhibit “2.”

26 6. I received 482 claims by the Claims Bar Date, asserting a total of
27 \$31,055,179.74 in claims against the receivership estate. Three claims were filed after the
28 Claims Bar Date (one of which was a duplicate of the other), bringing the total claims received

1 to 485. Of the 485 claims, twelve were filed by creditors and the rest were filed by investors.
2 We reviewed every claim to verify that they were consistent with Profit Connect's books and
3 records and supported by appropriate documentation. When there were discrepancies or
4 additional information was required, we reached out to the investor or creditor to obtain more
5 information or to explain why we believed an adjustment in the amount of the claim was
6 appropriate. Many of the discrepancies or disputes have been consensually resolved with
7 investors and, in total, I am recommending allowance of \$21,807,008.20 in timely-filed
8 claims. If the Court allows the two claims that were received after the Claims Bar Date as
9 timely-filed claims, then the allowed amount of claims will total \$21,902,008.20. Attached
10 hereto as Exhibit "3" is the schedule my staff and I prepared of the claims with the proposed
11 allowed amount of their claim in the last column (the "Claims Spreadsheet"), which includes
12 allowance of the two late-filed claims. The Claims Spreadsheet identifies claimants by their
13 claim number and not their name in order to protect their privacy. Claimants have been
14 notified what their claim number is so that they can verify their proposed allowed claim
15 amount.

16 7. As of February 29, 2024, I am holding \$9,562,318.42 in cash. I expect to file a
17 motion to make an interim distribution of the majority of the cash on hand once this Motion is
18 resolved.

19 **Tardily-Filed Claims**

20 8. With respect to Claim 230915A, my team spoke with the investor
21 approximately four times prior to the Claims Bar Date and urged the investor each time not to
22 delay submitting her claim. The investor confirmed that the address on file was correct and
23 that they received notice of the Claims Bar Date, but indicated that they wanted to wait for a
24 family member to assist with filing the claim. The investor waited and then elected to submit
25 the claim in paper rather than on-line and mailed it to my office by certified mail that was
26 postmarked September 7, 2023. Unfortunately, the envelope was not delivered until
27 September 13, 2023, and was signed for by us on September 15, 2023.

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1 9. With respect to Claim 231123, the investor contacted my office in October
2 2023 to verify that he had filed a claim. We confirmed that no claim form had been received
3 and provided him with a claim form. When the investor returned the claim form, we noticed
4 that the address on the claim form was different than the address that the notice of the Claims
5 Bar Date was mailed to, although we did not have the mail returned. We were also able to
6 determine that this investor had signed up for an email reminder notice that went out to those
7 who asked for it one month before the Claims Bar Date.

8 Duplicate Claims

9 10. We have reviewed Claims 230908, 00145, 00218, 00241, and 00250 and
10 determined that each of these investors' claims are already contained in claim 00126 and
11 require disallowance to prevent these investors from receiving a double recovery.

12 Partial Disallowance

13 11. The Receiver has reviewed Claim 00248 and claim 00126 and verified that
14 \$10,000 of the \$15,000 amount claimed in Claim 00248 is already included in claim 00126.
15 Accordingly, Claim 00248 should be allowed in the reduced amount of \$5,000 to prevent the
16 investor from receiving a double recovery.

17 12. Profit Connect's books and records do not support the filed amounts of Claims
18 00059, 00081, 00125, 00131, 00168A, 00169, and 78969A. The proposed allowed amounts of
19 the Claims match the banking records for what the investors actually put into Profit Connect
20 and do not include any interest.

21 Claims That Are Unsubstantiated

22 13. Claims 00170, 00187, and 00083 should be disallowed they were not supported
23 by any documentation and Profit Connect's books and records, including its banking records,
24 do not reflect any investment or other debt being owed to these claimants. There is no record
25 of a cash deposit from the investor who claims to have invested in cash, and they can provide
26 no evidence or receipts.

1 **Disallowance of the Claims Filed by Sales Agents Who Invested**

2 14. I am seeking disallowance of Claims 00217, 00219, 00239, and 00020 because
3 they were filed by sales agents who were paid commissions for bringing investors into Profit
4 Connect. As previously reported to the Court and summarized above, Profit Connect had no
5 legitimate business and raised 99.9% of its cash inflows from investors through its fraudulent
6 scheme. Pursuant to applicable case law and as a matter of equity, payments made in
7 furtherance of a fraudulent scheme are recoverable. I have sent demand letters to all of the
8 sales agents seeking the return of the commissions they earned perpetuating the fraud. When
9 calculating the amounts demanded, I gave them credit for any funds that they invested in Profit
10 Connect. This was to their benefit, because it gives them 100% credit for the funds they put in
11 when I will be distributing less than that to investors.

12 15. Claim 211 was filed by the spouse of a former employee who received
13 commissions for bringing investors into the fraudulent scheme. I have been sending demand
14 letters to sales people and agents who received commissions seeking their return but have not
15 sent this employee a demand letter because I instead propose to setoff the commission paid to
16 her against her spouse's investment claim.

17 **Disallowance of Claim 00259 Is Appropriate Because the Claimant Is the Subject of**
18 **Active Litigation**

19 16. The claimant who filed Claim 00259 for \$1,000.00 is the subject of pending
20 litigation for serving as a promoter of Profit Connect who solicited investors into the scheme.
21 The petition alleges that they aided and abetted a breach of fiduciary duty. The litigation is
22 ongoing but in light of the pending lawsuit, I believe that disallowance of Claim 00259 is
23 appropriate though I would provide \$1,000.00 credit against any liability of the promoter.

24 **Disallowance of Claim 00128 for the Purchase of Profit Connect Stock Is Appropriate**

25 17. Claim 00128 in the amount of \$50,291 was filed by a claimant who put in the
26 funds to acquire stock in Profit Connect and not to be an investor in Profit Connect. Because
27 the claim is for a stock purchase and not an investment, I am seeking the claim's disallowance.
28 I am seeking disallowance of the claim because it is very unlikely that this receivership will

1 result in a surplus estate where all investors are paid in full, so subordination of this claim to
2 all other claims is meaningless.

3 **Disallowance of Claims 00039 and 00040 and Allowance of Claim 00011**

4 **In a Reduced Amount**

5 18. Claims 00011, 00039, 00040 were filed by a husband and wife and a wife on
6 behalf of her deceased father, all of whom share the same address. Claim 00011 asserts a
7 claim of \$3,083, Claim 00039 asserts a claim of \$2,000, and Claim 00040 asserts a claim of
8 \$1,000. According to Profit Connect's records, the wife was a sales agent who did not account
9 for the commissions she received and two of the claims include the same \$2,000 investment.
10 Once the claims are consolidated and the amounts invested reduced by the amounts
11 distributed, including the commissions, the net amount due is \$9.20 so I am requesting that
12 Claim 00011 be allowed in this amount and Claims 00039 and 00040 be disallowed.

13 **Disallowance of Claim 00228, Which Is for Unpaid Commissions, Is Appropriate**

14 19. For the same reason that I sent demand letters to sales agents seeking the return
15 of commissions that they earned furthering Profit Connect's fraudulent scheme, I am seeking
16 disallowance of Claim 00228, which was filed by a sales agent for commissions they allege
17 were unpaid. Allowance of the claim would be inconsistent with the approach taken by me in
18 this case so I am seeking disallowance of Claim 00228.

19 **Disallowance of Claims 00258, 00018, and 00214 Is Appropriate**

20 20. Claims 00258, 00018, and 00214 were filed by investors who have already
21 received more from Profit Connect than they invested. Therefore, they are not entitled to
22 participate in any distribution from the Receivership Estate.

23 **Disallowance of Claim 00073 Is Appropriate**

24 21. Profit Connect's banking records reflect that the claimant who filed claim
25 00073 stopped payment on the deposit check and nothing was ever invested, so the claim
26 should be disallowed in its entirety.

27 **Disallowance of Creditor Claims**

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1 22. Claim 00061 is for animation video on a website that was never completed and
2 if completed would have been used for fraudulent purposes. Because the services were not
3 performed, I do not believe the claimant should have a claim against the Receivership Estate.

4 23. Claim 00117 was filed by a former employee for alleged bonuses due, but
5 claims for bonuses and commissions for conduct furthering a fraudulent scheme should not be
6 allowed.

7 **Duplicate Creditor/Investor Claims**

8 24. Claim 00262B is a duplicate of Claim 00262A and should be disallowed to
9 avoid a double recovery. Claim 230831B is a duplicate of claim 230831A and should be
10 disallowed. Claim 230915B is a duplicate of claim 230915A and should be disallowed.

11 **No Distributions Until Taxpayer Identification Information Is Provided**

12 25. There are five claimants whose claims I do not object to but who have not yet
13 provided a taxpayer identification number or social security number, which I require to comply
14 with my tax reporting obligations. Until this information is provided, I do not believe it is
15 appropriate to make a distribution to these claimants and propose to hold any distribution
16 pending receipt of this information.

17 I declare under penalty of perjury that the foregoing is true and correct.

18 Executed on April 9, 2024.

19 /s/ Geoff Winkler
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CERTIFICATE OF SERVICE

I hereby certify that, on the **9th day of April 2024**, a true and correct copy of the foregoing **DECLARATION OF GEOFF WINKLER IN SUPPORT OF MOTION FOR ORDER IN AID OF RECEIVERSHIP ALLOWING AND DISALLOWING CLAIMS** was filed electronically via the Court’s CM/ECF system. Notice of filing will be served on all parties by operation of the Court’s CM/ECF system, and parties may access this filing through the Court’s CM/ECF system.

/s/ Ja’Nita Fisher
Employee of RAINES FELDMAN LITRELL LLP