

the Order Appointing Receiver. (Docket No. 16) The Receiver also expects that this status report will be a primary source of information for many, including without limitation, investors, lenders, and other creditors.

a. General Powers and Duties of a Receiver

There are two basic principles in cases involving equitable receiverships. The first relates to a “common thread [that] keeps emerging out of the cases involving equity receiverships—that is, a district court has extremely broad discretion in supervising an equity receivership and in determining the appropriate procedures to be used in its administration.” *FDIC v. Bernstein*, 786 F.Supp. 170, 177 (E.D.N.Y. 1992); *see also SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986); *SEC v. Safety Financial Service, Inc.*, 674 F.2d 368, 372 (5th Cir. 1982) (“action by a trial court in supervising an equity receivership is committed to his sound discretion and will not be disturbed unless there is a clear showing of abuse”). The court’s “broad powers and wide discretion” stem from the inherently complex transactions and multiple parties to a receivership action and the need for orderly administration of the estate. *Hardy*, 803 F.2d at 1037. Another “primary purpose of equity receiverships is to promote orderly and efficient administration of the estate by the district court for the benefit of creditors.” *Id.* at 1038. As such, “reasonable procedures instituted by the district court” that ultimately serve these basic principles are generally upheld. *Id.*

Because an equity receivership is subject to the Court’s broad discretion, “a receiver receives [his] power and authority directly from the Court and therefore is ‘subject to the court’s directions and orders in the discharge of [his] official duties.’” *SEC v. Elfindepan, S.A.*, 169 F. Supp. 2d 420, 424 (M.D.N.C. 2001). The Receiver is tasked with powers and duties under the Court Order appointing him. (*See, e.g.*, Docket No, 16, Order Appointing Receiver ¶¶ 6-8) The practical effect of these broad powers and duties is that the Receiver effectively steps in the shoes

of the receivership defendants to collect and marshal all receivership assets for the benefit of investors, creditors, and other victims of the fraud and wrongdoing.

b. Receiver as Officer and Fiduciary of the Court

The Receiver is an officer, fiduciary, and agent of the court that appoints him. *Federal Sav. & Loan Ins. Corp. v. PSL Realty Co.*, 630 F.2d 515, 521 (7th Cir. 1980) (A “receiver is an officer of the court and subject to its orders in relation to the property for which he is responsible until discharged by the court”); *Holland v. Sterling Enterprises, Inc.*, 777 F.2d 1288, 1291 (7th Cir. 1985). As such, the Receiver is neutral and does not work for the governmental agency that sought his appointment or for any other party. *Elfindapan, S.A.*, 169 F. Supp. 2d at 424 (a receiver, “viewed as an officer of the court occupying a position of custodian of the property in receivership ... is not the exclusive agent or representative of either party to the suit in which [he] is appointed, and [he] is not appointed for the benefit of either party, nor does [he] derive [his] authority from either one”) (internal citations omitted). While “the Receiver may at times take adverse positions to certain claimants, the Receiver acts under supervision of the court ... for the court must independently approve the Receiver’s legal and factual findings.” *SEC v. Elliott*, 953 F.2d 1560, 1577 (11th Cir. 1992).

II. SUMMARY OF THE OPERATIONS OF THE RECEIVER

The Receiver was appointed by this Court on August 17, 2018. (Docket No. 16) The Receiver retained Rachlis Duff Adler Peel & Kaplan, LLC (“RDAPK”) as special counsel on August 17, 2018, and, on August 20, 2018, the Court entered the Order approving RDAPK’s rates. (Docket No. 19) The Receiver retained BrookWeiner LLC and Whitley Penn LLP as accountants on August 23, 2018, and on August 29, 2018, the Court entered the Order approving their respective rates. (Docket No. 45) The Receiver retained Prometheus Technologies, Inc.

(“Prometheum”) as a forensic consultant on August 31, 2018, and, on September 6, 2018, the Court entered an Order approving its rates. (Docket No. 56)

The Receiver, in association with his legal counsel, RDAPK, accountants BrookWeiner and Whitley Penn LLP, and forensic consultant Prometheum, has undertaken, without limitation, the following activities since his appointment:

a. Identification and Preservation of Assets

Immediately upon his appointment, the Receiver began making efforts to determine the nature, location, and value of all property interests of the Receivership Defendants, including monies, funds, securities, credits, effects, goods, chattels, lands, premises, leases, claims, choses in action, rights and other assets, together with all profits, interest, or other income attributable thereto, which the Receivership Defendants owned, possessed, retained a beneficial interest in, or controlled directly or indirectly.

b. Notice of Appointment of Receiver

The Receiver has undertaken to notify all necessary and relevant individuals and entities of the creation of the Receivership Estate and to protect and preserve the assets therein. To that end, the Receiver has delivered notices to, *inter alia*, banks and other financial institutions, credit card issuers, institutional lenders, insurance agents, utility companies, contractors, vendors, creditors, attorneys, accountants, property managers, employees, and any other individuals or entities which have been identified as potentially having possession of the property, books, records, statements, or accounts of the Receivership Defendants, or who may have been retained, managed, held, insured, or encumbered, or had otherwise been involved with any of the assets of the Receivership Defendants. In addition, the Receiver has delivered numerous notices to the

Internal Revenue Service, postmasters, and jurisdictions¹ across the United States where potential assets of the Receivership estate may be located. The Receiver also created a web page dedicated to providing notice of and information regarding the Receivership Estate.

c. Control of Receivership Property and Records

The Receiver immediately took steps to ascertain the location of Receivership property and records. EquityBuild, EquityBuild Finance, and their respective principals and employees, operated from a series of locations across the country, which evidently facilitated the continuance of the Defendants' scheme. It appears that Defendant Jerry Cohen largely conducted business from Florida, and Defendant Shaun Cohen largely conducted business from Texas and then New York.

At the time of the Receiver's appointment, portfolio management, acquisition, brokerage, and property inspection functions were being conducted in Chicago by two EquityBuild employees and an independent contractor. Day-to-day operations of the real estate assets were being managed and overseen by two local property management companies.

Securities counsel provided advice from offices in both the District of Columbia and Maryland. Another firm, which acted essentially as general counsel to the EquityBuild entities (and who defended all administrative and housing court claims), was based in Chicago. The EquityBuild sales and marketing team was spread throughout the U.S., including for a period of time in Denver, Colorado, in an office from which the EquityBuild information technology functions were conducted. EquityBuild's IT functioning also at times was operated from Florida. Substantially all accounting and individual investment-tracking work was most recently performed

¹ The Receiver filed notices of the Order Appointing Receiver and the SEC's Complaint in jurisdictions where assets of the Receivership Estate may be located, in accordance with 28 U.S.C. § 754.

in Texas. EquityBuild and EquityBuild Finance employees had varying levels of access to online records and information.

EquityBuild established a local office in a two-story coach house located in the Woodlawn neighborhood of Chicago. The Receiver visited this office promptly after his appointment, interviewed the employees and an independent contractor, and retrieved various files and records, including a box of unopened mail, to initiate the process of preserving documents and managing the affairs of the receivership estate. Only a minimal amount of EquityBuild documentation was contained in the local office, however, due to the decentralized nature of EquityBuild's operations and its cloud-based document storage system. In fact, it was apparent that there was no single, integrated computer network on which EquityBuild-related documentation was stored. The three individuals who worked from the Woodlawn location maintained virtually all of their documentation in company online data storage accounts or on local devices.

On the second business day of his appointment, the Receiver directed all EquityBuild employees and independent contractors to, *inter alia*: (i) remove access to any systems that Jerry and Shaun Cohen had access to; (ii) suspend communications with clients, customers, lenders, financial institutions, or vendors without express written permission from the Receiver; (iii) preserve all records and information received from or relating to any of the Receivership Defendants; and (iv) suspend any applications, procedures, or features of any device on which any such records and information exists that, in routine operation, operate to overwrite, delete, or otherwise cause the loss of potentially relevant information or documents.

The Receiver also requested all EquityBuild-related documentation in the possession, custody, or control of both the company's securities counsel and its Chicago-based counsel. Securities counsel provided the Receiver hard copy documents and additional electronic material

which the Receiver and his counsel have been reviewing. Similarly, EquityBuild's erstwhile Chicago-based counsel provided access to hard copy documents (which the Receiver's counsel reviewed in person) and produced those documents in electronic format. The Receiver has also obtained various files and records from EquityBuild's Texas-based accounting firm as well as limited information from its Texas counsel.

The majority of EquityBuild's records had been contained on cloud-based and other electronic storage media. The Receiver and his forensic consultant Prometheum have gained access to and preserved data broadly distributed across multiple platforms. These efforts have also included restricting access to only those that require it and removing access and obtaining login information from former employees and consultants. Prior to the Receiver's appointment and subsequent cost-cutting measures, EquityBuild maintained in excess of 20 platforms to store data at a cost exceeding \$200,000 per year. The Receiver, working with Prometheum, is presently maintaining three selected platforms at a cost of approximately \$500 per month. As to the remaining platforms, the Receiver has sent notice to each entity (many of which remain operative) and has elected not to continue paying for these services when they expire (EquityBuild pre-paid certain of these subscriptions). To date, Prometheum has thus far preserved approximately 1.1 TB of data.²

EquityBuild's DC-based counsel previously retained an outside vendor to image and create a database of records in connection with documents requests propounded by the SEC. This vendor indicated that it was still owed a balance of more than \$58,000 for services rendered prior to the receivership and a monthly recurring cost of more than \$1,300. The vendor informed the

² There is one data platform Prometheum has not been able to access the data and determine the amount, such that it is not included within this total.

Receiver's counsel that the database solely contained emails from a small number of employees, albeit a substantial number of emails. The Receiver retained and independently preserved those emails in their original format where they remain searchable and thus determined that there was no justification for continuing to incur the expense.

In connection with the SEC's retained forensic expert, the Receiver has undertaken to have devices and EquityBuild records imaged, including cell phones, tablets, and computers for current and former employees and the Cohens. These efforts were initially complicated by privilege and privacy objections asserted by the Cohens, but these concerns were ultimately resolved in accordance with a plan proposed by the SEC. Moreover, all current and former EquityBuild employees have been directed to either return to the Receiver or preserve all records and devices that remain in their possession.

d. Business Operations

With respect to the business office in Chicago, the Receiver inspected the premises and seized or otherwise secured all personal and business property and records located thereupon. The Receiver changed the locks to this office and now restricts access to those retained professionals and property managers who maintain EquityBuild's operations.

After shutting down the Chicago business office, the Receiver began identifying and eliminating unnecessary costs. These measures halted EquityBuild's marketing efforts and eliminated the internal structure that supported them. This included reducing EquityBuild's staff down to two employees,³ with an accompanying reduction in monthly payroll from approximately \$42,000 to under \$10,000.

³ The positions and job descriptions for these employees or independent contractors before the Receiver was appointed include, without limitation, the following: three sales people, three customer service representatives in a client service role, a chief operating officer, an IT worker

e. Factual Investigation

In an effort to reconstruct what transpired since the inception of the Defendants' scheme and to trace, if possible, the flow of investor funds into and back out of real properties owned by EquityBuild or its affiliates, the Receiver and his retained professionals have been reviewing and analyzing the following: (i) documents and correspondence sent to or received from the EquityBuild principals, to whose email accounts the Receiver has access; (ii) available underlying transaction documents contained in the files of former Chicago-based EquityBuild counsel; and (iii) files produced by former EquityBuild securities counsel, accountants, and employees.

The Receiver and his retained professionals have also been working to collect, review, and analyze all available loan documentation associated with the financing or refinancing, through various lenders, of substantially all of the EquityBuild portfolio during the 2017-2018 time frame.⁴ Among other efforts, the Receiver and his professionals have endeavored to ascertain the terms of the loans, as well as the current loan balances, and to obtain and review available due diligence materials submitted by EquityBuild in connection with the original loan applications. Although substantial progress has been made, the incomplete and disorganized state of the documentation received from former EquityBuild counsel, as well as a lack of cooperation from some lenders, has complicated efforts to assess, among other things, the amount of equity, if any, remaining in the real estate assets secured by the loans. An orderly claims process will assist the Receiver and his professionals with this analysis by increasing the information available to the Receiver.

responsible for server maintenance and webpages, an underwriter, a worker responsible for sales management and data analysis, an office manager, a construction manager, and an IT director.

⁴ Approximately 80% of the mortgaged properties in the EquityBuild portfolio were financed or refinanced in the 2017-2018 time period. The balance of the mortgaged properties were financed or refinanced in the 2014-2015 time period.

Moreover, the Receiver has been requesting documents and records from the Cohens (including those called for by the Order Appointing Receiver), some of which remain outstanding.

f. Real Property in Illinois

The Receivership Estate includes 80 multi-family residential apartment buildings and 33 single-family homes comprising approximately 1,674 dwelling units. A list of the properties presently believed to be in the Receivership Estate is attached hereto as Exhibit 1.⁵

In addition to the properties listed on Exhibit 1, it appears that a group of EquityBuild investors holds mortgagee interests in at least two multi-family residential apartment buildings that were sold to other EquityBuild investors. With respect to the mortgagee interests, the Receiver has been working with the owner of one of the apartment properties who filed a fraud action against EquityBuild prior to the appointment of the Receiver. While the fraud action is stayed, the Receiver is evaluating potential resolutions between the owner and the Receivership Estate.

Since his appointment, the Receiver has worked to ensure that the two existing property management companies remained in place and has endeavored to ensure that all health, life, and safety issues at the properties are addressed expeditiously. The property managers possess intimate knowledge of the real estate assets and have provided advice and information to the Receiver regarding preservation of properties within the Receivership Estate. In addition to collecting rents and paying routine operating expenses, the property managers have also been assisting in the defense of a thicket of administrative and housing court actions alleging building code violations of widely varying levels of severity filed by the City of Chicago.

⁵ See also Section J. Other Potential Receivership Assets for a description of non-Illinois properties within the Receivership Estate.

The Receiver and his retained professionals have also been participating in ongoing communications with EquityBuild's insurance broker to explore avenues for reducing the insurance premiums paid by the Receivership. All assets in the portfolio are insured, and many of the assets are current in the payment of real estate taxes. At this point, however, the Receiver is committed in accordance with the advice of his retained professionals, the property managers, and asset management consultants, to undertaking only such capital improvements as are necessary to cure outstanding building code violations or demonstrably capable of yielding increases in occupancy that would drive commensurate increases in property value.

The Receiver and his retained professionals have also worked to compile a comprehensive list of EquityBuild affiliate entities and the properties they own, directly or indirectly. To date, the Receiver has identified 136 entities associated with the Receivership Estate that are presently believed to be within the Estate, and a list of all such entities is attached as Exhibit 2.

g. Retention of Real Estate Broker

The Receiver has retained SVN Chicago Commercial, LLC ("SVN") as an asset manager and real estate broker. Shortly after his appointment, the Receiver and his retained professionals surveyed the industry to ascertain the firms most knowledgeable about the multifamily apartment and single-family home rental markets on the south side of Chicago. The Receiver then met with and interviewed three top firms. After the interview process, the Receiver requested that each firm submit a proposal, which the Receiver and his professionals analyzed and evaluated. The Receiver and his professionals also conducted due diligence with respect to each firm through research as to each firm's competence, integrity, resources, and various other factors. After thorough analysis and review, the Receiver then selected SVN and negotiated an engagement of SVN on terms beneficial to the Receivership, including with respect to the services provided and the

compensation structure. SVN's compensation by commission with respect to real estate sales will be subject to review and approval by the Court in connection with the Court's review and approval of the sale of the real estate in the EquityBuild portfolio. In addition to brokerage services, SVN is providing asset management services to the Receivership at no additional cost. The Receiver is working closely with SVN to develop a strategy to market and sell properties in an effort to maximize funds in the Receivership Estate.

h. Status of Property Tax Liability

After the Receiver and his retained professionals identified ostensibly all of the Chicago area properties subsumed within the Receivership Estate, they consulted the public records to determine whether and to what extent property tax arrearages existed. This research identified three properties with 2016 tax delinquencies that were conveyed at the annual tax sale held in May 2018. Accordingly, the Receiver paid the \$63,074 redemption amount prior to the expiration of the redemption period to avoid losing these properties. Further, the Receiver paid \$18,174.40 in 2017 real estate taxes for one property for which payment of the tax arrearages was a prerequisite to CHA tenant move-ins.⁶ There remain 26 properties in the Receivership Estate for which 2017 property taxes remain due and owing, amounting to \$401,500.90 as of the date of this status report.

Moreover, to address the prospect of potential increases in tax liability associated with the Cook County 2018 triennial reassessment, the Receiver plans to conditionally engage property tax appeal counsel to pursue appeals of selected properties on a strictly contingency-fee basis and subject to the approval of the Court.⁷

⁶ Payment of the referenced taxes was made in October 2018, after the close of the third quarter. *See also* Section I. Institutional Lenders at p. 15 for payment of real estate taxes made by the property manager with respect to one property.

⁷ The Receiver intends to file a motion seeking Court approval of same.

i. Institutional Lenders

The Receiver and his retained professionals have also been working to discover the encumbrances on each property, as well as the monthly debt service and outstanding loan balances associated with the promissory notes secured by those encumbrances. These issues have been complicated because it appears that for some properties, competing security interests may have been recorded. These efforts have been further impacted by, among other things: (i) the slow responses from and recalcitrance of some institutional lenders, (ii) cross-collateralization issues, (iii) an array of liens and encumbrances recorded against the properties (or erroneously believed by some investors to have been recorded in a first position), (iv) the disorganized and incomplete state of the documentation inherited from EquityBuild and its former counsel, and (v) the Defendants' scheme.

The Receiver and his retained professionals have thus far determined that there are 24 institutional mortgage loans originated by approximately 12 different institutions recorded against 89 properties with an aggregate outstanding principal balance of approximately \$55,441,000.⁸ Of these 24 loans, at least 10 are held by trustees for commercial mortgage-backed securities (CMBS) portfolios. As of the date of this filing, the Receiver has obtained substantially all of the loan documents (*i.e.*, loan agreements, mortgages, and promissory notes) from the institutional lenders. Obtaining these documents was a challenge and entailed substantial correspondence and repeated requests over a two-month period. Many of the loan files were received during the month of October, nearly six weeks after the appointment of the Receiver; prior to that time, the Receiver and his counsel were forced to assemble the relevant loan information based on reports some

⁸ The Receiver is evaluating whether other lenders interests should be characterized in the same fashion.

lenders filed with the Court, from limited information received from some lenders and servicers, or from incomplete files obtained from prior EquityBuild counsel and EquityBuild employees.

The Receiver and his retained professionals have undertaken to determine, without limitation, the following information relating to the institutional mortgage loans:

- The identity of all lenders (including accurate lender names and contact information for lenders and counsel);
- Outstanding principal balances;
- Monthly debt service and escrow requirements;
- All security held in connection with each loan;
- The status of real estate tax escrow payments on mortgaged properties, including properties with delinquent tax payments;
- The status of ongoing construction and related loan draws at certain of the properties;
- Accurate final copies of all loan documents;
- Copies of any notices of default that pre-dated the Receivership;
- The amounts of all holdbacks, including for taxes, capital expenditures, and insurance;
- The relationship of certain originator/lenders to Freddie Mac and Fannie Mae; and
- Details regarding loans transferred to securitized loan pools, including identity of trustees and servicers for each such loan.

The Receiver and his retained professionals have been in constant contact with the institutional lenders, not only for the purpose of gathering critical information relating to the loans made to EquityBuild and its affiliates, but also for the purpose of responding to myriad inquiries regarding the management of and financial information relating to the corresponding assets. To date, the Receiver and his counsel have received hundreds of emails and telephone calls from more than 18 institutional lenders, servicers, originators, trustees, and counsel for same. Among other

things, the lenders and their representatives have addressed: debt service, financial reporting, rents and leases, property management, property inspections, potential financial consequences of default, and the Receiver's plan for the portfolio.

The Receiver sent correspondence to all institutional lenders on August 31, 2018, and indicated that he would not pay any debt service on any of the loans until he received and reviewed all necessary information from all lenders and determined the proper course forward in the best interests of the Receivership Estate.

The Receiver is, however, accounting for rents on a property-specific basis. As rents are received, they are used in the first instance to pay all operating costs associated with the property for which they were collected (and to maintain appropriate operating reserves). At the outset of the Receivership, and at the advice of the property managers, the Receiver approved a transfer of excess reserves from a limited number of properties to preserve and stabilize a handful of other properties. Absent such transfer and as a result of the circumstances in which the Receiver received the properties, he would have lacked funds necessary to address life and safety issues, pay delinquent real estate taxes, and fund insurance premiums. The Receiver also approved a transfer to pay delinquent real estate taxes for CHA tenant move-ins that was in process. In these limited instances, all cash transfers were duly accounted for.

j. Other Potential Receivership Assets

The Receiver is also evaluating whether certain non-Illinois properties are or should be considered Receivership Assets and thus subsumed within the EquityBuild portfolio. These include properties that have or may have been purchased with EquityBuild investor funds. Based on evidence gathered to-date, these include without limitation: single-family homes in Naples, Florida, Plano, Texas, and Jackson, Mississippi; and a plot of vacant land in Houston, Texas.

Defendant Jerome Cohen has challenged the Receiver's position that the Naples property is a Receivership Asset.⁹ Defendant Shaun Cohen has similarly challenged the Receiver's position with respect to the Plano property.¹⁰ The Receiver and his retained accountant are presently conducting a forensic accounting and tracing analysis with respect to these properties.

In addition, the asset freeze contained in the Order Appointing Receiver covered funds corresponding to single-family homes in Jackson, Mississippi. It appears that investors in those properties entered into agreements pursuant to which a local property manager would provide all necessary property management services, collect rents, and send the proceeds to a bank account controlled by Jerry Cohen, who, in turn, would write distribution checks to the investors.¹¹ The Receiver is investigating the extent of any commingling and to determine whether funds corresponding to the Mississippi properties ought to be distributed to the investors in those properties.

Shaun Cohen also has disclosed a life insurance policy held in trust with a cash surrender value of \$100,000. The Receiver has asserted that the policy is an asset of the Receivership Estate. Shaun Cohen's position is that the policy is outside the Receivership Estate.

⁹ The Receiver has authorized the use of \$7,216.02 from a joint account in the name of Jerry Cohen and his spouse to preserve the Naples, Florida property by paying the mortgage and home insurance on this property through November 2018.

¹⁰ This property is currently being rented on a property rental website and is generating income. The Receiver has only received limited information from Shaun Cohen regarding this asset and financial records associated with it.

¹¹ Mr. Cohen informed the Receiver that he was not being paid for this service, and instead had been performing it gratuitously, although records and information subsequently obtained by the Receiver suggested that Mr. Cohen was receiving a fee. It also appears that Mr. Cohen may also have been (1) receiving additional funds from the Mississippi investors and (2) using EquityBuild investor funds to pay mortgage or other related expenses to the benefit of the Mississippi investors.

k. Securing Bank and Investment Accounts

The Receiver has notified, contacted, and conferred with the banks and other financial institutions that the Receiver has been able to identify as having custody or control of any funds, accounts, or other assets held by, in the name of, or for the benefit of, directly or indirectly, any and all of the Receivership Defendants. With respect to each such fund, account, or other asset, the Receiver has either taken control of the fund or account or confirmed that the assets of the fund or account are frozen pending further direction by the Receiver or Court order. In certain instances, the Receiver has liquidated the funds or accounts and transferred all proceeds to the accounts established by the Receiver for the operation and benefit of the Receivership estate.

The Receiver discovered that virtually every bank account in the name of EquityBuild or its affiliates had been substantially depleted prior to the date of his appointment. The information provided to the Receiver revealed that less than \$1,000 remained in each such account at the time of the Receiver's appointment. Moreover, the Receiver has determined that 40 such accounts had a combined total of \$2,542.71 remaining at the time of his appointment. For example, the account for Tikkun Holdings LLC – which reflected a balance of about \$970,000 as of May 7, 2018 – had a balance of only \$52.84 when the Receiver was appointed. Between August 15 and August 17, 2018 alone – the period between the filing of the SEC's complaint and the Receiver's appointment – Jerome Cohen transferred \$310,607.40 out of the account. In addition to sums for attorney retainers, Cohen's transfers included \$255,607.40 to a joint checking account in the name of himself and his spouse. From that checking account, Cohen transferred \$160,000 to his adult daughter and \$12,480 to a friend — amounts the Receiver subsequently clawed back. The Receiver's investigation continues as to funds in the Cohens' joint accounts with their respective spouses.

l. Accounts Established by Receiver for the Benefit of the Receivership Estate

The Receiver has established custodial accounts at a federally insured financial institution to hold all cash equivalent Receivership property. The interest-bearing checking account is used by the Receiver to collect liquid assets of the estate and to pay the portfolio-related and administrative expenses. The Receiver has also established an interest-bearing savings account for the purpose of depositing and holding funds until such time as it becomes appropriate to deposit such funds in a Settlement Fund for ultimate distribution, upon Court approval, to the creditors of the Estate, including the defrauded investors.

m. Determination of Status of Investor Accounts

The Receiver has begun taking steps to determine the identity of all investors and the amounts of their respective deposits, interest, and withdrawals. To accomplish this task, the Receiver has searched the cloud-based and other digital media received from the Receivership Defendants; reviewed information supplied directly by investors (including mortgages and account statements); and consulted available bank records. In addition, many investors have reached out to the Receiver to identify themselves, the amount of their investment, and, in many instances, have provided documents. To date, the Receiver has identified approximately 709 potential investors.¹² The Receiver believes that some of these investors purchased promissory notes secured by recorded mortgages (not necessarily in a first position) and that other investors purchased promissory notes that were ostensibly intended to be secured, but for which no mortgage

¹² The Receiver notes that it appears that nearly all “investors” in EquityBuild also could be described as “lenders” based on the nature of the financial arrangement with EquityBuild and its affiliates. To avoid confusion, the Receiver employs the term “investor” to distinguish between purchasers of promissory notes and the institutional lenders who underwrite loans to EquityBuild and its affiliates.

was ever recorded. In addition, some defrauded investors purchased property from EquityBuild and now hold title to real estate rather than a debt instrument. The Receiver intends to propose and request that the Court approve a claims process to allow all investors and creditors to submit claims with documentation to the Receiver in orderly fashion. The Receiver presently intends to make this proposal in conjunction with filing a plan of disposition of assets by November 15, 2018 (but in any event not later than the fourth quarter of 2018). The Receiver will then undertake to corroborate the accuracy of investor deposit and withdrawal information.

n. Contact with Investor Victims

As previously indicated, the Receiver is compiling a list of known investors in the Receivership Defendants' fraudulent offerings. The Receiver also is evaluating the funds the Receivership Defendants received from the investors, which (as noted) will be aided by an orderly claims process. To facilitate Receiver's efforts with respect to investor accounts, the Receiver has entered into a contract for services to track investor and creditor contact information, records, and claims at no cost to the Receivership.

On the second business day following his appointment, the Receiver sent correspondence to as many investors as possible, using an EquityBuild email account that contained apparently valid email addresses for most investors. His letter supplied initial information about the Receivership and the Order Appointing Receiver. The Receiver believes (based on a master list maintained by EquityBuild in connection with its investor communications system) that this correspondence was received by over 700 individuals. In the days that followed, the Receiver became aware of some additional investors who were not on the initial distribution list. As a result, on August 24, 2018, the Receiver sent a second communication to a more inclusive list of investors. Moreover, the Receiver has created a new list to reflect current contact information for

investors and is continuing to update that list as additional investor contact information becomes available.

On September 21, 2018, the Receiver updated the investors with a four-page letter that addressed many of the common questions they were posing. This letter provided information regarding the following:

- (i) The status of investor accounts and payments. The Receiver informed investors that the investigation process will take many months and that payments likely will not be made in advance of a Court-approved claims process;
- (ii) Tax reporting information, including an update regarding tax return preparation for EquityBuild and its affiliates for their 2016-17 returns and information regarding K-1's for investors and the difficulties with the same;
- (iii) Asset preservation information pertaining to the portfolio, property management, and reduction of costs;
- (iv) A reminder to investors of their duty to preserve records;
- (v) A section regarding timing and next steps, including asset disposition and a potential claims process; and
- (vi) A section regarding past communications, updates to contact information, and an explanation regarding limits on future communications in an effort to control costs.

Since his appointment, the Receiver has received hundreds of emails and voicemails from investors and responded by providing the foregoing information and indicating that his investigation will take many months. He has asked investors for patience during this lengthy process because responding to individual inquiries depletes Receivership assets. To ease the burden and provide basic information, therefore, the Receiver has established a web page (<http://rdaplawnet.com/receivership-for-equitybuild>) for investors and other interested parties to obtain information and certain court filings related to the Receivership estate. A copy of this Status Report will be posted on the Receiver's web page.

o. Open Litigation

In connection with his duty to defend all suits which were pending or asserted against the Receivership Estate, the Receiver has apprised the parties to these suits and the courts in which they are pending of the stay of litigation imposed by the Order Appointing Receiver. The Receiver's counsel has appeared in court approximately six times to inform the respective tribunals of the Receiver's appointment and has orally moved to stay the litigation pursuant to the Order Appointing Receiver; separately, the Receiver's counsel has appeared on City of Chicago related matters on approximately six separate occasions.

The following litigation was pending as of or filed after the date of appointment:

- *Byrd v. EquityBuild, et al.*, Case No. 2018 L 973, Circuit Court of Cook County, Law Division. This case was placed on the Law Division Stay Calendar on September 11, 2018.
- *Michigan Shores Apartments, LLC v. EquityBuild, Inc., et al.*, Case No. 2018 CH 9098, Circuit Court of Cook County, Chancery Division. Because there is no stay calendar in Chancery, the matter was continued for status to December 13, 2018.
- *Michigan Shores Apartments, LLC v. EquityBuild, Inc., et al.*, Case No. 2018 CH 3665, Circuit Court of Cook County, Chancery Division. The Plaintiff's motion to stay was granted, litigation has been stayed until further order of court, and the matter has been set for status to December 4, 2018.
- *Stewart v. 7420 S. Colfax, et al.*, Case No. 2016 L 6239, Circuit Court of Cook County, Law Division. This case was stayed as to EquityBuild, Inc. and the Receivership Defendants at the September 6, 2018 status date, but is proceeding with respect to the other parties.
- *Watson, et al. v. EquityBuild, Inc., et al.*, Case No. 2017 L 1320, Circuit Court of Cook County, Law Division. On October 10, 2018, the matter was stayed as to all parties and placed on the Law Division Stay Calendar.
- *Reymone v. EquityBuild, Inc.*, Case No. 2018 L 7680, Circuit Court of Cook County, Law Division. On August 24, 2018, the Receiver filed an appearance and Notice of Appointment of Receiver and Stay of Litigation, and the case has been placed on the Miscellaneous Stay Calendar.

- *Fireshark Enterprises, LLC, v. EquityBuild, Inc.*, Case No. 2018 L 9026, Circuit Court of Cook County, Law Division. On September 24, 2018, the Receiver filed his appearance and Notice of Appointment of Receiver and Stay of Litigation.
- *Markwell v. EquityBuild, Inc.*, Case No. 2018-13722, 165th Judicial District Court, Harris County, Texas. EquityBuild's counsel in Texas filed a motion to stay the proceedings and is awaiting a court order.

Additionally, there are more than two dozen open building code violations involving the City of Chicago, as follows:

- There are seven currently known City of Chicago municipal housing court matters. The Receiver's counsel has been communicating with the corporation counsel and the respective property managers to address the alleged violations and the preservation of those properties. Full compliance will ultimately include, *inter alia*, a full rehab for approximately 16 units and a roof for a building that was affected by a fire in 2016, replacement of six porches, and the repair of two additional porches. As of the date of this filing, one porch replacement had begun.
- As of September 30, 2018, approximately twelve City of Chicago administrative proceedings filed by the City of Chicago Buildings Department were known to be pending. Compliance with local law will ultimately range from "turning" one unit and addressing a bug infestation to replacing over 90 lintels on one building, to a porch replacement, to masonry/tuckpointing work. The Receiver achieved compliance on one matter which was dismissed on October 16, 2018; and a second matter involves only the imposition of a minor fine.
- As of September 30, 2018, approximately twelve administrative proceedings were known to be pending with the Department of Streets and Sanitation. On October 16, 2018, seven of these were dismissed in their entirety. As to the remaining five, a single-count fine was imposed.
- There is known to be one City of Chicago administrative matter pending with the Department of Water Management.

The Receiver is also aware of two open City of Chicago violations for which notice has been sent but a court date has not yet been assigned.

The Receiver and his counsel have been working closely with the City's corporation counsel for each department (housing, buildings, streets and sanitation, and waste management),

as well as the property managers, to address all open building code violations, to address life and safety issues, and to preserve the respective properties.

p. Tax Issues

With respect to tax implications relating to the Defendants' scheme, the Receiver cannot advise the investors on tax matters and informed investors accordingly by the letter sent on September 21, 2018. Nonetheless, investors and their tax advisors may wish to consider IRS Rev. Proc. 2009-20 and IRS Rev. Rul. 2009-9.

Whitley Penn was retained to prepare income tax returns for EquityBuild and its affiliates for the tax years 2016 and 2017. Whitley Penn has reported that its efforts have been significantly challenged by EquityBuild's information and record keeping practices. Whitley Penn has been working with the Receiver and EquityBuild employees to obtain necessary documents and information in order to prepare and file what it presently anticipates as 32 tax returns and to determine the tax filing status for an additional 12 entities. For entities with an undetermined tax filing status, Whitley Penn is in the process of verifying the status of ownership for the LLC entities with multiple owners, and will then need to determine tax-filing obligations for 2017 for those entities. Whitley Penn has also been reviewing EquityBuild bank records to determine the categorization of expenses to be assigned to certain limited liability companies. Whitley Penn has stated that, as of this filing, it still needs additional information from bank records (which the Receiver has recently obtained) and will need to review the same to make that determination. Whitley Penn states that it is working to determine how soon the outstanding returns need to be filed and has advised the Receiver that it anticipates all returns for 2016 and 2017 for Receivership entities will be filed before the end of 2018.

III. RECEIVER'S FUND ACCOUNTING

The Receiver's Standardized Fund Accounting Report ("SFAR") for the Third Quarter 2018 is attached hereto as Exhibit 3. The SFAR sets forth the funds received and disbursed from the Receivership estate during this reporting period. As reported in the SFAR, the amount of cash on hand as of September 30, 2018 was \$210,134.04. (*See also infra* Section V) The information reflected in the SFAR is based on records and information currently available to the Receiver. The Receiver and his advisors are continuing with their evaluation and analysis.

IV. RECEIVER'S SCHEDULE OF RECEIPTS AND DISBURSEMENTS

The Receiver's Schedule of Receipts and Disbursements ("Schedule") for the Third Quarter 2018 is attached hereto as Exhibit 4. The Schedule reflects \$354,131.29 in receipts and \$143,997.25 in disbursements as of September 30, 2018.

V. RECEIVERSHIP PROPERTY

All known Receivership Property is identified and described in the Master Asset List attached hereto as Exhibit 5.

The Master Asset List identifies 53 checking accounts in the names of the affiliates and affiliate entities included as Receivership Defendants, reflecting a total amount transferred to the Receiver's account of \$105,870.94. Of these funds, \$30,820.87 came from an account in the name of 1632 Shirley LLC, which relates to the Mississippi properties discussed earlier. The amount transferred to the Receiver also reflects \$75,000 that EquityBuild received from an investor; the funds were wired prior to the appointment of the Receiver and cleared after the appointment. The Receiver is working to determine whether either or both of these accounts constitute and/or contain Receivership Assets.

The Master Asset List also identifies a checking account in the name of Shaun Cohen and his spouse. Following the Court's direction that the Receiver should work with the Defendants' counsel to address the issue, the Receiver agreed to allow Shaun Cohen and his spouse and children to use up to \$4,000¹³ from this account to purchase airline tickets to return to the United States from Turkey (where they were located when the Receiver was appointed). In exchange for this allowance, the Cohens agreed to turn over all remaining funds in that joint account to the Receiver for the Receivership Estate.

The Master Asset List does not include assets and potentially recoverable assets for which the Receiver is still evaluating the value, potential value, and/or ownership interests. The Receiver is in the process of evaluating certain other types of assets that may be recoverable by the Receivership Estate, including, but not limited to, charitable donations, loans, gifts, settlements for which payment has not yet been received, and other property given to family members, former employees, and others.

VI. PROJECTED FUTURE EXPENSES

There are significant future expenses associated with the management of the EquityBuild portfolio. These expenses include, but are not limited to, property tax arrearages, accruing property tax liability, and capital expenses associated with repairs needed to comply with the code violations discussed earlier. Some of the more pressing expenses include the following:

- More than \$401,000 in delinquent 2017 Cook County real estate taxes;
- More than \$25,000 in 2017 delinquent real estate taxes that must be paid as a prerequisite to CHA tenant move-ins;

¹³ The Receiver allowed use of up to \$4,000, of which there was \$782.42 available as of August 29, 2018. The Receiver then also allowed \$400 to be paid for insurance on the home in Plano, Texas.

- More than \$49,000 for monthly insurance premiums;¹⁴
- More than \$20,000 in amounts due to employees or independent contractors; and
- Approximately \$500 for monthly payments to maintain three selected data platforms.¹⁵

Additionally, the Receivership Estate has incurred administrative expenses that have not yet been paid, including but not limited to the following:

- \$2,101.10 for filing fees for jurisdictional notices and certified copies of the Order Appointing Receiver for the Clerk of the Court for 49 District Courts;
- \$3,116.37 for FedEx costs associated with sending jurisdictional notices to the Clerk of the Court for 49 District Courts;
- \$678.85 for pro hac vice filing fees and appearance fees for certain jurisdictional notices;
- \$16 in fees for change of addresses with the post office;
- \$164.18 for postage;
- \$1,118.50 in copying costs; and
- \$58.64 in fees for transcripts of two court proceedings.

¹⁴ Subsequent to the close of business of the third quarter, the Receiver brought current the past due amounts for insurance.

¹⁵ This list of expenses does not include any amounts claimed by pre-Receivership creditors, who will have an opportunity to submit proof of claims in due course. The Receiver also is tracking the identity and amounts alleged due from various creditors of EquityBuild and its affiliates. To date, the Receiver has identified at least 44 additional creditors who seek payment for amounts in excess of \$444,000. Nor do listed expenses include the cost of potential repairs associated with any of the properties, which could be substantial. The Receiver and his retained professionals are evaluating the extent which repairs must and/or should be made.

VII. LIQUIDATED AND UNLIQUIDATED CLAIMS HELD BY THE RECEIVERSHIP ESTATE

The Receiver and his attorneys are in the process of analyzing and identifying potential claims, including, but not limited to, potential fraudulent transfer claims and claims for aiding and abetting the fraud of the Receivership Defendants.

VIII. CREDITORS AND CLAIMS AGAINST THE RECEIVERSHIP ESTATE

As discussed above, the Receiver and his attorneys are in the process of identifying potential claimants, particularly investor victims, in order to provide notice of the Receivership.

The Receiver presently anticipates that he will seek Court approval of a claims process during the fourth quarter of 2018. A claims process would then likely take several months to allow time for adequate notice of the process and to allow time for claims and supporting records to be submitted to the Receiver.

Thereafter, the Receiver will then analyze the claims and propose for Court approval a just and fair distribution plan. Upon formulation of a distribution plan, the Receiver will file a motion with the Court, giving notice to all investors and other known creditors of the Receivership Estate, of the Receiver's motion for Court approval of a distribution plan. At that point, claimants may file objections. The Receiver presently expects that the soonest he could propose a distribution plan to the Court following a claims process would be in the third quarter of 2019. Any distribution of funds pursuant to a distribution plan would depend on when all funds have been received by the Receivership Estate, including with respect to claims pursued by the Receiver (with Court approval). That timing is too speculative at this point for the Receiver to project with reasonable certainty.

IX. CONCLUSION

At this time, the Receiver recommends the continuation of the Receivership for at least the following reasons:

1. The continued investigation and analysis of assets and potentially recoverable assets for which the Receiver is still evaluating the value, potential value, and/or ownership interests;
2. The continued efforts of the Receiver to liquidate various assets of the Receivership Estate;
3. The continued investigation and analysis of the potential claims against the Receivership Estate, including, but not limited to, the claims and records of investors;
4. The continued investigation, analysis, and recovery of potential fraudulent transfer claims and claims against third parties relating to the Receivership Estate;
5. The continued analysis and formulation, in consultation with the SEC, of a just and fair distribution plan for the creditors of the Receivership Estate, and the subsequent notice to investors and potential claimants, and submission of a motion for Court approval, of such plan; and
6. The carrying out of any other legal and/or appointed duties of the Receiver as identified in the August 17, 2018, Order Appointing Receiver, or as the Court deems necessary.

Dated: October 30, 2018

Kevin B. Duff, Receiver

By: /s/ Michael Rachlis

Michael Rachlis
Nicole Mirjanich
Rachlis Duff Adler Peel & Kaplan, LLC
542 South Dearborn Street, Suite 900
Chicago, IL 60605
Phone (312) 733-3950; Fax (312) 733-3952
mrachlis@rdaplawn.net
nm@rdaplawn.net

CERTIFICATE OF SERVICE

I hereby certify that I provided service of the foregoing Receiver's First Status Report, via ECF filing, to all counsel of record on October 30, 2018.

/s/ Michael Rachlis

Michael Rachlis
Rachlis Duff Adler Peel & Kaplan, LLC
542 South Dearborn Street, Suite 900
Chicago, IL 60605
Phone (312) 733-3950
Fax (312) 733-3952
mrachlis@rdaplaw.net

EXHIBIT 1

Prop #	Property Address	Units	Owner
1	1700 Juneway Terrace	32	1700 Juneway LLC
2	4533-37 S Calumet	24	4533-37 S Calumet LLC
3	5001 S Drexel	33	1700 Juneway LLC
4	5450-52 S Indiana Avenue / 118-132 E Garfield	29	5450 S Indiana LLC
5	7749 S Yates Boulevard	35	7749-59 S Yates LLC
6	6437 S Kenwood	25	6437 S Kenwood LLC
7	7109-19 S Calumet	21	7109 S Calumet LLC
8	1414 East 62nd Place	1	6217-27 S Dorchester LLC
9	8100 S Essex	44	8100 S Essex LLC
10	7301-09 S Stewart Avenue	35	Chicago Capital Fund 1 LLC
11	7502 S Eggleston Avenue	24	Chicago Capital Fund 1 LLC
12	3030 E 79th Street	10	Chicago Capital Fund 1 LLC
13	2909 E 78th Street	31	Chicago Capital Fund 2 LLC
14	7547-49 S Essex Avenue	23	Chicago Capital Fund 2 LLC
15	8047-55 S Manistee	30	Chicago Capital Fund 2 LLC
16	1017 W 102nd Street	1	EB South Chicago 1
17	1516 E 85th Place	1	EB South Chicago 1
18	2136 W 83rd	1	EB South Chicago 1
19	417 Oglesby Avenue	1	EB South Chicago 1
20	7922 S Luella	1	EB South Chicago 1
21	7925 S Kingston	1	EB South Chicago 1
22	7933 S Kingston	1	EB South Chicago 1
23	8030 S Marquette	1	EB South Chicago 1
24	8104 S Kingston	1	EB South Chicago 1
25	8403 S Aberdeen	1	EB South Chicago 1
26	8405 S Marquette	1	EB South Chicago 1
27	8529 S Rhodes	1	EB South Chicago 1
28	8800 S Ada Street	1	EB South Chicago 1
29	9212 S Parnell Avenue	1	EB South Chicago 1
30	10012 S LaSalle Avenue	1	EB South Chicago 2
31	11318 S Church St	1	EB South Chicago 2
32	3213 S Throop	1	EB South Chicago 2
33	3723 W 68th Place	1	EB South Chicago 2
34	406 E 87th Pl	1	EB South Chicago 2
35	61 E 92nd Street	1	EB South Chicago 2
36	6554 S Rhodes, Units 1 & 2	2	EB South Chicago 2
37	6825 S Indiana Avenue, Units 1 & 2	2	EB South Chicago 2
38	7210 S Vernon Avenue, Units 1 & 2	2	EB South Chicago 2
39	7712 S Euclid	1	EB South Chicago 2
40	7953 S Woodlawn	1	EB South Chicago 2
41	8107 S Kingston Avenue	1	EB South Chicago 2
42	8346 S Constance	1	EB South Chicago 2
43	8432 S Essex	1	EB South Chicago 2
44	8517 S Vernon Avenue	1	EB South Chicago 2
45	2129 W 71st Street	1	EB South Chicago 3
46	9610 S Woodlawn Avenue	1	EB South Chicago 3
47	5437 S Laflin Street	1	EB South Chicago 3
48	6759 S Indiana Avenue	1	EB South Chicago 3
49	7300-04 St Lawrence Avenue	8	EB South Chicago 3, LLC
50	7760 S Coles Avenue	13	EB South Chicago 3, LLC
51	1401 W 109th Place	3	EB South Chicago 4 LLC
52	310 E 50th Street	3	EB South Chicago 4 LLC
53	6807 S Indiana Avenue	2	EB South Chicago 4 LLC
54	8000 S Justine / 1541 E 80th Street	13	EB South Chicago 4 LLC
55	8107 S Ellis Avenue	11	EB South Chicago 4 LLC
56	8209 S Ellis Avenue	16	EB South Chicago 4 LLC

Prop #	Property Address	Units	Owner
57	8214 S Ingleside	12	EB South Chicago 4 LLC
58	5955 S Sacramento / 2948-56 W 60th Street	18	EquityBuild Inc
59	6001 S Sacramento / 2945-51 W 60th Street	13	EquityBuild Inc
60	7026 S Cornell	23	7026 Cornell Inc
61	7237 S Bennett Avenue	24	EquityBuild Inc
62	7834-44 S Ellis Avenue	39	EquityBuild Inc
63	4520-26 S Drexel	68	SSDF1 4520 S Drexel LLC
64	4611 S Drexel	44	SSDF1 4611 S Drexel LLC
65	6749-57 S Merrill / 2136 East 68th Street	22	SSDF1 6751 S Merrill LLC
66	7110 S Cornell	32	SSDF1 7110 S Cornell LLC
67	1131-41 E 79th Place	37	SSDF2 1139 E 79th LLC
68	6217 S Dorchester	24	SSDF4 6217 S Dorchester LLC
69	6250 S Mozart / 2832-36 W 63rd Street	25	SSDF4 6250 S Mozart LLC
70	638 N Avers	13	SSDF4 638 N Avers LLC
71	701 S 5th Avenue / 414 Walnut	29	SSDF4 701 S 5th LLC
72	7024-32 S Paxton	25	SSDF4 7024 S Paxton LLC
73	7255-57 S Euclid / 1940-44 E 73rd Street	15	SSDF4 7244 S Euclid LLC
74	3074 Cheltenham Place / 7836 S Shore Drive	29	SSDF5 Portfolio 1 LLC
75	7625-33 S East End Avenue	25	SSDF5 Portfolio 1 LLC
76	7635-43 S East End Avenue	26	SSDF5 Portfolio 1 LLC
77	7750-58 S Muskegon / 2818-36 E 78th Street	47	SSDF5 Portfolio 1 LLC
78	7201 S Constance / 1825-31 E 72nd Street	37	SSDF5 Portfolio 1 LLC
79	6160-6212 S Martin Luther King Dr	52	SSDF6 6160 S MLK LLC
80	2736 W 64th Street	12	SSDF7 Portfolio 1 LLC
81	4317 S Michigan Avenue	12	SSDF7 Portfolio 1 LLC
82	6355-59 S Talman Avenue / 2616-22 W 64th Street	18	SSDF7 Portfolio 1 LLC
83	6356 S California Avenue / 2804 W 64th Street	10	SSDF7 Portfolio 1 LLC
84	7051 S Bennett Avenue	22	SSDF7 Portfolio 1 LLC
85	7201-07 S Dorchester / 1401 E 72nd Street	14	SSDF7 Portfolio 1 LLC
86	7442-48 S Calumet Avenue	16	SSDF7 Portfolio 1 LLC
87	7508 S Essex Avenue / 2453-59 E 75th Street	16	SSDF7 Portfolio 1 LLC
88	7546 S Saginaw Avenue	18	SSDF7 Portfolio 1 LLC
89	7600 S Kingston Avenue / 2527 E 76th Street	34	SSDF7 Portfolio 1 LLC
90	7656 S Kingston Avenue / 2514-20 E 77th Street	16	SSDF7 Portfolio 1 LLC
91	7701 S Essex Avenue	13	SSDF7 Portfolio 1 LLC
92	7748-50 S Essex Avenue / 2450-52 E 78th Street	32	SSDF7 Portfolio 1 LLC
93	7957-59 S Marquette Road / 2708-10 E 80th Street	13	SSDF7 Portfolio 1 LLC
94	816-20 E Marquette Road	12	SSDF7 Portfolio 1 LLC
95	8201 S Kingston Avenue	13	SSDF7 Portfolio 1 LLC
96-99	8326-58 S Ellis	56	SSDF7 Portfolio 1 LLC
100	11117-11119 S Longwood Drive	34	SSPH 11117 S Longwood LLC
101	6949-59 S Merrill Avenue	31	SSPH 6951 S Merrill LLC
102-106	7927-49 S Essex Avenue	30	SSPH 7927-49 S Essex LLC
107	1422 East 68th Street	6	SSPH Portfolio 1 LLC
108	2800 E 81st Street	8	SSPH Portfolio 1 LLC
109	4750 S Indiana Avenue	6	SSPH Portfolio 1 LLC
110	5618 S Martin Luther King Drive	14	SSPH Portfolio 1 LLC
111	6558 S Vernon Avenue / 416-24 E 66th Street	12	SSPH Portfolio 1 LLC
112	7450 S Luella / 2220 East 75th Street	17	SSPH Portfolio 1 LLC
113	7840 S Yates Avenue	8	SSPH Portfolio 1 LLC

Total Units**1,674**

EXHIBIT 2

Entities associated with EquityBuild, Inc., *et al.*

- 1 109 N. Laramie, LLC (IL)
- 2 400 S. Kilbourn, LLC (IL)
- 3 1422 E68 LLC - Terminated - (IL)
- 4 1700 Juneway, LLC (IL)
- 5 4520 S Drexel LLC - n/k/a SSDF1 4520 S. Drexel LLC (IL)
- 6 4533-37 S Calumet LLC, (IL)
- 7 4611-17 S. Drexel LLC (IL)
- 8 4750 Indiana LLC (IL)
- 9 5001 S Drexel LLC (DE)
- 10 5001 S Drexel LLC (IL)
- 11 5450 S. Indiana LLC (IL)
- 12 5618 S. MLK LLC (IL)
- 13 5955 Sacramento, Inc. (IL)
- 14 6001 Sacramento, Inc. (IL)
- 15 6217-27 S. Dorchester LLC - Terminated - (IL)
- 16 6250 S. Mozart, LLC (IL)
- 17 6356 California Inc. (IL)
- 18 6437 S Kenwood LLC (IL)
- 19 7024 S. Paxton LLC (IL)
- 20 7026 Cornell Inc. (IL)
- 21 7107-29 S Bennett LLC (IL)
- 22 7109 S Calumet LLC (IL)
- 23 7201 Constance Inc. (IL)
- 24 7201 S. Constance LLC (IL)
- 25 7304 St. Lawrence Inc. (IL)
- 26 7450 Luella LLC (IL)
- 27 7546 Saginaw Inc. (IL)
- 28 7546 S. Saginaw LLC (IL)
- 29 7600 S. Kingston LLC (IL)
- 30 7625 East End, Inc. (IL)
- 31 7625-35 S. East End LLC (IL)
- 32 7760 Coles LLC (IL)
- 33 7635 East End Inc. (IL)
- 34 7748 S. Essex LLC (IL)
- 35 7749-59 S. Yates LLC (IL)
- 36 7752 S. Muskegon LLC (IL)
- 37 7823 Essex LLC (IL)
- 38 8000 Justine Inc. (IL)
- 39 8100 S. Essex LLC (IL)
- 40 8209 S. Ellis LLC (IL)
- 41 8214 Ingleside Inc. (IL)
- 42 8809 S Wood Associates (IL)

43 Amalgamated Capital Fund II LLC (DE)
44 Amalgamated Capital Fund III LLC (DE)
45 Chicago Capital Fund I LLC (DE)
46 Chicago Capital Fund II LLC (DE)
47 Chief Management LLC (WY)
48 EB 6558 S. Vernon LLC (IL)
49 EB Property Holdings LLC (IL)
50 EB South Chicago 1 LLC (DE)
51 EB South Chicago 2 LLC (DE)
52 EB South Chicago 3 LLC (DE)
53 EB South Chicago 4 LLC (DE)
54 EB South Chicago 1 Manager LLC (DE)
55 EB South Chicago 2 Manager LLC (DE)
56 Eretz Private Capital LLC (DE)
57 EquityBuild, Inc. (IL)
58 EquityBuild, Inc. (FL)
59 EquityBuild Finance LLC (FL)
60 Friendship LLC (IL)
61 Great Lakes Development Corp LLC (DE)
62 Heartland Capital Fund I LLC (DE)
63 Heartland Capital Fund II LLC (DE)
64 Heartland Development Fund I LLC (DE)
65 Heartland Private Capital, LLC (DE)
66 Hybrid Capital Fund LLC (DE)
67 Offsite Asset Management I LLC (DE)
68 Offsite Asset Management II LLC (WY)
69 Offsite Asset Management LLC (WY)
70 Phoenix Capital Finance LLC (DE)
71 Portfolio Asset Holdings LLC (DE)
72 Portfolio Mezzanine Lender LLC (DE)
73 Rothbard Equity Fund LLC (DE)
74 South Shore Property Holdings LLC (DE)
75 South Shore Property Holdings LLC (WY)
76 South Shore Property Holdings I LLC (DE)
77 South Shore Property Holdings II LLC (DE)
78 South Shore Property Holdings II LLC (WY)
79 South Shore Property Holdings III LLC (WY)
80 South Side Development Fund 1 LLC, (DE)
81 South Side Development Fund 2 LLC (DE)
82 South Side Development Fund 3 LLC (DE)
83 South Side Development Fund 4 LLC (DE)
84 South Side Development Fund 5 LLC (DE)
85 South Side Development Fund 6 LLC (DE)
86 South Side Development Fund 7 LLC (DE)

87 South Side Development Fund 8 LLC (DE)
88 SSDF1 4611 S. Drexel LLC (IL)
89 SSDF1 6751 S. Merrill LLC (IL)
90 SSDF1 7110 S Cornell LLC (IL)
91 SSDF1 Holdco 1 LLC (DE)
92 SSDF1 Holdco 2 LLC (DE)
93 SSDF1 Holdco 3 LLC (DE)
94 SSDF1 Holdco 4 LLC (DE)
95 SSDF2 1139 E 79th LLC (IL)
96 SSDF2 Holdco 1 LLC (DE)
97 SSDF2 Holdco 2 LLC (DE)
98 SSDF2 Holdco 3 LLC (DE)
99 SSDF3 Holdco 1 LLC (DE)
100 SSDF3 Holdco 2 LLC (DE)
101 SSDF4 638 N Avers LLC (IL)
102 SSDF4 701 S 5th LLC (IL)
103 SSDF4 6217 S. Dorchester LLC (IL)
104 SSDF4 6250 S. Mozart LLC (IL)
105 SSDF4 7024 S Paxton LLC (IL)
106 SSDF4 7255 S. Euclid LLC (IL)
107 SSDF4 Holdco 1 LLC (DE)
108 SSDF4 Holdco 2 LLC (DE)
109 SSDF4 Holdco 3 LLC (DE)
110 SSDF4 Holdco 4 LLC (DE)
111 SSDF4 Holdco 5 LLC (DE)
112 SSDF4 Holdco 6 LLC (DE)
113 SSDF5 Holdco 1 LLC (DE)
114 SSDF5 Portfolio 1 LLC (IL)
115 SSDF6 6160 S MLK LLC (IL)
116 SSDF6 6224 MLK LLC (IL)
117 SSDF6 Holdco 1 LLC (DE)
118 SSDF6 Holdco 2 LLC (DE)
119 SSDF7 2453 E 75TH LLC (IL)
120 SSDF7 7600 S Kingston LLC (IL)
121 SSDF7 Holdco 1 LLC (DE)
122 SSDF7 Holdco 2 LLC (DE)
123 SSDF7 Holdco 3 LLC (DE)
124 SSDF7 Holdco 4 LLC (DE)
125 SSDF7 Marquette Park LLC (IL)
126 SSDF7 Portfolio 1 LLC (IL)
127 SSDF8 Holdco 1 LLC (DE)
128 SSDF8 Portfolio 1 LLC (IL)
129 SSPH 6951 S Merrill LLC (IL)
130 SSPH 7927-49 S. Essex LLC (DE)

- 131 SSPH 11117 S Longwood LLC (IL)
- 132 SSPH Holdco 1 LLC (DE)
- 133 SSPH Holdco 2 LLC (DE)
- 134 SSPH Portfolio 1 LLC (IL)
- 135 SSPH Springer LLC (DE)
- 136 Tikkun Holdings LLC (WY)

EXHIBIT 3

Fund Accounting (See Instructions):				
		<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Line 1	Beginning Balance (As of 9/30/2018):			\$0.00
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income			
Line 3	Cash and unliquidated assets			
Line 4	Interest/Dividend Income	\$110.53		
Line 5	Business Asset Liquidation	\$105,870.94		
Line 6	Personal Asset Liquidation	\$172,480.00		
Line 7	Net Income from Properties	\$62,748.08		
Line 8	Miscellaneous - Other¹	\$12,921.74		
	Total Funds Available (Line 1-8):			\$354,131.29
	<i>Decrease in Fund Balance:</i>			
Line 9	Disbursements to Investors			
Line 10	Disbursements for receivership operations²	(\$226.66)		
Line 10a	Disbursements to receiver or Other Professionals ³	(\$1,231.80)		
Line 10b	Business Asset Expenses ⁴	(\$142,538.79)		
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		\$0.00	
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments			
	Total Disbursements for Receivership Operations		(\$143,997.25)	
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		\$0.00	
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator.....			
	IDC.....			
	Distribution Agent.....			
	Consultants.....			

STANDARDIZED FUND ACCOUNTING REPORT for EQUITYBUILD, INC., et al. - Cash Basis

Receivership; Civil Court Docket No. 18-cv-05587

Reporting Period 8/17/2018 to 9/30/2018

	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 Disbursement for Distribution Expenses Paid by the Fund		\$0.00
Line 12	Disbursement to Court/Other:		
Line 12a	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>		
Line 12b	<i>Federal Tax Payments</i>		
	Total Disbursement to Court/Others:		
	Total Funds Disbursed (Lines 1-9):		(\$144,679.61)
Line 13	Ending Balance (As of 9/30/2018):		\$210,134.04
Line 14	Ending Balance of Fund - Net Assets:		
Line 14a	<i>Cash & Cash Equivalents</i>		\$210,134.04
Line 14b	<i>Investments (unliquidated Huber/Hubadex investments)</i>		
Line 14c	<i>Other Assets or uncleared Funds</i>		
	Total Ending Balance of Fund - Net Assets		\$210,134.04

¹ Refund of closing costs on certain properties (\$12,911.74); refund of overpayment from payroll service (\$10.00).

² Document production fees to banks and others.

³ Court ordered legal fees paid to Defendants' counsel.

⁴ Payroll (\$51,375.97); employment taxes (\$11,546.09); insurance (\$78,930.83); payroll service (\$655.90); property tax redemption fee (\$30.00).

Receiver:

/s/ Kevin B. Duff

(Signature)

Kevin B. Duff, Receiver EquityBuild, Inc., et al.

(Printed Name)

Date:

October 30, 2018

EXHIBIT 4

EQUITYBUILD, INC. RECEIVERSHIP
Case No. 18-cv-05587
3d Quarter 2018
Schedule of Receipts and Disbursements

RECEIPTS			
	<u>Received From</u>	<u>Amount</u>	
	Jerry Cohen	\$172,480.00	
	Wells Fargo Bank ¹	\$105,870.94	
	Chicago Title (refund on closing fees)	\$12,911.74	
	Net rental income	\$62,748.08	
	Paychex (employment tax refund)	\$10.00	
	Interest earned on Receiver's account	\$110.53	
	TOTAL RECEIPTS:		\$354,131.29
DISBURSEMENTS			
	<u>Paid To</u>	<u>Amount</u>	
	EquityBuild, Inc. employees	(\$51,375.97)	
	State and Federal Treasury Departments (employment taxes)	(\$11,546.09)	
	FIRST Insurance Funding Corp. ²	(\$51,615.83)	
	Rosenthal Brothers (insurance endorsements)	(\$27,315.00)	
	Braganca Law LLC ³	(\$1,231.80)	
	Paychex (payroll services)	(\$655.90)	
	BMO Harris Bank ⁴	(\$33.76)	
	Mark Rosenberg ⁴	(\$192.90)	
	Cook County Clerk (property tax redemption)	(\$30.00)	
	TOTAL DISBURSEMENTS:		(\$143,997.25)
	Grand Total Cash on Hand at 9/30/18:		\$210,134.04

EQUITYBUILD, INC. RECEIVERSHIP
 Case No. 18-cv-05587
 3d Quarter 2018
 Schedule of Receipts and Disbursements

1	Transfer of Receivership Defendants' funds to Receiver's accounts		
2	Installment on premium finance agreement		
3	Court ordered payment of Defendants' counsel's legal fees		
4	Document production fees		

EXHIBIT 5

Master Asset List

Receiver's Account (as of 9/30/2018)		
Institution	Account Information	Amount
AXOS Fiduciary Services	Checking	\$210,134.04

Receivership Defendants' Accounts			
Institution	Account Information	Current Value¹	Amount Transferred to Receiver's Account
Wells Fargo	Checking (53 accounts in the names of the affiliates and affiliate entities included as Receivership Defendants) ²	\$5,795.03	\$105,870.94 ³
Wells Fargo ¹	Checking (account in the names of Shaun Cohen and spouse) ⁴	\$30,687.29	
Byline Bank	Checking (2 accounts in names of Receivership Defendants)	\$21,824.30	
			Total: \$105,870.94

EquityBuild Real Estate Portfolio (in Illinois)	
For a list of the properties within the EquityBuild portfolio identified by property address, alternative address (where appropriate), number of units, and owner, <i>see</i> Exhibit 1 to the Status Report.	
Other, Non-Illinois Real Estate	
Description	Appraised Market Value
Single family home in Naples, Florida	±\$1,400,000.00 ⁵
	Approximate mortgage amount: \$500,000.00 Approximate value less mortgage: \$900,000.00
Single family home in Plano, Texas	±\$450,000.00
	Approximate mortgage amount: \$400,000.00 Approximate value less mortgage: \$50,000.00
Plot of vacant land in Houston, Texas	To be determined

¹ The Current Value reflects the approximate balance in the frozen bank accounts.

² The Receiver is investigating whether each of these accounts is properly included within the Receivership Estate.

³ This amount was transferred to the Receiver's Account as of 8/27/18, and is included as part of the total balance of the Receiver's Account as of 9/30/18.

⁴ The Receiver negotiated an agreement with Shaun Cohen to turn the balance of this account over to the Receivership Estate. As of this filing, \$23,065.43 has been transferred to the Receiver's Account.

⁵ Source: www.zillow.com