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13 UNITED STATES DISTRICT COURT
14 CENTRAL DISTRICT OF CALIFORNIA

15 SECURITIES AND EXCHANGE
COMMISSION,

16 Plaintiff,

17 v.

18 PLCMGMT LLC, dba PROMETHEUS
19 LAW, JAMES A. CATIPAY, and
20 DAVID A. ALDRICH,

21 Defendants.

Case No. 2:16-cv-02594-TJH (FFMx)

**RECEIVER'S STATUS REPORT
AND ACCOUNTING**

Judge: Hon. Terry J. Hatter, Jr.
Ctrm.: 17

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II.

RECEIVERSHIP ACTIVITIES

A. Defendants' Site

As directed and authorized by Section VIII(A) of the Preliminary Injunction, we took possession of the Prometheus office at 1130 S. Flower Street, #401, Los Angeles, California on April 27, 2016. The office is a work loft condominium of approximately 2,118 square feet, which has been configured to have one bedroom and an office environment comprised of six work stations with computers and telephones. No active operations were taking place, but we did find current business and financial records on site. One feature of this site that stood out was the presence of a very large recently-purchased 1,000 pound safe housed on the second floor – upon our arrival, that safe was open, unlocked, and empty.

Initial access was provided and coordinated by Catipay's then counsel, Tim Umbreit, and former Prometheus "funding manager," Michael Ewans. The premises were secured and a locksmith changed the locks. Mr. Ewans has since made himself readily available to the receivership team to respond to inquiries regarding Prometheus operations.

B. Bank Accounts

In response to the Preliminary Injunction Asset Freeze, the following accounts have been frozen:

Account Name	Bank	Account No.	Balance Frozen
PLCMGMT LLC (CA)	Wells Fargo	4489	\$25.08
PLCMGMT LLC (CA)	Wells Fargo	9686	\$62.59
James Catipay	JPMC	1931	\$24.18
James Catipay	JPMC	5529	\$450.00
James Catipay	JPMC	9071	\$26.98
James Catipay	Wells Fargo	5245	\$13.14
James Catipay dba James Catipay	Wells Fargo	2133	\$6.46

Account Name	Bank	Account No.	Balance Frozen
James Catipay	Wells Fargo	8065	\$37.00
Law Office of James Catipay	Wells Fargo	3531	\$16.00
Law Office of James Catipay	Wells Fargo	8115	\$15.96
David Aldrich / UFundLeads LLC	JPMC	9163	\$32,830.83
David Aldrich / UFundLeads LLC	JPMC	8625	\$4.34
David Aldrich	Wells Fargo	9431	\$180.76
Anna Aldrich	Washington Federal Bank	7558	\$101.53
Total			\$33,794.85

In addition to the funds in these accounts, Prometheus and Catipay have additional assets as described below.

C. Documents and Electronic Data

Upon taking possession of the premises, we confirmed that all hard copy documents on site were secure. A computer forensic team retained by the Receiver made images of all computers onsite. After the imaging process was completed, the computers and most of the hard copy documents were moved to the Receiver's office in San Diego. We commenced the review of this information in order to reconstruct the operational and financial picture and identify assets and/or claims against third parties.

D. Cooperation of Individual Defendants

At the outset, Mr. Catipay was overtly uncooperative and refused to communicate with me or my attorneys, except through intermediaries. When he finally made himself available by telephone, he either lied or deflected throughout our conversations. I found him to have zero credibility on any subject. For example, during a telephone call with me and my counsel on May 17, 2016, Catipay displayed his full range of deception:

- 1 • When asked how the balance in his Chase savings account decreased
2 from \$70,000 on April 16, 2016 to \$25,000 when he filed his financial
3 disclosures statement on May 10, 2016, he said he “blew through” the
4 money and had nothing to show for it, except that he did have cash on
5 hand of \$7,800. In response to our demand, he later sent that cash by
6 FedEx to the receivership.
- 7 • When asked generally where the investor money went, he said he
8 spent \$1.8 million for what he termed “personal uses” (i.e., tuition,
9 American Express bills, money to Beverly Palacio, redemptions,
10 commissions, and attorneys’ fees). He later stated that he spent a little
11 over \$1 million in cash over a one-year period – his practice was to go
12 to the bank, write checks for cash and spend the cash – no large
13 purchases, but he said he spent \$2,000-3,000 per day on female
14 escorts.
- 15 • Regarding his luxury Nissan GT-R vehicle, he admitted that he lied
16 about it in a previous call and that Prometheus money funded its
17 purchase – title was in the name of Beverly Palacio. Upon demand,
18 he also turned that car over to the receivership.
- 19 • When asked if he had ever owned a Lamborghini, he said, no, and
20 explained that a photo with him in a Lamborghini was just him in a
21 car that he washed as part of his job as an exotic car washer and
22 detailer. This is expressly contradicted by DMV records and his own
23 insurance records that he previously owned two Lamborghinis.
- 24 • When asked about \$2,500 monthly car payments to an apparent
25 girlfriend, he denied making such payments, but the girlfriend
26 confirmed that he did. She also confirmed that he used her name and
27 good credit to buy a Fisker luxury car.

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- 1 • When asked about a series of \$10,000 wire transfers to China
2 Construction Bank, Catipay said he was just sending that money to his
3 girlfriend's mother in China after she gave him the \$10,000 in cash.
4 The girlfriend later confirmed to us that these wires were payments by
5 Catipay to help her pay a familial loan she secured to buy a
6 condominium in Monterey Park, California.

7 We have grave concerns that Catipay has significant amounts of cash in his
8 possession, as the explanations he offered about how he "blew" the money were
9 preposterous.

10 We have not spoken directly with Aldrich, who appears to have had no
11 involvement or relationship with Prometheus since February 2015. His counsel
12 has been generally cooperative and has assisted in securing answers to our
13 questions.

14 III.

15 THE UNIVERSE OF INVESTORS

16 Our review of Prometheus' records has generally confirmed the narrative set
17 out in the SEC's Complaint and evidence submitted in support of the Preliminary
18 Injunction. Given that Judgments have been entered as to both principals, we need
19 not revisit the details of the securities law violations alleged by the SEC except as
20 context for the receivership's pursuit of assets and the identification of investors.

21 The business "model" at the core of the Prometheus business has been well
22 documented and has been confirmed by our review of the materials onsite. In a
23 nutshell, Prometheus' mission, denominated "Legal Marketing," was to locate and
24 pre-qualify potential plaintiffs for mass tort cases against drug manufacturers and
25 then refer them to contingency fee counsel in return for a share of their
26 contingency fee. In its various iterations, this business embraced unlawful fee
27 splitting, fraud, and the sale of unregistered securities. As implemented, it also

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1 embraced the outright theft of more than \$5 million by Catipay and Aldrich who
2 diverted at least that much in investors' funds for their personal use.

3 The Catipay Law Firm and Prometheus entered into joint representation and
4 fee share agreements with the law firm Paglialunga & Harris ("P&H") whereby
5 Catipay/Prometheus supposedly managed the marketing and initial evaluation of
6 potential plaintiffs. P&H, in turn, would litigate the cases pursuant to retainer
7 agreements with qualified plaintiffs and then share 1/3 of its Net Fees with
8 Catipay/Prometheus.

9 To fund this search for potential plaintiffs, Prometheus went to market with
10 an "offering" riddled with red flags – "prepaid forward contracts" with guaranteed
11 returns of 100-300% that were to be secured by UCC-1 filings. This offering was
12 unlawful in structure (unregistered security) and implementation (sales pitch based
13 on overt fraud). Prometheus has never had any financial capacity to deliver on
14 even the bare minimum of its promised returns. As of the date of the Receiver's
15 appointment, Prometheus had received no fee share payments and had cash assets
16 in bank accounts totaling only \$87. And nearly 50% of the investor funds
17 deposited to Prometheus were squandered by the principals.

18 Based on our review of internal Prometheus records¹, we have confirmed the
19 rough universe of investors in Prometheus and have built a database with contact
20 information as to each which can serve as the foundation for a future claims
21 process.

22 We have identified 257 individual investors who placed \$10.8 million with
23 Prometheus, plus \$1,190,000 invested by Prometheus Capital Partners ("PCP"), an
24 investment partnership based in Denver, Colorado, for a total of \$12,034,169.
25 Prometheus was not provided the details as to the sources of PCP's investment so
26 we do not have individual investor names underlying the PCP investment.

27 _____
28 ¹ We should note that Prometheus did maintain a detailed running schedule
of investors which has proven to be reasonably reliable.

1 In general, as funds were received, Prometheus internally allocated them
2 into \$10,000 increments (a limited number were \$5,000 or \$7,500), theoretically
3 assigned to a potential plaintiff. There was, however, no effort to actually
4 formalize any form of security interest against a specific potential plaintiff.
5 Potential plaintiffs were just that – “potential” – as most were not the subject of an
6 actual filed cases and all or some of them could fall off the roster as unqualified
7 based on further due diligence.

8 After subtracting redemptions from seven investors who received their funds
9 back (\$170,000) and returns paid to six investors (\$136,000), current aggregate
10 losses are calculated at \$11.7 million. Based on Prometheus’ internal records, it
11 appears that approximately 117 investors funded their investments in whole or in
12 part from IRA accounts, at least as indicated by Prometheus’ internal records.

13 For details as to the inflow of investor funds and how Defendants
14 spent/squandered those funds, see the Financial Information section below.

15 IV.

16 FINANCIAL INFORMATION

17 A. Prometheus Financial Summary

18 The receivership retained Thad Meyer of Alliance Turnaround Management
19 to prepare a forensic reconstruction of Prometheus’ finances. His detailed report is
20 submitted as Exhibit A to this Status Report. The essential findings of that report
21 can be summarized as follows:

- 22 • The first \$5.84 million of investor funds to Prometheus were
23 deposited (September 2013 through October 2014) into Aldrich-
24 controlled accounts in the name of PLC-WA. Aldrich disbursed those
25 funds for various purposes, including transfers to Prometheus
26 accounts controlled by Catipay from which Catipay paid
27 commissions.

28 ///

- 1 • In October 2014, Aldrich and Catipay switched roles – investor funds
2 were thereafter deposited to Catipay-controlled Prometheus accounts
3 from which Catipay disbursed funds, including commissions and
4 transfers to PLC-WA. Investor funds from individuals deposited to
5 Catipay’s control totaled \$5.17 million, plus an additional \$1,190,000
6 from PCP.
- 7 • By February 2015, Aldrich and Catipay had parted ways and Catipay
8 proceeded with Prometheus as the sole owner.² Aldrich brought in
9 \$1.39 million new funds into PLC-WA, but those funds are outside
10 the scope of this receivership over Prometheus.
- 11 • Aldrich disbursed funds from the PLC-WA account for his personal
12 use to purchase an office condominium in Los Angeles (\$1,072,103),
13 pay his 2014 personal federal income taxes based on an inflated
14 income number (\$1,032,497), and in personal draws (\$1,445,407).
- 15 • Catipay disbursed Prometheus funds to, or for the benefit of, Beverly
16 Palacio, who is described by Catipay as his ex-wife, although our
17 observations indicated she is still a close personal and business partner
18 (\$882,819), Herbalcure, a medical marijuana business in which he had
19 some form of ownership (\$821,828), and an apparent girlfriend
20 (\$303,919). He has also received \$1,402,642 in personal draws.
- 21 • Through April 2016, Prometheus had not received a single dollar in
22 fee share payments.

23 ///

25 ² The details of this split are described in lawsuits brought by Catipay in
26 March 2015 in Los Angeles County Superior Court against Aldrich and others
27 seeking dissolution of the partnership and other remedies. *See Catipay v. Aldrich*,
28 Case No. BC574522. Prometheus and Catipay are involved in at least three other
lawsuits in Los Angeles County Superior Court. *See PLCMGMT LLC v. EON
Escrow, Inc.*, Case No. BC593807; *Catipay v. Prometheus Capital Partners, LLC*,
Case No. BC605665; *Detamore v. Wheeler*, Case No. BC622437.

- 1 • \$7,800 cash recovered from James Catipay.
- 2 • \$2,150 cash recovered from Beverly Palacio (Catipay's ex-wife).
- 3 • \$114,068.90 from the sale of high-end vehicles registered to Beverly
- 4 Palacio (Toyota FJ Cruiser, Nissan GT-R, and Ferrari).
- 5 • \$100,000 from the "sale" of LA Auto, LLC, an auto repair business in
- 6 which Beverly Palacio acquired with Prometheus funds.³
- 7 • \$1,961 from the sale of three loaner vehicles owned by LA Auto.
- 8 • \$1,126 cash from the accounts of LA Auto.

9 Given a long history of cash transactions, we suspect Catipay may have
10 substantial cash secreted away, but we have not located it. We will seek to take his
11 deposition testimony under oath as soon as possible, but to date, his counsel has
12 indicated Catipay would invoke the Fifth Amendment. Catipay recently entered a
13 criminal plea in federal court in San Diego and we are presently seeking his
14 deposition now that his plea has been entered. We continue to review the viability
15 of claims against Beverly Palacio, Herbalcure, and Catipay's former girlfriend for
16 the return of funds they received from Catipay that were traceable to Prometheus.

17 While the Flower Street condominium bought with \$1,072,103 of
18 Prometheus funds was originally titled to PLC-WA, it is now titled to James
19 Catipay following a settlement between Aldrich and Catipay by which Aldrich
20 agreed to quitclaim the property to Catipay. Prior to providing the quitclaim,
21 however, Aldrich consented to the recording of a Deed of Trust on the property for
22 \$2.975 million as security for PCP's investment in Prometheus. In our view, that
23 Deed of Trust is voidable as a fraudulent transfer and we will seek to have it
24 removed and sell the condominium with the net proceeds to the receivership.

25
26 ³ After confirming that Beverly Palacio had acquired an auto repair business
27 in central Los Angeles (LA Auto) with Prometheus money and was about to
28 complete a deal for \$100,000 to effectively sell the business via return of the lease
to the landlord, we secured an Order from the Court on June 28, 2016 (ECF
No. 52) that LA Auto was a receivership asset and later secured the \$100,000.

1 3. Aldrich

2 We have made some progress in recovering Prometheus funds disbursed to
3 Aldrich or to third parties for his personal benefit.

4 Aldrich deployed \$1,032,497 of Prometheus investor funds in March 2015
5 to pay his own personal federal income taxes based on a 2014 return that inflated
6 his income by categorizing investor funds as income to him. This appears to have
7 been a maneuver to park funds with the U.S. government, subject to return via a
8 later amended tax return. Aldrich has now cooperated in the preparation and filing
9 of an amended federal tax return for 2014 seeking refunds of portions of those
10 taxes.

11 While the state of Washington does not have a personal income tax, PLC-
12 WA used Prometheus funds to pay substantial corporate excise taxes based on the
13 same inflated income. We are now working with Aldrich and his counsel to pursue
14 the possible recovery of those taxes.

15 Aldrich also used Prometheus funds to pay a \$50,000 retainer to his counsel.
16 A small portion of that retainer related to pre-receivership services. Counsel have
17 agreed to freeze the remaining \$47,123 in his client trust account.

18 We have also identified real property in the Seattle area which are titled in
19 the name of Aldrich's wife who asserts that they are her separate property. We are
20 further investigating if funds traceable to Prometheus were involved in the
21 purchase or maintenance of those properties.

22 **B. Clawback Claims**

23 It is textbook law that a Receiver may "clawback" profits and commissions
24 and add them to the pool of funds for later distribution to investors who lost
25 money. *See, for example: Donell v. Kowell*, 533 F.3d 762, 779 (9th Cir. 2008) and
26 *Hays v. Adam*, 512 F. Supp. 2d 1330, 1344 (N.D. Ga. 2007).

27 Only six investors received any sort of return from Prometheus and only one
28 of those was an overall winner with a net profit of \$2,500. The other five had

1 “profits” on individual contracts of \$10,000 each, but in the aggregate, their
2 Prometheus investments were net losses. The one overall winner has already
3 returned his \$2,500 profit to the receivership.

4 We have identified 37 sales consultants who received commissions totaling
5 approximately \$1.1 million, plus PCP which was paid a commission of \$119,000
6 on its investment of \$1,190,000. We have formally submitted our demand to each
7 that they return to the receivership all commissions paid to them. The initial
8 reaction to our demand letters has been positive with most indicating a desire to
9 resolve without litigation. If we are unable to resolve amicably, we will initiate
10 formal litigation.

11 Three of the 37 targets received commissions exceeding \$100,000
12 (\$320,250, \$240,864, and \$119,000, respectively), three others received between
13 \$50,000 and \$100,000. We have not discerned any specific commission structure
14 except that most were in the 5-10% range, but the largest commission recipient
15 was paid an exorbitant 15% on some investors. 26 of the 37 were recruited in
16 some capacity by one individual who received an override of 5-6% on all investors
17 they delivered to Prometheus.

18 **C. Case Portfolio**

19 Subject to multiple qualifiers, described below, the Case Portfolio being
20 administered by P&H does represent a valuable asset to the receivership as the fee
21 share due to the receivership could be substantial.

22 We have met with the attorney from P&H on several occasions and have
23 reviewed summaries of the Case Portfolio. Based on that review, we can provide a
24 general summary of the Portfolio. The Portfolio is composed of approximately
25 2,115 potential cases. This number may fluctuate because potential plaintiffs may
26 be dropped if further due diligence indicates that they are not qualified or their
27 injuries are not provable. It must be stressed that 2,115 is the number of potential
28 plaintiffs pre-screened by counsel to date – it is not the number of cases that have

1 been filed. At present, approximately 837 actual cases have been filed. We are
2 told this is common in mass tort litigation where cases do not have to be filed until
3 there is an imminent statute of limitations issue. As favorable results are reached
4 in trials or settlements in the filed cases, counsel for the plaintiffs will work toward
5 a global settlement involving all other plaintiffs with provable injuries.

6 Ninety-five percent of the Portfolio are potential cases relating to Risperdal,
7 an anti-psychotic medicine manufactured by a subsidiary of Johnson & Johnson.
8 The potential plaintiffs (2,024) are all men alleged to have suffered the side effect
9 of gynecomastia (male breast enhancement). 824 actual cases have been filed in
10 Los Angeles County Superior Court and have been consolidated before one judge
11 who has also been assigned thousands of other Risperdal cases brought by
12 unrelated counsel and parties. The judge has identified “bellwether” cases and
13 instructed counsel to work these up for trial. These cases represent categories of
14 plaintiffs based on age, the years in which the drug was used, and the applicable
15 warning label used during those years. Settlements or trial results in these cases
16 will present valuation parameters for other cases. There have been verdicts and
17 settlements in Risperdal cases in other jurisdictions, but they cannot be
18 extrapolated to value our cases, especially without knowing all the factual details
19 of the claims.

20 The remaining cases involve an assortment of drugs. Actos, a diabetes drug
21 (29 cases, four of which have been filed and seven of which have settled for
22 \$1.76 million); Transvaginal Mesh (commonly called “TVM”) a surgical implant
23 for women suffering from incontinence or organ prolapse (four cases have been
24 filed, but none have yet been resolved); Nuvaring, a female contraception product
25 (four cases, all of which have been settled); SSRI prescription anti-depressants (18
26 cases, none filed); Tylenol (1 potential plaintiff); Testosterone (2 potential
27 plaintiffs); and Topamax (1 potential plaintiff).

28

1 Lead counsel for the cases in the Case Portfolio has emphasized that it is
2 impossible to project with any accuracy the “value” of the Portfolio or the fees that
3 may flow from the cases before they are tried or resolved. Litigation is inherently
4 unpredictable and very fact and court specific. Beyond the lack of precision, it is
5 also not strategically wise for counsel to provide public estimates of valuation
6 which could adversely impact future trials or settlement negotiations. The high
7 concentration of the Case Portfolio on Risperdal cases creates a possibility for
8 dramatic swings in the overall value of the Case Portfolio (positive or negative) as
9 the Risperdal bellwether cases are tried or settled.

10 We have posted a summary of the Portfolio on the Receiver’s website and
11 we have cautioned investors that they should resist the temptation to embrace press
12 or anecdotal reports about litigation results in other cases involving the same drugs.
13 Damage awards by juries are not precedents for future cases involving the same
14 drug; instead, they offer only the most general guidance. Each case will depend on
15 its specific facts – the age of the plaintiff; the severity of the side effects; the
16 provability of the side effects; the plaintiff’s knowledge of the risks; the warning
17 label used on the product, the forum in which the case is filed; and many other
18 factors. In some settlements, the manufacturer may simply allocate a total dollar
19 amount for settlement which must then be divided among the plaintiffs (filed and
20 unfiled) as determined by third party mediators.

21 If the cases are resolved in favor of the plaintiffs, the fees due the
22 receivership will be one-third (1/3) of the fees lead counsel receives, which is
23 generally 40% of the net recovery subject to other reductions: The fees paid to the
24 receivership will be accumulated by the receivership and ultimately disbursed to
25 investors, net of court-approved expenses, after court approval.

26 On September 2, 2016, Catipay assigned all his rights in the Joint
27 Representation Agreement with P&H to the Receiver. To date, the receivership
28 ///

1 has received payments totaling \$151,251.34 from P&H, representing the
2 receivership's share of fees from settlements in 13 cases to date.

3 **D. Claims Against Third Parties**

4 We are evaluating the viability of potential claims against third party
5 professional service providers.

6
7 Dated: November 10, 2016

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9 By: S/ Thomas W. McNamara
10 Thomas W. McNamara
11 Receiver
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CERTIFICATE OF SERVICE

I hereby certify that on November 10, 2016, 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.

I further certify that I have caused the foregoing to be mailed by First Class Mail, postage paid, to the following non-CM/ECF participants:

Beverly Yadao Palacio
1130 South Flower, Suite 310
Los Angeles CA 90015

S/ Andrew W. Robertson
Andrew W. Robertson

EXHIBIT A

Review of Cash Receipts and Disbursements for PLCMGMT LLC

I have completed a review of available documents and accounting records for the entities PLCMGMT LLC (WA) (“PLC-WA”) and PLCMGMT LLC (CA) (“PLC-CA”), along with various personal bank accounts and documents for David A. Aldrich and James A. Catipay. My review was performed with the goal to provide a summation of consolidated sources and uses of funds relating to the collection of investor funds for the 32-month period from September 2013 through April 2016.

I reviewed the report and findings performed by Carol Shau of the Securities and Exchange Commission who performed a similar review and investigation. My review included the accounts mentioned in her report dated April 13, 2016. I was also provided detail of the various bank accounts including statements and supporting documentation. Additionally, I was provided QuickBooks accounting records and tax returns for PLC-WA and PLC-CA.

It was my understanding from the outset – based on previous reports and declarations and my discussions with the Receiver – that the activities of PLC-WA were handled primarily by Aldrich, and the activities for PLC-CA were handled primarily by Catipay. This was supported by the documentation I reviewed.

For the period from September 2013 until October 2014, investor funds were primarily deposited into accounts of PLC-WA. Aldrich disbursed funds for lead generation and media marketing programs, which were large lump sum payments to several legal contractors who reportedly provided leads for potential plaintiff victims in accordance with their business plan. Aldrich paid other miscellaneous expenses, and provided funds to Catipay. Catipay would pay out commissions to sales consultants/”finders” who assisted in acquiring investor funds – the remainder went to miscellaneous business expenses and his compensation. In October 2014, the roles were changed and Catipay started depositing funds from investors directly to his PLC-CA accounts. After paying commissions, he would then transfer a portion of those funds to PLC-WA. This arrangement continued until approximately February 2015 when Aldrich and Catipay stopped transferring funds between each other and started managing their operations separately. My understanding this was due to a legal disagreement between them.

I reviewed the QuickBooks records and tax returns for both PLC-WA and PLC-CA. As to PLC-WA, these records do a decent job of reflecting revenues and expenses and most items tie accurately to the bank records, though there are some omissions. As to PLC-CA, the QuickBooks records were incomplete and did not tie to cash transactions. As such, they provided little value in categorizing various expenditures – as such, bank records and supporting information were my primary sources for PLC-CA.

Based on the review described above, I have prepared a consolidated Receipts and Disbursements Summary for PLC-WA and PLC-CA which is attached as Exhibit 1.

Please note that Aldrich and Catipay utilized many separate business and personal bank accounts. Funds were transferred freely between these accounts. Many items paid from their business accounts appear to be personal expenses rather than business expenses based on the

descriptions on checks. However, in my reconciliation, I have attempted to classify and sort the major expenditures for the PLC entities and related accounts and did not attempt to further research small expenditures in order to determine if they were primarily personal or business expenditures.

My review, based on available records, indicates that total collections from individual investors were \$11,015,671. An investor schedule prepared internally by PLC-CA, and provided by the Receiver, showed total individual investor funding to be \$10,844,169. Per my review of this supporting documentation, I found this schedule to be very reliable when comparing to bank deposits. I believe the discrepancy of \$171,502 is a function of that report lagging behind deposits and/or human error in the computations.

Note, that per my review, there appear to have been two separate investment campaigns that were funded by entities – Prometheus Capital Partners and Brenner Associates. The first campaign raised \$1,190,000 from July 2014 until January 2015. These funds were initially collected by Catipay accounts and recorded as Prometheus Capital Partners – a portion of those funds were transferred to Aldrich’s accounts. When added to the amount placed by individual investors (\$11,015,671), this brings the total investment into PLC-CA to \$12,205,671.

The other campaign raised \$1,390,100 and was collected by Aldrich from February 2015 to March 2015 and recorded under “Brenner & Associates.” Aldrich retained the entire proceeds in his entities for expenses and draws.

Transfers to and from PLC-WA and PLC-CA were \$2,890,439 and net out to \$0. The total investor receipts, including PCP and Brenner, were \$13,595,771.

Of the \$7,891,615 collected by Aldrich/PLC-WA, including the effect of transfers, he spent \$3,837,720 on items he classified as media marketing or lead generation. Most of these payments consist of large lump sum payments to a handful of outside contractors. He spent approximately \$212,000 on legal which appears to result from the disagreement between him and Catipay. Approximately \$112,000 was paid to the state of Washington for business excise taxes. Approximately \$180,000 was spent on miscellaneous other business, general administrative, occupancy, meals and entertainment expenses. Due to the lack of evidence of a substantial business organization for PLC-WA, it appeared that many of these expenses were more personal in nature. However, the classification used for the QuickBooks records and tax records have been primarily maintained where available.

From my review, it appears that Aldrich utilized the remaining funds of \$3,550,007 as personal compensation and draws. Of these personal draws, large expenditures of note included \$1,072,103 for the Flower Street condominium in Los Angeles. I understand that this property was reportedly later transferred to Catipay in settlement of their disagreement. \$1,032,497 was utilized as a payment to the IRS for Aldrich’s reported 2014 tax liability. This appears to have been the result of Aldrich classifying the funds from investors as income for tax purposes as opposed to a liability to the investors themselves. The remaining amount of \$1,445,047 is a net amount made up of numerous draws over the period of examination less contributions and deposits made by Aldrich.

Of the \$5,704,156 collected by Catipay/PLC-CA, including the effect of transfers, he returned \$323,000 to investors for redemptions or payouts. Catipay paid approximately \$190,000 for legal expenses related to his litigation with Aldrich. Catipay paid approximately \$1.2 million for commissions to consultants and \$579,000 for miscellaneous business expenses. Per my review, Catipay did not appear to have a substantial business organization, thus there were not the other overhead items you normally find with a typical business organization. The above results in approximately \$3,411,000 remaining which was utilized for draws and other personal expenditures during this period. Of this amount \$882,819 was funded or used for expenditures of Beverly Palacio, who I understand is a business associate and a former spouse of Catipay. \$821,828 was used for payments to the LA office of Finance and the Board of Equalization for taxes and fees that appear to be for a Medical Marijuana business. We do not yet have all the details of the relationship between this entity and Catipay or PLC-CA. \$303,919 was paid to or for the benefit of Yingjie Mao, who reportedly is a former acquaintance of Catipay. The remaining amount of \$1,402,642 is a net amount made up of numerous other draws over the period of the examination less contributions and deposits made by Catipay.

EXHIBIT 1

**Consolidated Receipts and Disbursements Summary
 PLC-WA and PLC-CA
 September 2013 thru April 2016**

	(Aldrich) PLC-WA	(Catipay) PLC-CA	Combined
Receipts			
Investor Funds (Note 1)	\$ 5,847,660	\$ 5,168,011	\$ 11,015,671
Prometheus Capital Partners (Note 1)		1,190,000	1,190,000
Brenner Associates Inc. (Note 1)	1,390,000	-	-
PLCMGMT CA Trans in	1,772,147	1,118,292	2,890,439
PLCMGMT CA Trans out	(1,118,292)	(1,772,147)	(2,890,439)
Total Receipts	<u>\$ 7,891,515</u>	<u>\$ 5,704,156</u>	<u>\$ 12,205,671</u>
Disbursements for Apparent Business Purposes			
Marketing	\$ 3,837,720	\$ -	
Legal	212,314	190,141	
Redemptions	-	323,000	
Business excise taxes	111,826	-	
Commissions and other misc business exp	179,748	1,779,807	
Subtotal	<u>\$ 4,341,608</u>	<u>\$ 2,292,948</u>	
Disbursements for Draws/Personal Expenses	<u>\$ 3,550,007</u>	<u>\$ 3,411,208</u>	
Total Disbursements	<u>\$ 7,891,615</u>	<u>\$ 5,704,156</u>	
Summary of Draws and Personal Expenditures			
Flower Street Condo	\$ 1,072,103	\$ -	
IRS tax payment	1,032,497	-	
Palacio Draws	-	882,819	
Herbacure/Medical Marijuana related	-	821,828	
Mao Payments	-	303,919	
Remaining draws	1,445,407	1,402,642	
	<u>\$ 3,550,007</u>	<u>\$ 3,411,208</u>	

Note 1:

Individual Investors who made payment to PLC-WA were ultimately rolled into the PLC-CA Investor Schedule.

PCP Investment of \$1,190,000 was also included in the PLC-CA Investor Schedule.

Brenner Investment of \$1,390,000 was made to PLC-WA and is unrelated to the receivership over PLC-CA.

EXHIBIT B

STANDARDIZED FUND ACCOUNTING REPORT for Prometheus Law Receivership-Cash Basis
 SEC v. PLCMGMT LLC, dba Prometheus Law, et al., Case No. 16-cv-02594-TJH (FFMx)
 Reporting Period 04/26/2016 to 11/08/2016

FUND ACCOUNTING (See Instructions):				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of May 19, 2016):	\$ -	\$ -	\$ -
	Increases in Fund Balance:			
Line 2	Business Income	\$ 151,251.34		\$ 151,251.34
Line 3	Cash and Securities	\$ 46,029.72		\$ 46,029.72
Line 4	Interest/Dividend Income			
Line 5	Business Asset Liquidation	\$ 216,030.65		\$ 216,030.65
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income	\$ 8,360.00		\$ 8,360.00
Line 8	Miscellaneous - Other			
	Total Funds Available (Lines 1 – 8):	\$ 421,671.71	\$ -	\$ 421,671.71
	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	\$ 4,166.48		\$ 4,166.48
Line 10c	Personal Asset Expenses			
Line 10d	Investment Expenses			
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments			
	Total Disbursements for Receivership Operations	\$ 4,166.48		\$ 4,166.48
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):			
Line 13	Ending Balance (As of _____):		\$ -	\$ -

STANDARDIZED FUND ACCOUNTING REPORT for Prometheus Law Receivership-Cash Basis
SEC v. PLCMGMT LLC, dba Prometheus Law, et al., Case No. 16-cv-02594-TJH (FFMx)
Reporting Period 04/26/2016 to 11/08/2016

Line 14	Ending Balance of Fund – Net Assets:			
Line 14a	Cash & Cash Equivalents	\$ 417,505.23		\$ 417,505.23
Line 14b	Investments			
Line 14c	Other Assets or Uncleared Funds			
	Total Ending Balance of Fund – Net Assets	\$ 417,505.23	\$ -	\$ 417,505.23

OTHER SUPPLEMENTAL INFORMATION:				
		Detail	Subtotal	Grand Total
	Report of Items NOT To Be Paid by the Fund:			
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 15a	Plan Development Expenses Not Paid by the Fund:			
	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			
Line 15b	Plan Implementation Expenses Not Paid by the Fund:			
	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			
Line 15c	Tax Administrator Fees & Bonds Not Paid by the Fund			
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	Investment Expenses/CRIS Fees			
Line 16b	Federal Tax Payments			
	Total Disbursements to Court/Other Not Paid by the Fund:			
Line 17	DC & State Tax Payments			
Line 18	No. of Claims:			
Line 18a	# of Claims Received This Reporting Period.....			
Line 18b	# of Claims Received Since Inception of Fund.....			
Line 19	No. of Claimants/Investors:			
Line 19a	# of Claimants/Investors Paid This Reporting Period.....			
Line 19b	# of Claimants/Investors Paid Since Inception of Fund.....			

Receiver: _____
 By: _____
 (signature)

Thomas W. McNamara
 (printed name)

Receiver
 (title)

November 9, 2016
 (date)