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10 *Attorneys for Receiver*

11  
12 UNITED STATES DISTRICT COURT  
13 CENTRAL DISTRICT OF CALIFORNIA

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15 FEDERAL TRADE COMMISSION,  
16 Plaintiff,

17 v.

18 TATTO, INC., et al.,  
19 Defendants.

Case No. LACV13-8912 DSF (FFM<sub>x</sub>)

**RECEIVER'S INTERIM REPORT  
RE: RECEIVERSHIP AND  
LIQUIDATORSHIP**

JUDGE: Hon. Dale S. Fischer  
CTRM: 840

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1     **I. Introduction and Background**

2           Thomas W. McNamara was appointed Receiver of the Corporate Defendants<sup>1</sup>  
3 by the Temporary Restraining Order (“TRO”) entered December 5, 2013 (ECF No.  
4 22), which appointment was confirmed by the Preliminary Injunction (“PI”) entered  
5 January 6, 2014 (ECF No. 69). The FTC’s claims have now been resolved as to all  
6 Defendants, but the Receiver’s duties were continued and expanded by the following  
7 Orders:

8           (1) Stipulated Order entered June 11, 2014 (ECF No. 114) as to Individual  
9 Defendant Lin Miao (“Miao”) and his related entities (all Corporate  
10 Defendants except Bullroarer)(“Miao Order”): (i) continues the receivership  
11 as to the Corporate Defendants except Bullroarer and directs the Receiver to  
12 wind them down and liquidate assets; and (ii) appoints the Receiver as  
13 Liquidator of identified personal assets of Miao to be liquidated through a  
14 liquidatorship separate from the receivership and remit the net proceeds to the  
15 FTC.

16           (2) Stipulated Order entered August 5, 2014 (ECF No. 123) as to Individual  
17 Defendant Andrew Bachman (“Bachman Order”): orders Bachman to  
18 surrender identified automobiles, jewelry, and stocks to the Receiver and  
19 directs the Receiver to sell them and remit \$50,000 of the net proceeds to the  
20 IRS as partial payment of Bachman’s federal tax liability and the remainder  
21 to the FTC;

22           (3) Default Judgment entered August 14, 2014 (ECF No. 124) as to Defendant  
23 Bullroarer, Inc. (“Bullroarer Judgment”): continues the receivership as to  
24 Bullroarer and directs the Receiver, to the extent practicable, to wind it down  
25 and liquidate assets.

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27 <sup>1</sup> Defined to include Tatto, Inc., Bullroarer, Inc., Shaboom Media, LLC, Bune,  
28 LLC, Mobile Media Products, LLC, Chairman Ventures, LLC, Galactic Media,  
LLC, Virtus Media, LLC, and their d/b/a’s, successors, and assigns. (See TRO, page  
3, paragraph 2; PI, page 3, paragraph 2.)

1 By this Interim Report, we report to the Court on the current status of the  
2 receivership and the separate liquidatorship over Miao’s personal assets. We first  
3 report as to the overall assets, expenditures, and financial status to date. We then  
4 address assets as to which there have been changes in status (e.g., a sale or recovery)  
5 since our last report.

6 **II. Overall Financial Status**

7 As to the overall status of our recovery efforts from inception to present for  
8 the receivership, attached as Exhibit A is a Receipts and Disbursements summary  
9 which shows receipts and disbursements for a current cash balance in the  
10 receivership bank account of \$2,624,212.

11 As to the overall status of our recovery efforts from inception to the present  
12 for the liquidatorship of Miao personal assets, attached as Exhibit B is a Receipts  
13 and Disbursements summary which shows receipts and disbursements for a current  
14 cash balance in the liquidatorship bank account of \$5,378,556.

15 In sum, the total current cash balance of the receivership and liquidatorship  
16 together stands at \$8,002,768.

17 **III. Receivership – Corporate Defendants**

18 The most significant asset recovered since our last report is an account at  
19 HSBC Bank in Hong Kong (“HSBC Account”) in the name of True Merchant, Ltd.  
20 (“True Merchant”) which received approximately \$5 million in funds due Bullroarer  
21 for its participation in the Premium SMS business. By Order entered May 6, 2014  
22 (ECF No. 107),<sup>2</sup> the Court granted our application for authorization to retain Hong  
23 Kong counsel, on a contingency fee basis, to pursue litigation in Hong Kong to  
24 recover the assets in that account as the property of the Bullroarer receivership.  
25 Although the process has been complex and protracted, we have now recovered  
26 \$2,917,910 from that account. Of that amount, \$2,380,302 has been deposited to the

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28 <sup>2</sup> Our original application and subsequent Order were filed under seal, but these were unsealed after the Hong Kong court froze the account.

1 receivership account, and \$537,608 remains in the trust account of our Hong Kong  
2 counsel to cover their fees and expenses under their contingency fee agreement.  
3 Those fees and expenses are the subject of the concurrently filed fee application and  
4 will not be paid until approved by the Court.

5 Some additional assets remain in the HSBC account, but they are illiquid  
6 stocks and bonds. Their liquidation will require additional proceedings required by  
7 the Hong Kong courts and will take some additional months. Any recovery from  
8 that liquidation is subject to the same contingency fee arrangement.

9 We have also identified assets in the United States as to which Bullroarer  
10 funds were invested by True Merchant in real estate projects in California – Bloc  
11 Priya Avatar I, LLC and Bloc DT 1, LLC. These investments are the subject of the  
12 *ex parte* application filed August 3, 2015. (See ECF No. 148). Because that  
13 application addresses those assets in detail, we will not repeat that discussion here.

14 **IV. Receivership – Bachman Assets**

15 As required by the Bachman Order, Bachman delivered to the Receiver two  
16 vehicles (a Ferrari 458 Italia and a Mercedes SUV G550) and eight premium  
17 watches. The vehicles have been sold for net proceeds of \$224,743.29. The watches  
18 have been sold through a Sotheby’s auction and private sales for net proceeds of  
19 \$142,100. Against those aggregate sales proceeds of \$366,843, the receivership has  
20 incurred out-of-pocket expenses of \$6,200 for storage and insurance for Bachman’s  
21 automobiles, bringing the Bachmann net sale proceeds from these sales to \$330,643.

22 Bachman is also required to transfer his shares in Game Plan Holdings, LLC,  
23 Pet Flow, LLC, Seva Search, Inc., and LeagueNation, LLC. His shares in Game  
24 Plan Holdings were liquidated in July, 2014, and the net proceeds (\$159,733) were  
25 remitted to the FTC. The other three entities are early stage start-ups – we are  
26 addressing their transfer and liquidation, but it appears likely none will have any  
27 realizable value.

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1 **V. Liquidatorship – Miao Assets**

2 The Miao Order directs Miao to deliver to the liquidatorship five pieces of  
3 real property, four automobiles, 12 pieces of premium jewelry, and all his interests  
4 in Miao Partners LLC and its holdings. Where possible, we have managed the  
5 liquidatorship, and recorded related fees and expenses, separately from the  
6 receivership. (Where tasks overlapped, fees and expenses have been recorded under  
7 the more appropriate matter).

8 **A. Real Property**

9 We have now sold all five properties for aggregate net proceeds of  
10 \$4,653,865.75.

- 11 1. 6660 Colgate Avenue, Los Angeles, California. Sale of this single-  
12 family home closed on November 3, 2014 with net proceeds of  
13 \$2,492,837.44.
- 14 2. 9508 Gloaming Drive, Beverly Hills, California. Sale of this single-  
15 family home closed on April 29, 2015 with net proceeds of  
16 \$1,580,951.74.
- 17 3. 200 North Dearborn, Unit 3201, Chicago, Illinois. This condominium  
18 in Chicago sold on June 24, 2015 with net proceeds of \$157,537.18.  
19 This sale proved to be a challenge after two buyers withdrew from  
20 escrow prior to closing.
- 21 4. 200 North Dearborn, Unit 3202, Chicago, Illinois. This condominium  
22 in Chicago sold on November 11, 2014 with net proceeds of  
23 \$277,884.85.
- 24 5. 327 East 25<sup>th</sup> Street, Unit 1W, Chicago, Illinois. This condominium in  
25 Chicago sold on March 2, 2015 with net proceeds of \$144,654.54.

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1           **B.    Automobiles**

2           As reported in the Interim Report of October 30, 2014, all four Miao  
3           automobiles (Range Rover, Audi, Bentley, and Mercedes) have been returned to the  
4           lenders or liquidated with total net proceeds of \$121,800.

5           **C.    Jewelry**

6           The delivered jewelry and watches (a total of 12 pieces) were sold at auction  
7           through Sotheby’s for net proceeds of \$647,980. The Miao Order (Section E, page  
8           11) includes a provision that the Liquidator use these funds to pay off a loan from  
9           Tiffany Co. owed by Lin Miao, but Tiffany forgave and wrote off that loan in  
10          August, 2014.

11          **D.    Miao Partners, LLC**

12          The Miao Order also directs Miao to transfer to the Liquidator all his interests  
13          in Miao Partners, LLC (“Miao Partners”) including all of its interests in Skinny  
14          Bikini Swimwear, LLC (“Skinny Bikini”), Bloc Priya Avatar I, LLC (“Bloc Priya”),  
15          and Bloc DT 1, LLC (“Bloc DT”).

16          Miao Partners has been transferred to the Liquidator – its primary assets are  
17          investments in Bloc Priya and Bloc DT which are the subject of the *ex parte*  
18          application filed August 3, 2015. (See ECF No. 148). Since that application  
19          addresses those assets in detail, we will not repeat that discussion here.

20          **VI.   Conclusion**

21          As to the sale of Bachman assets, our work is nearly done, except as to a final  
22          determination on the value, if any, in the three remaining stocks.

23          As to the receivership, our work is done as to the Corporate Defendants other  
24          than Bullroarer. As to Bullroarer, the Receiver projects that these proceedings could  
25          be completed in the coming months, subject, however, to two significant  
26          uncertainties: the speed of the remaining Hong Kong proceedings to recover  
27          additional Bullroarer assets in the HSBC account; and the speed of U.S. proceedings  
28          to resolve the Bloc Priya/ Bloc DT investments by True Merchant using Bullroarer

1 funds. If more extensive litigation of these matters is required, the timetable will  
2 necessarily be extended.

3 As to the liquidatorship, our work is primarily done except as to the interests  
4 of Miao Partners in Bloc Priya and Bloc DT.

5 If the Court requires further information as to any matter reported on herein,  
6 the Receiver asks that the Court so instruct.

7 Dated: August 6, 2015

THOMAS W. MCNAMARA

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By: /S/ Thomas W. McNamara  
Thomas W. McNamara  
Receiver and Liquidator Receiver

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**CERTIFICATE OF SERVICE**

I hereby certify that on August 6, 2015, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of the filing to all participants in the case who are registered CM/ECF users.

/s/ Andrew W. Robertson