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11
12 UNITED STATES DISTRICT COURT
13 DISTRICT OF NEVADA

14 SECURITIES AND EXCHANGE
COMMISSION,

15 Plaintiff,

16 v.

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

19 Defendants.
20

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

**SECOND STATUS REPORT OF
GEOFF WINKLER, RECEIVER FOR
PROFIT CONNECT WEALTH
SERVICES, INC., AND PETITION FOR
INSTRUCTIONS**

[Hearing Requested]

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

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1 **I. SUMMARY OF PROFIT CONNECT BUSINESS OPERATIONS¹**

2 Profit Connect was incorporated on May 2, 2018, in the state of Nevada. Joy
3 Kovar is the President and Treasurer, Brent Kovar is the Director, and Mark Wildes
4 is the Secretary. Joy Kovar owns the vast majority of Profit Connect and Mark Wildes
5 and Eric Garrison are owners of a small percentage of the company. The late Eddie
6 Kona (also known as Donald Edward Sabisch) and Eric Garrison have been
7 mentioned by Brent Kovar as founders and, in the case of Eddie Kona, an employee
8 of Profit Connect. For practical purposes, Brent Kovar was exclusively in charge of
9 running the day-to-day operations of Profit Connect, despite almost all corporate,
10 legal, and financial documents and accounts being in the name of Joy Kovar.

11 Profit Connect conducted business in a warehouse facility located at 6955
12 Speedway Blvd, T101 & T102, Las Vegas, NV 89115 and a retail office space located
13 at 6569 Las Vegas Blvd S. C-165, Las Vegas, NV 89119. They stored office equipment
14 and additional assets at a third location, the “Pasadena Data Center,” located at 2770
15 E. Walnut Street, Pasadena, CA 91107, although this location was never in operation,
16 despite statements to the contrary. Additionally, Profit Connect kept a mailbox at a
17 UPS store located at 4262 Blue Diamond Rd., Ste 102-373, Las Vegas, NV 89139.

18 Profit Connect advertised as a business that primarily mined cryptocurrency,
19 as well as validated credit card transactions, while engaging with Star Link, Elon
20 Musk, Berkshire Hathaway, and other notable persons and businesses. They
21 promoted building and running “Super Computers” that were cooled using magnetic
22 fields, dielectric (mineral) oil, and liquid nitrogen within cylinders, allegedly allowing
23 them to overclock their mining computers in order to verify transactions on the
24 blockchain faster than anyone else using their custom-made mining algorithms. They
25 promoted their success on their website and social media, guaranteeing investors a

26
27 _____ ¹ This summary is largely the same as that contained in the Receiver's First Status
28 Report but is included here in the interest of thoroughness and for a reader who may
not have reviewed the First Status Report.

1 20%-30% return for purchasing computer seat time with zero risk. They assured their
2 investors their funds were FDIC-insured and encouraged customers to become agents
3 who would then make commissions off their referrals who started a “Wealth Builder”
4 account.

5 Despite these assertions, there is no evidence that Profit Connect ever worked
6 with credit card processing companies or any of the other companies listed
7 throughout their marketing materials. Profit Connect was, however, in the business
8 of mining cryptocurrency, although actual mining activities only commenced about
9 one week before the start of the temporary receivership and not as they had told
10 investors and agents, which is that they had been mining for years and were very
11 successful. Profit Connect only made approximately \$300 from mining activities up
12 to the start of the permanent receivership, an approximately three-week period of
13 time, before accounting for the cost of computers, labor, or electricity. The custom
14 algorithm that Profit Connect touted as a difference-maker ultimately did not work
15 and they ended up buying standard mining software commonly used in the
16 marketplace. Despite a few weeks of efforts in my then-capacity as the temporary
17 receiver, my team of computer experts, and in-house IT professionals, we were unable
18 to produce a proof-of-concept model that would be able to cool the mining computers
19 in such a way to provide a competitive advantage and ultimately, the business was
20 deemed non-viable.

21 Profit Connect had sales agents (“Agent”) who touted the alleged Profit
22 Connect business. To become an Agent of Profit Connect, a person would usually pay
23 \$49 per month, and this provided them with a webpage, business cards, an ID card,
24 and a phone extension. The Agent structure of Profit Connect was comparable to
25 other multilevel marketing businesses in that Agents could have up to five levels of
26 Agents working underneath them, generating commissions for everyone in the
27 referral line every time a new customer invested. Agents were quoted on Facebook
28 telling followers, “[w]e brought in another \$12 Million yesterday which makes a total

1 of \$171 Million in 18 months, and we still have another \$72 Million committed!!”
2 Profit Connect promoted content saying “Profit Connect has achieved the status of
3 Business Advantage Platinum Honors tier member with Bank of America, which is
4 their highest level of account accolades and benefits. This account status is a result
5 of Profit Connects financial success as proven by maintaining high account balances.”
6 At the time of the receivership, Brent Kovar stated that he thought they had 1,000-
7 2,000 agents, but records reveal that number is closer to 650, with only about 150
8 ever being paid commissions, pending final analysis in the Receiver’s accounting.
9 Most customers invested in Profit Connect by sending checks, wiring funds, or
10 bringing cash to one of their locations. Some customers agreed to Profit Connect’s
11 offering of putting a lien on their real property in exchange for purchased computer
12 seat time.

13 Additionally, Brent Kovar claimed, without substantiation, to have fiber optics
14 coming in and connected to the local Nellis Air Force base. His vision included
15 partnering with casinos by installing cylinders in their pools. These cylinders would
16 house the Supercomputer rigs, heating the pool, and mining cryptocurrency at the
17 same time. His vision for the raw land Profit Connect purchased in Searchlight,
18 Nevada, included a plan of building three million square feet located next to a solar
19 farm. The land was purchased in Profit Connect’s name and they wanted to provide
20 their own in-house security rather than outsource it, which is how Brent Kovar
21 justified purchasing several high-end side-by-side dune buggies. Profit Connect’s plan
22 included dangling installed cylinders with supercomputers from house boats in Lake
23 Mohave because it is deep and cold. Brent Kovar was about to sign a new lease
24 adjacent to the current retail space to include thousands of additional square feet to
25 train employees in the “Wealth Builder Mortgage” product and provide a training
26 space for a growing team of international agents. His vision included needing to build
27 houses on the Searchlight properties to provide housing to employees. His purported
28 intent with the house he and Joy Kovar were living in was to prototype it for houses

1 to be built in Searchlight. They tried to purchase the remaining parcels in Searchlight
2 but were delayed due to water and septic issues in the area. At the time of the
3 receivership, they were negotiating a repair in order to effectuate the purchase of the
4 additional properties and had already signed earnest money agreements.

5 Profit Connect had a total of 21 employees on the payroll as of July 2021.
6 Employees in the warehouse were responsible for operating heavy machinery,
7 building tanks and rigs, using hand tools, stocking supplies, troubleshooting
8 development issues, unloading trucks, storing delivered goods, and picking up
9 materials. Employees that were responsible for administrative and marketing tasks
10 included producing promotional videos, new client development, creating graphics,
11 operating machinery, data entry, checking mail, answering phones, paying bills,
12 processing payroll, scanning in checks, and cleaning. Finally, there was a small group
13 of IT employees that was responsible for keeping internal systems running,
14 assembling computers, working on the mining algorithm, and running cooling tests
15 using the dielectric oil and pool chillers.

16 II. SUMMARY OF THE RECEIVER'S OPERATIONS (LR 66-4(b)(1))

17 1. The Receiver's Investigative and Marshalling Operations

18 The Securities and Exchange Commission initiated this action against Profit
19 Connect, Joy Kovar, and Brent Kovar on July 8, 2021, when it filed an ex parte
20 complaint and motion for temporary restraining order seeking, among other things,
21 the freezing of defendants' assets and the appointment of a receiver over Profit
22 Connect. The Court granted the ex parte temporary restraining order, in part, by
23 allowing the asset freeze to proceed but set the motion for a hearing on the other
24 matters for July 26, 2021.

25 On July 23, 2021, the defendants stipulated to modify the temporary
26 restraining order to appoint Geoff Winkler as the temporary receiver, giving him
27 limited powers. The Temporary Receiver immediately deployed his team to Profit
28 Connect's Las Vegas warehouse and imaged Profit Connect's electronic records,

1 interviewed its principals and employees, reviewed books and records, and observed
2 Profit Connect's business. The Temporary Receiver ensured all bank and
3 cryptocurrency accounts were frozen and obtained records that enabled him to
4 determine the activity within the cryptocurrency account.

5 On August 4, 2021, Brent Kovar notified the Temporary Receiver that one of
6 the Profit Connect employees had tested positive for COVID-19. The Temporary
7 Receiver, with the support of Brent Kovar, immediately sent everyone home and
8 requested they get tested and provide documentation of a negative test result prior
9 to returning to work. At least six employees and one member of the Temporary
10 Receiver's team tested positive and were asked to follow CDC protocols for
11 quarantining. The Temporary Receiver hired a professional cleaning company to
12 clean and sanitize the entire facility.

13 On August 6, 2021, following another stipulation of the parties, the Court
14 converted the temporary restraining order to a preliminary injunction and appointed
15 the Temporary Receiver as the Permanent Receiver of Profit Connect. *See*
16 Receivership Order (ECF No. 26.) The Receiver and his team spent an additional
17 week at the Las Vegas location overseeing the operations and attempting to find a
18 solution that would allow Profit Connect to continue to operate legally and profitably
19 to maximize return to investors. Brent Kovar, Joy Kovar, investors, agents and the
20 Profit Connect employees were cooperative with the Receiver and his team. A
21 business plan for Profit Connect was not completed prior to the receivership and was
22 requested of Brent Kovar by the Receiver, upon arrival. Extensive interviews were
23 conducted with the employees and certain Agents. The Receiver held a staff meeting
24 to inform employees about the receivership and the case and what to expect, in
25 addition to answering any questions at that time.

26 A few employees requested to meet with the Receiver outside of the Profit
27 Connect facilities so they could speak candidly. The Receiver and his team met with
28 these individuals to better understand their concerns and gather additional

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1 information that benefited the receivership estate. The Receiver, his staff, and the
2 Forensic IT team spent several weeks collecting and reviewing data, communicating
3 with Profit Connect parties, observing operations, and documenting assets and
4 information. After determining that there was no viable business to continue
5 operating, the Receiver terminated the employees and closed the offices, retaining a
6 few on a contract basis to assist with the wind-down of operations and preparation
7 for the sale of the personal property.

8 The Receiver and his team canceled services, consolidated locations, and
9 terminated a lease, including the 6569 Las Vegas Blvd. retail space and the Pasadena
10 location, saving the expense of operating multiple locations using investor funds.
11 They moved all assets from the Pasadena location to the warehouse and completed
12 inventory of all physical assets in the warehouse. The Receiver and his team collected
13 documents and digitized them for further review. The Receiver is now in the process
14 of reviewing books and records to understand the flow of funds, analyzing their
15 sources and uses, and gathering information about potential assets that may have
16 value for creditors.

17 In addition to receiving and sending thousands of emails and conducting
18 numerous phone calls, the Receiver conducted a video conference for all interested
19 parties on September 29, 2021. On this call, the Receiver provided information about
20 the receivership process, information specific to this case, and allow the interested
21 parties to ask submitted questions. Almost 150 interested parties participated in the
22 call. The Receiver has also established a website at [www.profitconnect-](http://www.profitconnect-receivership.com)
23 [receivership.com](http://www.profitconnect-receivership.com) to provide interested parties with a source of information about the
24 receivership and allow investors and creditors a platform to provide the Receiver with
25 updated contact information. The Receiver and his team have collected nearly 400
26 forms sent in through the website that include contact information and specific
27 information with how they are associated with Profit Connect. The Receiver is using
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1 this information to update the database of records obtained from Profit Connect’s
2 internal computer systems.

3 After getting approval from the Court, the Receiver and his team held a virtual
4 auction for all personal property from the retail store, the Pasadena location, the
5 North Las Vegas home, and the Speedway warehouse starting on December 8th and
6 closing on December 15th. December 14th was a preview day where people could
7 come to the warehouse and see the items available and ask questions. James G.
8 Murphy Inc. was the auction company that managed the event and PrideStaff was
9 used to support with two temporary laborers.

10 The auction was hosted at the Warehouse location, 6955 Speedway Blvd, T101
11 &T102, Las Vegas, NV 89115. The proposal from James G Murphy included a range
12 of potential revenue with a conservative amount of \$901,100 and an optimistic
13 amount of \$1,151,900. The auction concluded with a net profit of \$1,259,817, far
14 exceeding initial expectations. Some of the big ticket items included the sale of three
15 Can-Am’s that sold for \$182,750, a 2021 RAM 1500 BigHorn that sold for \$46,250,
16 the 2021 Ford F650 that sold for \$86,500, and large amounts of computer hardware
17 that sold well above retail prices.

18 During this reporting period, the Receiver has collected \$4,071,420.75, which
19 does not include the auction proceeds which were received in January, and paid
20 \$449,205.99 in expenses of the receivership estate. The breakdown of funds collected
21 and expended are detailed below.

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SEC v. Profit Connect Wealth Services, Inc. et al

Summary Income Statement

December 31, 2021

Cash at Beginning of Period **4,222,092**

Cash Inflows

Residual Wells Fargo Funds 1,472
 Liquidation of Cryptocurrency 4,069,949

Total Cash Inflows **4,071,421**

Cash Outflows

Utilities (30,005)
 Warehouse Rent (33,516)
 Property Taxes (4,080)
 Temporary Workers (4,324)
 Payments to Professionals (377,280)

Total Cash Outflows **(449,206)**

Cash at End of Period **7,844,307**

SEC v. Profit Connect Wealth Services, Inc. et al

Summary Balance Sheet

December 31, 2021

Assets

EWBK Account 7,844,307
 Auction Proceeds In Transit 1,259,817
 NFCU Residual Funds 251
 Insurance Claim 25,000
 Real Property 1,723,820
 Professional Liability Litigation 5,000,000
 Third Party Litigation 3,200,000

Total Assets **19,053,196**

Liabilities

January 2022 A/P 7,202
 Q4 2021 Professionals Payments 405,110
 Accrued Professionals 82,785

Total Liabilities **495,098**

Equity

Net Cash Investors 23,692,505
 Retained Earnings (5,134,407)

Total Equity **18,558,098**

1 The Receiver's fees and those of his legal professionals have been necessitated,
2 in no small part, by the nature of the entity in receivership. Specifically, Profit
3 Connect had no books and records, including books of account. It had no functioning
4 accounting department, including no person properly handling accounts receivables
5 and payables. The Receiver has had to recreate, and is still in the process of
6 recreating, accounting records by reconstructing the entity's financials using
7 financial statements and offsetting financial records. The majority of these
8 statements and records have had to be procured through subpoenas served on
9 financial institutions. The subpoenas have necessitated work from the legal
10 professionals, both in terms of issuing the subpoenas, but also in terms of negotiation
11 and enforcement.

12 In addition, the Receiver has experienced a substantial amount of opposition
13 in connection with third-party compliance with the Receivership Order. For instance,
14 although the Receivership Order expressly permits the receiver to take control of
15 Profit Connect's accounts, mails, and assets, a number of third-party custodians
16 refused to turn over access because the assets they controlled were not specifically
17 identified in the Order. The Receiver and/or his counsel had to negotiate access with
18 nearly every third party, including financial institutions and utility providers. And,
19 as the docket of this matter reflects, certain third parties would not provide access
20 until an order specifically identifying the property at issue was entered by the Court
21 (*see, e.g.*, ECF Nos. 31, 33).

22 Also, despite the Receivership Order and the principles underlying a federal
23 equity receivership, the Receiver has discovered multiple lawsuits filed by investors
24 to recoup their investments ahead of other investors. One investor refused to either
25 dismiss or stay his lawsuit pending the receivership, requiring the Receiver's counsel
26 to file a motion to enjoin the investor's lawsuit under the All Writs Act. Upon
27 receiving a copy of the motion, the investor promptly dismissed his lawsuit. The
28 Receiver is also aware of a putative class action that is being formed by a certain set

1 of investors and counsel. The Receiver and his counsel have had to engage with
2 counsel leading these anticipated and pending lawsuits in order to preserve the assets
3 of the receivership estate.

4 The foregoing highlights some of the actions the Receiver and his legal
5 professionals have been constrained to undertake early in this case and which drives
6 their fees. That said, the Receiver's prompt action in reconstructing Profit Connect's
7 financial records has assisted in his preservation and marshalling of Profit Connect
8 property, including his efforts to quickly seize cryptocurrency initially valued at \$2
9 million, but that he ultimately sold for over \$4 million, increasing the return to
10 investors by over \$2 million.

11 Also, the Receiver's push to quickly seek Court approval for the sale of the
12 business assets maximized the value of those assets by selling them in the same
13 model year they were purchased, and before new models were produced. This,
14 combined with the current international microchip shortage, allowed the Receiver to
15 exceed all expectations for the auction and ultimately will allow him to return more
16 money back to investors. This prompt sale also allowed the Receiver to turn the
17 building back over to the landlord in December and thereby reduce the monthly cost
18 to the estate by over \$25,000 per month.

19 The Receiver also seeks to monetize Profit Connect's real property. The
20 Receiver has prepared a motion to approve his retention of Braun Co. as his real
21 estate broker to list and sell the real property owned by Profit Connect in North Las
22 Vegas, Nevada and Searchlight, Nevada, with the goal to maximize the sale price and
23 reduce the cost to the estate for maintaining the properties and paying property
24 taxes. The Receiver expects to file the motion in the next week or so.

25 Finally, during the reporting period, the Receiver identified potential claims
26 that belong to the receivership estate by gathering information, issuing subpoenas,
27 and reviewing books and records. Based on his continuing investigation, the Receiver
28 anticipates there may be further litigation to clawback fraudulently transferred

1 funds and/or seek damages related to the Profit Connect scheme. The investigative
2 process has been made significantly more efficient as a result of the efforts of Stroz
3 Friedberg to provide access to the books and records and documents electronically
4 and in a searchable database.

5 Indeed, Stroz Friedberg has collected and processed over 20 Terabytes of data.
6 The costs associated with Stroz Friedberg's efforts at the beginning of the case, when
7 the documents were being collected and processed, will ultimately result in lower
8 receiver and attorney fees because as the receiver's team and counsel can conduct
9 strategic searches to eliminate irrelevant data and narrow the review universe.

10 At bottom, the efforts of the Receiver and his team during the reporting period
11 will pave the way for additional recoveries to be obtained by the estate.

12 **B. The Receiver's Finance and HR Operations²**

13 As noted in the First Receivership Report (ECF No. 52), Profit Connect has no
14 identifiable accounting books and records, or processes and procedures normally in
15 place to effectuate the typical financial and accounting activities of a business. During
16 the period covered by this Second Report, the Receiver continued his efforts to
17 investigate the accounting operations of the entities in receivership to fulfill his tax
18 reporting obligations, to investigate and locate assets of the estate, and to complete
19 his forensic accounting report. To date, the Receiver's team has compiled over 11,673
20 transactions from 23 identified accounts, which he is working with various vendors
21 and financial institutions to reconcile and expects to identify thousands of additional
22 transactions in the ongoing discovery process.

23 During the current quarter, the Receiver employed temporary workers to
24 assist in winding down warehouse operations and to prepare for and execute the
25 auction that took place in December 2021. The Receiver spent \$4,324 for temporary

26 _____
27 ² While the Receiver has made his best effort to present accurate, detailed information
28 in this report, the information presented is subject to change as more information
becomes available and the Receiver completes his forensic accounting and presents it
to this Court.

1 workers during report period, and does not anticipate needing additional temporary
2 labor for the balance of the case.

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

4 As of the date of this Report, the Receiver is holding approximately \$7.84
5 million in cash belonging to Profit Connect, not including the \$1.26 million in auction
6 proceeds that were received in January. The standardized fund accounting report for
7 the period through December 31, 2021, is attached to this report as Exhibit A.

8 Aside from the cash, the major assets remaining in this case consist of real
9 properties and claims against certain parties. The real property consists of a home
10 purchased by Profit Connect located at 7043 Calvert Cliffs Avenue, North Las Vegas,
11 NV. The home is currently empty and being prepared for sale once approved by this
12 Court. The Receiver anticipates that his counsel will soon be filing a motion to seek
13 such approval with a listing price of \$459,000. In addition, Profit Connect owns eight
14 parcels of raw land in Searchlight, Nevada. The Receiver will shortly be seeking
15 approval to retain a real estate broker to list and market the property for sale. The
16 value of those parcels is currently being evaluated.

17 The Receiver has also determined that Profit Connect holds a number of liens
18 against homes across the United States. The liens appear to have been given by
19 investors who were told that they could invest in Profit Connect by giving Profit
20 Connect a lien against their residence for a particular amount, with the amount
21 secured by the lien then being invested in Profit Connect. To the extent that no cash
22 actually changed hands, the Receiver will seek Court authority to release these liens
23 so that title can be fully reconveyed to the homeowners.

24 **IV. SCHEDULE OF RECEIVER'S RECEIPTS AND DISBURSEMENTS (LR 66- 25 4(b)(3))**

26 In addition to the foregoing, please see Exhibit A.
27
28

1 **V. LIST OF KNOWN CREDITORS WITH ADDRESSES AND AMOUNT OF**
2 **CLAIMS (LR 66-4(b)(4))**

3 LR 66-4 requires that the Receiver file a list of all known creditors with their
4 addresses and the amounts of their claims. The Receiver has compiled a list of trade
5 creditors from Profit Connect's books and records, although he cannot yet vouch for
6 its accuracy. In connection with the First Receivership Report, the Receiver
7 requested entry of an order excusing him from including investor names and
8 addresses on proof of service filed with the Court. The Court approved that request.
9 Although the First Receivership Report also requested that the Receiver be excused
10 from submitting a list of known creditors with addresses and amount of claims, the
11 order submitted by the Receiver omitted this formal approval. Accordingly, as a
12 housekeeping matter, the Receiver requests that any order approving this Second
13 Report formally excuse the Receiver from compliance with this Local Rule.

14 **VI. OTHER ITEMS TO REPORT**

15 **1. Current and Future Litigation**

16 As noted above, multiple investors have filed actions in an effort to recoup their
17 losses. The Court's receivership order (ECF No. 26) prohibits this. For instance, on
18 September 30, 2021, Jeffrey Nicholas filed a lawsuit styled *Jeffrey Nicholas v. Troy*
19 *Sutton*, Case No. 5:21-cv-00208-H in the Northern District of Texas, alleging that
20 Troy Sutton, as a Profit Connect agent, negligently induced Mr. Nicholas and others
21 into making Profit Connect investments. After Receiver's counsel moved to enjoin
22 Mr. Nicholas's lawsuit (ECF No. 55), Mr. Nicholas dismissed his action and the
23 Receiver withdrew his motion (*see* ECF No. 57). There is yet another investor lawsuit
24 pending in Texas state court making similar allegation, albeit this time against Mr.
25 Nicholas. The Receiver's counsel has been in conversation with that investor's
26 counsel and anticipates that the parties will reach a resolution that benefits the
27 receivership estate.

1 During his investigation, the Receiver has uncovered a number of fraudulent
2 transfers from Profit Connect to various persons and entities. The Receiver has
3 started to take action to claw back these transfers. On November 4, 2021, the
4 Receiver's counsel filed a complaint seeking to claw back over \$500,000 in investor
5 funds fraudulently transferred to former Profit Connect employee and agent William
6 Roshak, along with his current wife and ex-wife. The action is styled *Geoff Winkler,*
7 *as receiver v. William Roshak, et al.*, Case No. 21-cv-02000 and is pending before this
8 Court. The pleadings are closed, initial disclosures have been made, and the parties
9 have a settlement conference scheduled before Magistrate Judge Weksler on March
10 24, 2022.

11 The Receiver anticipates filing further clawback actions as his investigation
12 progresses, as well as damages actions for the role certain parties played in
13 perpetuating the Profit Connect fraud.

14 **2. The Receiver Requests Approval of a Settlement Agreement with a Former**
15 **Employee Regarding a Truck**

16 Brent Kovar caused Profit Connect to fraudulently transfer monies to a
17 number of entities and persons for the benefit of Profit Connect employees, including
18 Jocelyn Morris. More specifically, Brent Kovar transferred approximately \$50,000 in
19 investor funds to a local car dealership in connection with the purchase of a 2021
20 RAM 1500 Bighorn truck for Jocelyn's benefit and use. The Receiver approached
21 Jocelyn about the fraudulent transfer and she agreed to relinquish the truck to the
22 receivership estate without the need for litigation. The truck was included in the
23 personal property auction. In consideration of Jocelyn's cooperation and the down-
24 payment Jocelyn made on the truck, the Receiver agreed to ask the Court to authorize
25 a \$1,000 payment to Jocelyn. A copy of the parties' agreement concerning the truck
26 is attached as Exhibit B.

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

2 At this juncture, the Receiver has determined that Profit Connect was not
3 operating a viable business and was quickly dissipating investor funds. So that the
4 Receiver can continue to identify assets and claims and pursue them for the benefit
5 of the receivership estate, the Receiver recommends that the receivership continue.

6 **IX. CONCLUSION AND PETITION FOR FURTHER INSTRUCTIONS**

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

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

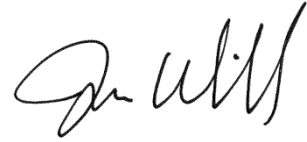
- 14 1. Accepting this Second Status Report;
- 15 2. Authorizing the Receiver to continue to administer the Receivership
16 Entities and their estate in accordance with the terms of the Appointment Order;
- 17 3. Authorizing the Receiver to undertake the recommendations presented
18 herein, including a continued engagement of those professionals he deems necessary
19 for the proper administration of the Receivership Entities and their estate;
- 20 4. Excusing the Receiver from compliance with the requirement in Local
21 Rule 66-4(b)(4) that he file a list of creditors with amounts owed;
- 22 5. Authorizing the Receiver to consummate the settlement with Jocelyn
23 Morris; and
- 24 6. Providing such other and further relief as the Court deems necessary
25 and appropriate.

26 DATED THIS 7th DAY OF FEBRUARY, 2022

27

28

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



Geoff Winkler, Receiver

Dated: February 7, 2022

SMILEY WANG-EKVALL, LLP

By: /s/ Kyra E. Andrassy
Kyra E. Andrassy, Esq.
(Admitted *Pro Hac Vice*)
3200 Park Center Drive, Suite 250
Costa Mesa, California 92626

-and-

Maria A. Gall, Esq.
Nevada Bar No. 14200
BALLARD SPAHR LLP
1980 Festival Plaza Drive, Suite 900
Las Vegas, Nevada 89135

Attorneys for Receiver

BALLARD SPAHR LLP
1980 FESTIVAL PLAZA DRIVE, SUITE 900
LAS VEGAS, NEVADA 89135
(702) 471-7000 FAX (702) 471-7070

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EXHIBIT "A"

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 10/1/2021 to 12/31/2021

FUND ACCOUNTING (See instructions)				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 10/01/2021):	4,222,092.10		
	Increases in Fund Balance:			
Line 2	Business Income	-		
Line 3	Cash and Securities (in transit)	1,471.96		
Line 4	Interest/Dividend Income	-		
Line 5	Business Asset Liquidation	-		
Line 6	Personal Asset Liquidation	4,069,948.79		
Line 7	Third-Party Litigation Income	-		
Line 8	Miscellaneous - Other	-		
	Total Funds Available (Lines 1 - 8):		4,071,420.75	8,293,512.85
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	(377,280.49)		
Line 10b	Business Asset Expenses	(63,465.94)		
Line 10c	Personal Asset Expenses	(8,459.56)		
Line 10d	Investment Expenses	-		
Line 10e	Third-Party Litigation Expenses	-		
	1. Attorney Fees	-		
	2. Litigation Expenses	-		
	Total Disbursements for Receivership Operations		(449,205.99)	
Line 10f	Tax Administrator Fees and Bonds		-	
Line 10g	Federal and State Tax Payments		-	
	Total Disbursements for Receivership Operations			(449,205.99)
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):			(449,205.99)
Line 13	Ending Balance (As of 12/31/2021):			7,844,306.86
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents		7,844,306.86	
Line 14b	Investments		-	
Line 14c	Other Assets or Uncleared Funds		11,050,000.00	
	Total Ending Balance of Fund - Net Assets			18,894,306.86

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 08/06/2021 to 09/30/2021

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>	-		
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: January 31, 2022

EXHIBIT A

SEC v. Profit Connect Wealth Services, Inc. et al.
Receivership Estate Balance Sheet
October 1, 2021 - December 31, 2021

Attachment 3

Assets:		Liabilities:	
Cash	\$ 7,844,307	State/Federal Taxes ⁴	\$ -
Loan Receivable	\$ -	Property Taxes ⁴	\$ -
Marketable Securities	\$ -	Total Liabilities	\$ -
Real Property ¹	\$ 1,600,000		
Personal Property ¹	\$ 1,250,000	Claims:1	
Private Equity Investments ¹	\$ -	Investors ⁵	\$ -
Existing Litigation ^{2,3}	\$ -	Creditors ⁵	\$ -
Third Party Litigation ^{2,3}	\$ 3,200,000	Total Claims	\$ -
Professional Liability Litigation ^{2,3}	\$ 5,000,000		
Total Assets	\$ 18,894,307	Total Liabilities plus Claims	\$ -

-
1. Estimated value that is subject to further revision.
 2. Probability of successful recovery unknown.
 3. Value based on discounted present value and is under evaluation.
 4. There is no known tax liability, but the Receiver is reviewing.
 5. The total amount of investor and creditor claims is still under review.

SEC v. Profit Connect Wealth Services, Inc. et al.
Receiver's Cash Receipts and Disbursements
October 1, 2021 - December 31, 2021

Attachment 4

Beginning Balance of Cash in Receivership Estate on October 1, 2021	\$ 4,222,092.10
Deposits:	\$ 4,071,420.75
Payments:	\$ (449,205.99)
Ending Balance of Cash in Receivership Estate on December 31, 2021	<u>\$ 7,844,306.86</u>

EXHIBIT "B"

SETTLEMENT AGREEMENT

This Settlement Agreement dated as of October __, 2021 (the "Agreement") is made by and between Jocelyn Morris and Geoff Winkler, solely in his capacity as the Receiver (the "Receiver") for Profit Connect Wealth Services, Inc. and any of its subsidiaries and affiliates ("Profit Connect") (the Receiver and Jocelyn Morris may individually be referred to as "Party" and are together referred to as the "Parties"), pursuant to the following recitals:

RECITALS

A. On July 8, 2021, the Securities and Exchange Commission ("SEC") commenced a civil enforcement lawsuit in the U.S. District Court, District of Nevada (the "Court") against Profit Connect, Joy I. Kovar, and Brent Carson Kovar. By order entered on July 23, 2021, the Receiver was appointed as the temporary receiver. On August 6, 2021, the Receiver was appointed as the permanent receiver.

B. On or about June 18, 2021, Morris acquired title to a 2021 Ram 1500 Quad Cab Big Horn (the "Truck") from Chapmans Las Vegas with Profit Connect's funds.

C. The Receiver contends that the Truck belongs to Profit Connect and is prepared to bring a motion to compel turnover of the Truck to Profit Connect and/or an action to unwind the transfer and/or quiet title to the Truck in the name of Profit Connect.

D. In resolution of the Receiver's contentions and without making any admissions, the Parties enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing facts and the mutual covenants, conditions, promises and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

ARTICLE I: BINDING EFFECT AND APPROVAL ORDER

1.1 **Binding Effect.** This Agreement shall become effective and binding only upon entry by the Court of an order authorizing the Receiver to enter into the Agreement (the "Approval Order").

1.2 **Court Approval.** Upon execution of this Agreement by the Parties, the Receiver will file a motion to approve this Agreement with the Court. The Receiver shall use his best efforts to obtain the Court's approval of the motion and this Agreement and the Parties shall cooperate in this regard and in defending against any appeal of the Court's approval of the motion.

1.3 **Termination of Agreement.** In the event that this Agreement is not approved by the Court, this Agreement shall become null and void and of no force or effect.

ARTICLE II: TERMS OF THE SETTLEMENT

2.1 Conveyance of the Truck. Concurrent with the execution of this Agreement, Morris shall deliver the Truck, as well as its title, registration, proof of insurance, and all keys, to the Receiver or his counsel, Maria A. Gall, Esq.; the Truck shall be delivered in good, operable condition. Morris shall execute the Truck's title to effect the conveyance.

2.2 Request for Refund. In connection with seeking Court approval of this Agreement, the Receiver shall ask the Court to authorize a \$1,000.00 payment to Morris in consideration of this Agreement and the monies Morris paid to the dealership when the Truck was purchased. Notwithstanding Section 1.3 above, the Court's approval or disapproval of the refund request shall not affect the validity of this Agreement. Should the Court approve the refund, the Receiver shall remit the approved-of funds to Jocelyn Morris by check within ten (10) business days of entry of the Court's Approval Order.

2.3 Cooperation. The Parties will take such action and execute and deliver such further documents as may be reasonably necessary or appropriate to effect the intention of this Agreement.

ARTICLE III: REPRESENTATIONS AND WARRANTIES

3.1 No Undisclosed Inducements. Morris represents that she has entered into this Agreement in reliance on her own investigation and that no representations, warranties, or promises, other than those set forth in this Agreement, were made by the Receiver or any agent, employee, or counsel of the Receiver to induce her to enter into this Agreement. The Receiver represents that he has entered into this Agreement in reliance on his own investigation and that no representations, warranties, or promises, other than those set forth in this Agreement, were made by Morris or any agent, employee, or counsel for Morris to induce the Receiver to enter into this Agreement.

3.2 Representation by Counsel and Voluntary Execution. Each Party represents that he or she has obtained or had the opportunity to obtain independent legal advice with respect to this Agreement, the subject matter of this Agreement, the facts referred to above, and any rights or asserted rights arising therefrom. The Parties acknowledge that they are executing this Agreement voluntarily, without any duress or undue influence.

3.3 Authority to Execute Agreement. The Parties warrant and represent that they are authorized to execute this Agreement on behalf of the respective parties and in their respective capacities as indicated below, provided however that the Receiver's execution of this Agreement is specifically subject to the approval of the Court as provided for herein.

3.4 No Assignments. Morris represents that she has not assigned any legal or equitable interest in the Truck to anyone else and that she is the only owner of the Truck.

ARTICLE IV: GENERAL PROVISIONS

5.1 Integration and Amendments. This Agreement sets forth the entire agreement between the Parties with respect to the subject matter hereof, and no change, modification, amendment, termination or discharge of this Agreement shall be binding unless made in writing and executed by each Party.

5.2 Attorneys' Fees. Each Party shall bear his or her own attorney's fees and costs in connection with the preparation of this Agreement, the seeking of Court approval of the Agreement, and any default of the Agreement.

5.3 Survival. It is expressly understood and agreed by each Party that nothing provided for in this Agreement is intended to nor does it release any claims arising out of breach of this Agreement or any representations contained herein or made in connection herewith. All representations, warranties, and covenants herein shall survive the execution of this Agreement.

5.4 Governing Law and Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall be construed, interpreted, and enforced in accordance with the laws of the State of Nevada. In the event a dispute arises under this Agreement, the Court shall have exclusive jurisdiction to interpret and enforce this Agreement.

5.5 Interpretation. This Agreement shall be treated as jointly drafted and will not be construed against any Party as drafter.

5.6 Notices. Any notice by any Party to any other Party may be made by e-mail and delivered to the other Party as set forth below.

The Receiver: Geoff Winkler
American Fiduciary Services
715 NW Hoyt Street #4364
Portland, OR 97208
geoff@americanfiduciaryservices.com

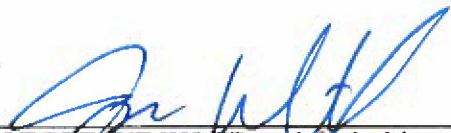
With a copy to the Receiver's Counsel: Maria A. Gall, Esq.
Ballard Spahr LLP
1980 Festival Plaza Drive, Suite 900
Las Vegas, NV 89135
gallm@ballardspahr.com

Jocelyn Morris: Jocelyn Morris

9000 Square Knot Ave.
LV, NV 89143

WHEREFORE, the Parties hereto have executed this Agreement as of the date first above written.

DATED: October _____, 2021



GEOFF WINKLER, solely in his capacity as
receiver for Profit Connect Wealth Services,
Inc.

DATED: October 20, 2021



JOCELYN MORRIS