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10 *Geoff Winkler of American Fiduciary Services*

11 **UNITED STATES DISTRICT COURT**
12 **DISTRICT OF NEVADA**

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 v.

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

19 Defendants.

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

**TWELFTH STATUS REPORT OF
GEOFF WINKLER, RECEIVER FOR
PROFIT CONNECT WEALTH
SERVICES, INC.**

20
21 Geoff Winkler of American Fiduciary Services, LLC, the permanent receiver for Profit
22 Connect Wealth Services, Inc., and any subsidiaries and affiliates (together, “Profit Connect”)
23 submits his Twelfth Status Report (the “Report”) regarding the receivership pursuant to Local
24 Rule 66-4(b).

25 **I. SUMMARY OF THE RECEIVER'S OPERATIONS (LR 66-4(b)(1))**

26 The Securities and Exchange Commission initiated this action against Profit Connect,
27 Ms. Kovar, and Mr. Kovar on July 8, 2021, when it filed an ex parte complaint and motion for
28 temporary restraining order seeking, among other things, the freezing of defendants’ assets and the

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1 appointment of a receiver over Profit Connect. On July 23, 2021, the Defendants stipulated to
2 modifying the temporary restraining order to appoint Geoff Winkler as the Temporary Receiver,
3 giving him limited powers. On August 6, 2021, following another stipulation of the parties, the
4 Court converted the temporary restraining order to a preliminary injunction and appointed the
5 Temporary Receiver as the Permanent Receiver of Profit Connect. See Receivership Order (ECF
6 No. 26.)

7 After appointment, the Receiver and his team attempted to find a solution that would allow
8 Profit Connect to continue to operate legally and profitably to maximize return to investors. The
9 Receiver, his staff, and the Forensic IT team spent several weeks collecting and reviewing data,
10 communicating with Profit Connect parties, observing operations, and documenting assets and
11 information. After determining that there was no viable business to continue operating, the
12 Receiver terminated the employees and closed the offices, only retaining a few employees on a
13 contract basis to assist with the wind-down of operations and preparation for the sale of the
14 personal property.

15 Since the completion of the Investigation and Forensic Accounting Report (ECF No. 111)
16 in August 2022, the Receiver and his team have identified third-party recovery opportunities and
17 analyzed the accounting to determine the recommended claims process. A hearing on June 13,
18 2023, began the claims process with a bar date for September 11, 2023. Anyone intending to make
19 a claim against the receivership estate was required to file a claim no later than September 11,
20 2023 (the “Claims Bar Date”), or their claims may be forever barred. The Receiver finished the
21 receipt of audit of claims in a previous reporting period.

22 Braun International Real Estate Company (“Braun”) continued its efforts to list and sell
23 the eight land parcels owned by Profit Connect in Searchlight, Nevada. During this reporting
24 period the final two real properties, located at Parcel 243-27-801-004 and 243-27-801-006,
25 Searchlight, Nevada closed for \$95,000 total. After closing costs and broker fees the net proceeds
26 were \$83,878.62. No Searchlight parcels remain.

27 During this reporting period, the Receiver has continued to administer the receivership
28 estate. The Court held a hearing on May 13, 2024 for the motion for order in aid of receivership

1 allowing and disallowing claims (ECF 181). The total amount of allowed claims was
 2 \$21,902,008.20. The Court also approved \$101,000.00 to be held in reserve for two claimants
 3 pending actions (ECF 191). The Receiver filed a motion to make an interim distribution that is set
 4 for a hearing on August 26, 2024.

5 The breakdown of cash flows and the current balance sheet are as follows:

SEC v. Profit Connect Wealth Services, Inc. et al	
Summary Cash Flow Statement	
April 1 - June 30, 2024	
<i>Cash at Beginning of Period</i>	10,129,838
<i>Cash Inflows</i>	
Searchlight Sale (Parcels 243-27-801-004 and 243-27-801-006)	83,879
Third-Party Litigation Income	9,256
Interest Income	31,754
Total Cash Inflows	124,888
<i>Cash Outflows</i>	
Third-Party Litigation Expenses	(3,223)
Total Cash Outflows	(3,223)
Cash at End of Period	10,251,503

SEC v. Profit Connect Wealth Services, Inc. et al	
Summary Balance Sheet	
June 30, 2024	
<i>Assets</i>	
EWB Account	10,251,503
Real Property	-
Professional Liability Litigation**	5,000,000
Third Party Litigation**	2,613,171
Total Assets	17,864,674
<i>Liabilities</i>	
Accrued Professionals	434,234
Total Liabilities	434,234
<i>Equity</i>	
Net Cash Investors**	21,807,008
Retained Earnings	(4,376,568)
Total Equity	17,430,440

** Values Currently Estimated and Subject to Change

1 **II. INVENTORY OF ASSETS AND ESTIMATE VALUE (LR 66-4(b)(2))**

2 At the end of this Reporting Period, the Receiver is holding \$10,251,503 in cash belonging
3 to Profit Connect. The total value of assets is estimated to be \$17,948,010, inclusive of the above-
4 mentioned cash. Specifically, there is an estimated \$5,000,000 in professional liability litigation,
5 \$2,622,428 in third-party litigation, and \$74,079 to be recovered in real property sales. The final
6 amount recovered may vary based on the outcome of litigation. The standardized fund accounting
7 report for the period April 1, 2024, through June 30, 2024, is attached to this report as **Exhibit A**.

8 **III. SCHEDULE OF RECEIVER'S RECEIPTS AND DISBURSEMENTS**
9 **(LR 66- 4(b)(3))**

10 In addition to the foregoing, please see **Exhibit B**.

11 **IV. OTHER ITEMS TO REPORT**

12 **A. Current Litigation**

13 As the Court is aware, the Receiver has initiated several proceedings in an attempt to
14 recover additional funds owed to Profit Connect.¹

15 ***1. Texas Action Against Nicholas, Sutton and Allianz***

16 As referenced in prior reports, the Receiver, by and through contingency fee counsel, filed
17 an action which is currently pending in the United States District Court, Northern District of Texas,
18 Lubbock Division and assigned Case No. 5:23-cv-00074-C against Jeffrey Nicholas, Troy Sutton
19 and Allianz Life Financial Service, LLC (“Allianz”) (the “Texas Action”). Nicholas and Sutton
20 were both licensed by Allianz to sell life insurance and other annuity type products and promoted
21 Profit Connect to their clients to generate substantial investor funds for Profit Connect. Allianz
22 filed a motion to dismiss the complaint, which was denied on April 15, 2024.

23 The Receiver was able to reach a settlement with Mr. Sutton which was approved by the
24 Court in an order issued on January 4, 2024 (ECF No. 168). The receivership estate received
25 \$20,000.00 from Mr. Sutton, together with his agreement to continue to cooperate with the
26 Receiver. Mr. Nicholas, Allianz, and the Receiver are conducting discovery in the Texas Action

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28 ¹ The ancillary proceeding brought by former Profit Connect employee and agent William Roshak
has been resolved as further reported in the last status report.

1 and attended mediation in April. Although no settlement was reached at the mediation, Allianz
2 and the Receiver continued their settlement discussions and this resulted in a settlement of
3 \$125,250.00, conditioned upon a broad release of claims. The Receiver filed a Motion to Approve
4 Provision Settlement Agreement with Allianz Life Insurance Company of North American (ECF
5 No. 193) which was set for a hearing on July 16, 2024. The Court denied approval of that motion
6 because it was contingency upon releases that the Court found it did not have authority to approve.
7 The parties are continuing to discuss settlement but, in the meantime, the litigation will continue.

8 **2. *Legal Malpractice Claim***

9 On November 7, 2023, the Court granted the Receiver's motion and authorized the
10 Receiver to employ special litigation counsel to pursue a legal malpractice claim. (ECF No. 160).
11 In furtherance of the same, the Receiver has employed Selik Law to investigate and prosecute
12 claims against Profit Connect's former counsel on behalf of the Receivership Estate. A lawsuit
13 was filed to advance the Receiver's position in the Eighth Judicial District of Clark County
14 Nevada, known as Case No. A-23-880842. Defendants filed a motion to dismiss which was denied.
15 Thereafter, Defendants filed an answer and attempted to assert a counterclaim against the Receiver
16 for abuse of process. A letter was sent to Defendants' counsel advising that the counterclaim
17 violated this Court's order and the counterclaim was voluntarily dismissed.

18 The parties conferred and submitted a joint case conference and discovery plan to the court
19 that includes a discovery cutoff date of May 19, 2025 and a mandatory Rule 16 conference is
20 scheduled for July 10, 2024.

21 **B. Future Litigation and Clawback Actions**

22 The Receiver continues to evaluate additional avenues to recover funds for the Estate and
23 anticipates filing additional clawback actions. The Receiver continues to investigate potential
24 targets.

25 **1. *Proceedings Against a Financial Institution***

26 In the fourth quarter of 2023, the Court approved the Receiver's retention of special
27 litigation counsel to investigate and potentially pursue claims against a financial institution. A

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1 draft complaint has been prepared and the parties are engaged in discussions about liability and
2 defenses.

3 **2. Clawback Actions**

4 The Receiver has determined that there are potential claims against employees who
5 received funds or gifts in excess of their W-2 wages, and against promoters and agents who raised
6 funds for Profit Connect’s investment fraud and benefitted from it.

7 **a. Claims Against Credit Card Companies**

8 The Receiver identified constructive fraudulent transfer claims against several credit card
9 companies that received payments from Profit Connect for debts that it did not owe. On January 4,
10 2024, the Court granted the Receiver’s Motion for Order in Aid of Receivership Authorizing the
11 Receiver to Pursue Clawback Actions and Approving Settlement Parameters (ECF No. 169). The
12 Receiver has resolved all but two of these disputes, with a third tentatively settled and in the
13 documentation stage. To date, the Receiver has received nearly \$500,000.00 from resolution of
14 claims against credit card companies.

15 **b. Claims Against Former Employees**

16 The Receiver has identified approximately eleven former employees who received funds
17 or gifts from Profit Connect in excess of their W-2 wages and with whom the Receiver has not
18 already settled. The Receiver has been able to resolve issues with one former employee, and two
19 individuals began payment plans this Reporting Period. There are five former employees in
20 discussions with the Receiver. Before pursuing litigation, counsel for the Receiver will be sending
21 out notices to the five remaining former employees. If the Receiver is not able to reach a resolution
22 with these former employees, he will seek Court permission prior to commencing litigation
23 proceedings.

24 **c. Agents/Promoters**

25 The Receiver continues to evaluate potential claims against agents/promoters and as
26 previously reported, has sent various demand letters to individuals seeking the return of false
27 profits related to the investment scheme. The Receiver continues to have discussions with several
28 agents/promoters. During this reporting period, counsel for the Receiver sent a second demand

1 letter to the remaining agents/promoters that had previously been unresponsive. The Receiver is
2 evaluating the next steps in regard to these individuals and will seek Court permission prior to
3 commence litigation proceedings if deemed warranted.

4 **V. RECOMMENDATION OF THE RECEIVER (LR 66-4(b)(5))**

5 The Receiver has determined that Profit Connect was not operating a viable business and
6 was quickly dissipating investor funds. So that the Receiver can continue to identify assets and
7 claims and pursue them for the benefit of the receivership estate, the Receiver recommends that
8 the receivership continue.

9 **VI. CONCLUSION**

10 Assuming the Court authorizes the Receiver to undertake the actions recommended herein,
11 as well as to continue those actions provided for in the Appointment Order and any subsequent
12 orders, the Receiver proposes to submit further interim reports to this Court, addressing his
13 progress, findings, final conclusions, and additional recommendations, approximately every 90
14 days.

15 Accordingly, and based on the foregoing, the Receiver respectfully requests that the Court
16 enter an order:

- 17 1. Accepting this Twelfth Status Report;
- 18 2. Authorizing the Receiver to continue to administer the Receivership Entities and
19 their estate in accordance with the terms of the Appointment Order;
- 20 3. Authorizing the Receiver to undertake the recommendations presented herein,
21 including a continued engagement of those professionals he deems necessary for the proper
22 administration of the Receivership Entities and their estate;

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1 4. Providing such other and further relief as the Court deems necessary and
2 appropriate.

3 DATED THIS 30th day of July, 2024

4 I, Geoff Winkler, verify under penalty of perjury that the statements made in the
5 foregoing report are true and correct to the best of my knowledge.

6
7 
8 _____
9 Geoff Winkler, Receiver

9 Respectfully submitted by:
10 GREENBERG TRAUERIG, LLP

11 By: */s/ Kara B. Hendricks*
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LIST OF EXHIBITS	
EXHIBIT	DESCRIPTION
Exhibit A	Standardized Fund Accounting Report [for the Period April 1, 2024, through June 30, 2024]
Exhibit B	East West Bank Receivership Account

EXHIBIT A

EXHIBIT A

Standardized Fund Accounting Report

STANDARDIZED FUND ACCOUNTING REPORT for SEC v. Profit Connect Wealth Services, Inc. et al.

Receivership; Civil Docket No. 2:21-cv-01298-JAD-BNW

Reporting Period from 04/01/2024 to 06/30/2024

FUND ACCOUNTING (See instructions)				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 04/01/2024):	10,129,837.50		
	Increases in Fund Balance:			
Line 2	Business Income	-		
Line 3	Cash and Securities (in transit)	-		
Line 4	Interest/Dividend Income	31,753.77		
Line 5	Business Asset Liquidation	83,878.62		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	9,255.72		
Line 8	Miscellaneous - Other	-		
	Total Funds Available (Lines 1 - 8):		124,888.11	10,254,725.61
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	-		
Line 10b	Business Asset Expenses	(3,222.85)		
Line 10c	Personal Asset Expenses	-		
Line 10d	Investment Expenses	-		
Line 10e	Third-Party Litigation Expenses	-		
	1. Attorney Fees	-		
	2. Litigation Expenses	-		
	Total Disbursements for Receivership Operations		(3,222.85)	
Line 10f	Tax Administrator Fees and Bonds		-	
Line 10g	Federal and State Tax Payments		-	
	Total Disbursements for Receivership Operations			(3,222.85)
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator.....	-		
	Independent Distribution Consultant (IDC).....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	Total Plan Development Expenses		-	
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator.....	-		
	IDC.....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	-		
	Claimant Identification.....	-		
	Claims Processing.....	-		
	Web Site Maintenance/Call Center.....	-		
	4. Fund Administrator Bond	-		
	5. Miscellaneous	-		
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses	-		
	Total Plan Implementation Expenses		-	
	Total Disbursements for Distribution Expenses Paid by the Fund			-
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees	-		
Line 12b	Federal Tax Payments	-		
	Total Disbursements to Court/Other:		-	
	Total Funds Disbursed (Lines 9 - 11):			(3,222.85)
Line 13	Ending Balance (As of 06/30/2024):			10,251,502.76
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents		10,251,502.76	
Line 14b	Investments		-	
Line 14c	Other Assets or Uncleared Funds		7,613,170.50	
	Total Ending Balance of Fund - Net Assets			17,864,673.26

STANDARDIZED FUND ACCOUNTING REPORT for SEC v. Profit Connect Wealth Services, Inc. et al.
 Receivership; Civil Docket No. 2:21-cv-01298-JAD-BNW
 Reporting Period from 04/01/2024 to 06/30/2024

OTHER SUPPLEMENTAL INFORMATION:		Detail	Subtotal	Grand Total
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
<i>Line 15a</i>	<i>Plan Development Expenses Not Paid by the Fund</i>			
	1. Fees:			
	Fund Administrator	-		
	IDC	-		
	Distribution Agent	-		
	Consultants	-		
	Legal Advisers	-		
	Tax Advisers	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	Total Plan Development Expenses Not Paid by the Fund	-		
<i>Line 15b</i>	<i>Plan Implementation Expenses Not Paid by the Fund:</i>			
	1. Fees:			
	Fund Administrator	-		
	IDC	-		
	Distribution Agent	-		
	Consultants	-		
	Legal Advisers	-		
	Tax Advisers	-		
	2. Administrative Expenses	-		
	3. Investor Identification:			
	Notice/Publishing Approved Plan	-		
	Claimant Identification	-		
	Claims Processing	-		
	Web Site Maintenance/Call Center	-		
	4. Fund Administrator Bond	-		
	5. Miscellaneous	-		
	6. FAIR Reporting Expenses	-		
	Total Plan Implementation Expenses Not Paid by the Fund	-		
<i>Line 15c</i>	<i>Tax Administrator Fees & Bonds Not Paid by the Fund</i>			
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			-
Line 16	Disbursements to Court/Other Not Paid by the Fund			
<i>Line 16a</i>	<i>Investment Expenses/CRIS Fees</i>		-	
<i>Line 16b</i>	<i>Federal Tax Payments</i>		-	
	Total Disbursements to Court/Other Not Paid by the Fund:			-
Line 17	DC & State Tax Payments			-
Line 18	No. of Claims:			
<i>Line 18a</i>	<i># of Claims Received This Reporting Period</i>	-		
<i>Line 18b</i>	<i># of Claims Received Since Inception of Fund</i>	485		
Line 19	No. of Claimants/Investors:			
<i>Line 19a</i>	<i># of Claimants/Investors Paid This Reporting Period</i>	-		
<i>Line 19b</i>	<i># of Claimants/Investors Paid Since Inception of Fund</i>	-		

Receiver: **Geoff Winkler**

By: 

Geoff Winkler
 (printed name)

Chief Executive Officer
American Fiduciary Services LLC
Receiver, Profit Connect Wealth Services, Inc.

Date: July 31, 2024

EXHIBIT B

EXHIBIT B

East West Bank Receivership Account

EAST WEST BANK RECEIVERSHIP ACCOUNT (A/E 0015)
April 1, 2024 - June 30, 2024

<i>Date</i>	<i>Type</i>	<i>Amount</i>	<i>Payee</i>	<i>Memo</i>
04/05/2024	Deposit	203.06	Kiyoung Paik Payment Plan	Litigation and Settlements
04/09/2024	Income Adjustment	1,214.00	Ryan Therriault Payment Plan	Litigation and Settlements
04/10/2024	Deposit	150.00	John Morris Jr Payment Plan	Litigation and Settlements
04/12/2024	Wire In	1,051.00	Financial Chakras LLC	Litigation and Settlements
04/17/2024	Check	-1,717.95	Veritext	Other Expenses
04/17/2024	Deposit	300.00	John Morris	Litigation and Settlements
04/18/2024	Deposit	100.00	Jocelyn Morris Payment Plan	Litigation and Settlements
04/23/2024	Deposit	200.00	Jocelyn Morris Payment Plan	Litigation and Settlements
04/26/2024	Check	-1,504.90	Cathy Sosebee & Associates	Other Expenses
04/30/2024	Interest Credit	10,409.39	East West Bank	Interest Income
05/08/2024	Income Adjustment	1,214.00	Ryan Therriault Payment Plan	Litigation and Settlements
05/13/2024	Income Memo	87.23	First American Title Insurance Comp	Other Liquidation of Real Property
05/13/2024	Income Memo	83,791.39	First American Title Insurance Comp	Other Liquidation of Real Property
05/14/2024	Deposit	100.00	Jocelyn Morris Payment Plan	Litigation and Settlements
05/14/2024	Deposit	203.06	Kiyoung Paik Payment Plan	Litigation and Settlements
05/14/2024	Deposit	2,856.60	The Skelley Group LLC	Litigation and Settlements
05/17/2024	Deposit	300.00	John Morris	Litigation and Settlements
05/30/2024	Deposit	150.00	John Morris Jr Payment Plan	Litigation and Settlements
05/31/2024	Interest Credit	10,823.48	East West Bank	Interest Income
06/17/2024	Income Adjustment	1,214.00	Ryan Therriault Payment Plan	Litigation and Settlements
06/28/2024	Interest Credit	10,520.90	East West Bank	Interest Income