

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE)
COMMISSION,)

Plaintiff,)

v.)

BILLY WAYNE McCLINTOCK)
individually, and dba MSC)
HOLDINGS, DIANNE)
ALEXANDER aka LINDA)
DIANNE ALEXANDER,)

Defendants,)

MSC HOLDINGS USA, LLC,)
MSC HOLDINGS, INC., MSC GA)
HOLDINGS, LLC,)

Relief Defendants.)

CIVIL ACTION FILE

NO. 1:12-CV-04028-SCJ

RECEIVER'S SECOND INTERIM REPORT

Jason L. Nohr, the Receiver appointed by this Court by Order dated February 11, 2013, files his Second Interim Report to describe his investigation and detail his progress towards completing the tasks assigned by the Court.

The Receiver has been actively engaged in activities intended to identify and recover assets and timely complete the tasks set forth in the Order of Appointment.

In a June 14, 2013 Report and Recommendation to the Court, the Receiver

described the results of his preliminary investigation indicating the existence of potential claims against the Defendants and third parties. The Receiver recommended proceeding with these claims because they appear to be viable and will likely increase the assets of the Receivership Estate. The SEC agrees with the Receiver's Report and Recommendation, and the Receiver submitted a proposed Order to the Court on July 26, 2013 that would allow pursuit of these third party claims.

The viable claims belonging to the Receivership Estate outlined in that June 14, 2013 Report and Recommendation to the Court fall within four categories: (1) fraudulent transfer actions against the Receivership Defendants for the disgorgement of funds taken from the Receivership Estate for their personal use and benefit; (2) "false profit" actions against investors who received amounts from the Ponzi scheme that exceeded their principal investment; (3) fraudulent transfer and unjust enrichment actions against individuals who acted as sales agents who were paid to bring in additional investors and thereby expanded the scope of this Ponzi scheme; and, (4) fraudulent transfer and unjust enrichment actions against individuals and entities who received purported charitable contributions from the Receivership Estate.

The Receiver's investigation confirms that the funds Defendants collected from investors were used to continue and expand the illicit Ponzi scheme (through payments of "interest," "principal, and "referral fees") and for the Defendants' personal enrichment. For example, the current analysis of records of the MSC Holdings bank account controlled by Defendant Alexander reflect payments (during a five year period) of *at least* \$2,604,261.90 for her personal benefit. Accordingly, the Receivership Estate has viable claims against Alexander for at least this amount. The Receivership Estate also has claims against Defendant McClintock that should be pursued for the same reasons.

The Receiver's investigation confirms that many investors received payments that exceed their principal giving rise to "false profits" claims on behalf of the Receivership Estate. Based upon the Receiver's analysis of records in his possession, the Receivership Estate has the right to recover "false profits" from those investors who received more than their principal in the aggregate amount of \$3,110,496.

The Receiver's investigation confirms that many individuals who helped the Defendants initiate, continue, and expand the Ponzi scheme by securing new investors received payments in the form of "referral fees." Based upon the Receiver's analysis of records in his possession, the Defendants paid out a total of

\$3,285,878 in “referral fees” or commissions to those who introduced new investors into their fraudulent enterprise.

The Receiver recommended proceeding with these third party claims to increase the Receivership Estate’s assets and the potential distribution to investors in addition to those amounts already recovered. Ultimately, the amounts recovered (less expenses, costs, and fees) will be distributed to investors according to an administrative claims process approved by the Court.

The Receiver is mindful of the need to balance the interests of identifying and pursuing viable third-party actions against the need to preserve the assets of the Receivership Estate. The Receiver continues to be judicious with the expenditure of time and resources on this case and has written off substantial amounts of hourly time to reduce his fees in this matter. The Receiver’s initial fee application was, therefore, less than the agreed upon amount for the initial phase of investigation.

Procedural and Factual Background

On November 19, 2012, the U.S. Securities and Exchange Commission (“SEC”) filed an application for a temporary restraining order and other equitable relief, alleging that Defendants Billy Wayne McClintock, individually and doing business as MSC Holdings (“McClintock”), and Dianne Alexander a/k/a Linda

Dianne Alexander (“Alexander”) were operating a type of Ponzi scheme known as a “prime bank fraud” from 2002 to the present using entities called MSC Holdings, Inc., MSC GA Holdings, LLC, and MSC Holdings USA, LLC (collectively “relief defendants”).

The SEC alleged that McClintock and Alexander raised over \$15 million from over 200 investors in more than 20 states, including Georgia, by telling investors that their money would be placed with a clandestine overseas entity that McClintock and Alexander refer to only as “the Trust.” McClintock and Alexander misrepresented that the Trust would generate a return of at least 38 percent.

On the same day, November 19, 2012, this Court granted the SEC application and entered an Order freezing assets of the Defendants, prohibiting the destruction of documents, and granting additional relief.

On February 11, 2013, the Court entered an Order appointing Jason L. Nohr as Receiver (the “Order of Appointment”). The Order of Appointment grants the Receiver access to assets, financial and bank accounts, and real property of the Defendants, the directive to recover, conserve, and expand the assets of the Receivership Estate, and, among other things, the authority to investigate and prosecute claims of the Receivership Estate against third parties.

The SEC's application for a temporary restraining order and other equitable relief determined that dozens of people received over four million dollars in so-called "referral fees" as compensation for introducing new investors to the Defendants' scam, with such "fees" representing the ill-gotten gains that must be returned and distributed to defrauded investors.

On November 28 and 29, 2012, Defendants McClintock and Alexander (respectively) consented to the entry of permanent injunctions against them and agreed that the amount of disgorgement and civil penalties they would pay would be determined at a later date.

Defendant Alexander subsequently moved to partially lift the asset freeze on December 11, 2012 with respect to her monthly social security income and amounts allegedly necessary for the payment of attorneys' fees. On February 14, 2013, the Court entered an Order modifying the asset freeze to allow Defendant Alexander to collect her monthly social security benefits.

The Receiver's Activities To Date

Pursuant to the Court's Order of Appointment, the Receiver was to file an interim report within sixty (60) days addressing the Receiver's investigation to date, including identifying the assets and liabilities of the Receivership Defendants, identifying assets held by others that may be recovered by the Receiver, and an

initial appraisal of the prospects for third party claims against those in possession of assets of the Receivership Estate, including but not limited to those receiving referral commissions and claims against investors who received more from the illicit scheme than they invested.

Pursuant to the Court's Order of Appointment, the Receiver and his staff have been diligently engaged in completing the tasks he has been assigned to complete. The Receiver has initially been engaged in identifying and recovering the assets of the Receivership Estate, ascertaining whether the Defendants have assets of value that may be recovered and sold, identifying where the Defendants transferred the money received from "investors" as a result of their fraudulent activities, and investigating potential claims against third parties. The Receiver has completed the initial investigatory phase of his activities and is now prepared to pursue third party claims on behalf of the Receivership Estate, as detailed in his June 14, 2013 Report and Recommendation to the Court.

The following is a summary of the Receiver's specific activities to date:

- Identified, located contact information, and presented notice of the receivership to fifty-eight (58) separate banking institutions in Florida, California, and nationally regarding potential accounts of the Defendants. The Receiver sent notice of the receivership and the asset

freeze, along with requests for financial documents and records, to these financial institutions across the country and in proximity to the Defendants' residential locations. Those notices identify the Receivership Defendants, the multiple other entities through which they operated, and demanded remittance of funds held in any Receivership accounts.

- Established a bank account in the name of the Receivership Estate.
- The Receiver recovered assets belonging to the Receivership Estate pursuant to an alleged “donation” by Defendant Alexander to R&A Ministry, Inc. in the amount of \$91,284.03. The transfer was made on November 29, 2012, in apparent violation of the Court’s Asset Freeze Order of November 19, 2012 and the consent to permanent injunction agreed to by Alexander on November 28, 2012. Upon demand by the Receiver for the return of the “donation,” Robert Rohm of R&A Ministry presented a check to the Receiver for those funds on March 6, 2013. Those funds have been deposited in the Receivership Account.
- Filed timely Notices of the Receivership in multiple jurisdictions where third party actions may later be necessary (pursuant to 28

U.S.C. § 754) in the United States District Courts for the Middle District of Florida and the Southern, Eastern, and Central Districts of California.

- Reviewed banking records of two separate Wells Fargo accounts for and Billy Wayne McClintock.
- Contacted counsel for Defendant McClintock concerning failure to furnish financial documents and sworn statements required by the Court's Order of Appointment.
- Investigated, researched, and identified real property in Florida, Georgia, and California belonging to Defendants McClintock and Alexander, including property purportedly transferred to various "trusts." Located, contacted, and provided Notice of Receivership to the mortgage servicer (Cenlar FSB) for Defendant Alexander's real property located at Lake Lanier.
- Performed title searches and filed *lis pendens* on real property belonging to Defendants Alexander and McClintock in Florida and Georgia.
- Reviewed financial documents and financial statement provided by Defendant Alexander.

- Reviewed documents for five separate accounts from Wells Fargo bank (including accounts for MSC Holdings and Linda Dianne Alexander).
- Interviewed and reviewed documents provided by attorney William Slater Vincent concerning legal work for Defendant Alexander and the establishment of the “Grace Abounds” trust and escrow account.
- Interviewed and reviewed documents provided by attorney Kimberly Scouller concerning legal work for Defendant Alexander and the establishment of the “Alexander Family Trust” and escrow account.
- Interviewed and reviewed all documents provided by Mitchell Davis regarding tax filing prepared for Defendant Alexander.
- Reviewed documents received from Fifth Third Bank for account of Defendant McClintock.
- Reviewed documents received from Bank of America for account of relief defendant MSC Holdings.
- Reviewed documents received from Cadence Bank for account of relief defendant MSC Holdings.
- Reviewed documents received from SunTrust Bank for account of relief defendant MSC Holdings.

- Reviewed documents for three separate accounts from BB&T Bank for accounts held by Defendants McClintock and Alexander and relief defendant MSC Holdings.
- Reviewed statements from JP Morgan Chase for credit accounts held by Defendants Alexander and McClintock.
- Sent Notice of the Receivership and demanded the production of information and documents to Paradise Holdings, LLC, an entity that received \$400,000 from MSC Holdings in 2007.
- Engaged in ongoing communications with defense counsel regarding the location, value, and potential sale of Defendant Alexander's personal assets, including two automobiles, located in Carlsbad, California. Engaged in communications with and provided Notice of Receivership to landlord for Defendant Alexander's rental property in Carlsbad, California to ensure non-destruction of personal property during eviction proceedings.
- Presented Notice of Receivership and requested documents and information to Cloud Resources (regarding precious metals purchased by Defendant Alexander), Norman Dadian (former trustee for "Grace Abounds Trust" established by Defendant Alexander), Jade Law

Offices (regarding “Grace Abounds Trust”), William Steckley and Anthony Duport (former trustees for “The Promise Land Trust” established by Defendant McClintock), Charles Williams (current trustee for “The Promise Land Trust”), and the law offices of Williams & Davis (regarding “The Promise Land Trust”).

- Sent Notice of Receivership and asset freeze letters to Learn Waterhouse Receivership (subject to a potential claim of recovery by Defendant Alexander), First Choice Management Service (a receivership subject to a potential claim of recovery by Defendant Alexander), and Hide Away Storage (holding potential personal property of Defendant McClintock).
- Establishing and maintaining dedicated portion of the Receiver’s website to keep future claimants informed as to status of the ongoing litigation and the receivership estate.
- Communicating with investors and organizing contact information and amounts paid to and received from the Defendants.
- Reviewing and organizing data concerning “referral fees” paid by the Defendants to individuals as an incentive to increase the number of “investors” in the Defendants’ program.

- Deposed Defendant Alexander.
- Located and recovered a portion of the precious metals that Alexander purchased with Receivership assets in the form of precious metals (including gold, silver and palladium coins, and silver bars) from National Numismatic Associates (“NNA”). While these assets were not fully disclosed in Alexander’s “Sworn Statement” of assets required by the Court’s Order of Appointment, Alexander admitted at deposition that she retained precious metals purchased from NNA.¹
- Obtained two independent appraisals of the precious metals recovered from Alexander setting the values at \$352,362 and \$333,015 based upon current market conditions. See Appraisals dated June 12 and June 13, 2013 (attached as “Exhibit A”). While the value of precious metals fluctuates on a daily basis and there are necessary transaction costs involved in any sale, the Receiver anticipates that the ultimate sale of these assets will generate a significant return for the Receivership Estate.

¹ Alexander’s sworn statement identified only “silver coins” of “unknown” value.

- Submitted the Receiver's first fee application to the SEC for approval on July 15, 2013 for the initial phase of the Receiver's activities in this case.

The Receiver's Report

The Receiver has been engaged in all of the foregoing activities to date in order to identify and recover assets and timely complete the tasks set forth in the Order of Appointment. The Receiver's preliminary investigation indicates that viable claims exist against the Defendants and third parties that may lead to recovery of assets that can ultimately be distributed to claimants (after administrative fees and expenses are paid). These third party claims are described in greater detail in the Receiver's Report and Recommendation filed with the Court on June 14, 2013 (and also available online on the Receiver's law firm's website at cauthornohr.com/resources/receivership-cases).

The Receiver's next step is the pursuit of third party claims. Upon Court approval, the Receiver will initiate and attempt recovery of the sums owed to the Receivership Estate by the Defendants and third parties. Ultimately, the amounts recovered through pursuit of these claims and actions (in addition to the amounts the Receiver has already recovered) will be distributed to investors pursuant to a

court approved administrative claims process (after the payment of costs, fees, and expenses).

Respectfully submitted this 31st of July 2013.

CAUTHORN, NOHR & OWEN

/s/ Jason L. Nohr
Georgia Bar No. 545435

Receiver

212 Church Street
Marietta, Georgia 30060
770.528.0150
770.528.0160 – facsimile
jln@cauthornohr.com

CERTIFICATE OF SERVICE

This certifies that I have this day served a copy of the foregoing *Receiver's Second Interim Report* via the CM/ECF electronic filing system which will send notice of such filing to counsel of record.

This 31st of July 2013.

/s Jason L. Nohr

Georgia Bar No. 545435
Receiver

CAUTHORN, NOHR & OWEN
212 Church Street
Marietta, Georgia 30060
770.528.0150
770.528.0160 – facsimile
jln@cauthornohr.com

Member
American Numismatic Association
American Numismatic Society
Industry Council for Tangible Assets
PCGS - Founding Dealer #15
NGC - Member Dealer

**HANCOCK
& HARWELL**
Numismatics/Investments
"Since 1976"

The Cotton Exchange
Suite 310
3155 Roswell Road NE
Atlanta, GA 30305
FAX 404.237.6500
404.261.6565

June 12, 2013

Cauthorn Nohr & Owen
212 Church Street
Marietta, GA 30060
Attn: Cherie L. Eason

Via Fax: 678-501-5297 and USPS

Re: Appraisal of Precious Metal Coins and Bars, Current Liquidation Value (CLV) as of 6-12-2013.

To Whom It May Concern:

At your request attached is the detail of my appraisal report based on my physical review of the coins and bars at the United Community Bank in Marietta, GA, in your presence.

This verification and your itemized inventory was used to determine our opinion of CLV value as of 6-12-2013 based on the metal content and/or condition of such coins or bars with values adjusted based on discounts or premiums were the items to be exposed to the national cash market in the U.S. at this time.

We determined liquidation value by polling dealers for such coins in the United States market. Prices may vary from dealer to dealer.

Prices were based on the AM Fix June 12, 2013 in London for Gold at \$1377.25, Silver at \$21.78 and Palladium at \$749.50 per troy ounce. The attached report lists detail of the group of coins and bars.

I my opinion the total CLV value of this collection is \$352,362 as detailed in the attached.

Sincerely,



Robert L. Harwell II
Professional Numismatist

Attached Listing of Coins/Bars and Values
Resume of Appraisers

Rare Coins • Gold • Silver • Platinum

EXHIBIT A

Coin Appraisal dated 6/12/2013 for Cauthorn Nohr & Owen
 Coins received from Darryl Cohen May 14, 2003

6/12/2013	Spot Gold	1377.25
AM Fix	Spot Silver	21.78
	Spot Palladium	749.5

Photo #	Quan	Description	Item Value	Total Value
1	19	20 Franc Swiss helvetia	\$253.28	\$4,812
2A	31	20 Franc Swiss helvetia	\$253.28	\$7,852
2B,C	23	French 20 Francs	\$253.28	\$5,825
3	50	New Queen Sovereigns	\$319.34	\$15,967
4	50	New Queen Sovereigns	\$319.34	\$15,967
5	40	20 Franc Swiss helvetia	\$253.28	\$10,131
6	20	1/2 Oz American Art Medallion Coins	\$678.30	\$13,566
7	14	Austrian 100 Coronas	\$1,329.73	\$18,616
8	6	Hungarian 100 Coronas	\$1,329.73	\$7,978
8B,C	20	Austrian 100 Coronas	\$1,329.73	\$26,595
9	500	\$5 Canadian Maple Leaf Silver Coins	\$21.78	\$10,890
10	33	\$5 Canadian Maple Leaf Silver Coins	\$21.78	\$719
11	4	US Old Silver Dollars	\$21.78	\$87
	15	1 oz Silver American Eagles	\$23.00	\$345
12	3	100 oz Silver Bar Ohio Precious Metals	\$2,178.00	\$6,534
13	4	Hungarian 100 Coronas	\$1,329.73	\$5,319
13A,B	5	Austrian 100 Coronas	\$1,329.73	\$6,649
14	49	French 20 Francs	\$253.28	\$12,411
14A,B	8	20 Franc Swiss helvetia	\$253.28	\$2,026
15	34	1 oz Palladium Suisse	\$735.00	\$24,990
16	20	1/2 Oz American Art Medallion Coins	\$678.30	\$13,566
17	10	1oz Suisse gold .999.9	\$1,356.59	\$13,566
18	50	New Queen Sovereigns	\$319.34	\$15,967
19	15	1 oz Canadian Maple Leafs .999	\$1,377.25	\$20,659
20	10	1 oz Canadian Maple Leafs .9999	\$1,377.25	\$13,773
21	20	20 Franc Swiss helvetia	\$253.28	\$5,066
21A,B	8	New Queen Sovereigns	\$319.34	\$2,555
21C	1	French 20 Francs	\$253.28	\$253
22	14	Hungarian 100 Coronas	\$1,329.73	\$18,616
23	12	Austrian 100 Coronas	\$1,329.73	\$15,957
24	30	New Queen Sovereigns	\$319.34	\$9,580
25	10	1 oz Gold Maple Leafs .999	\$1,377.25	\$13,773
26	160	1 oz Sunshine Silver Coins	\$21.78	\$3,485
26A	7	New Queen Sovereigns	\$319.34	\$2,235
26B	22	20 Franc Swiss helvetia	\$253.28	\$5,572
27	20	1 oz Silver American Eagles	\$22.00	\$440
28	1	1 oz Merry Christmas Silver Coins	\$21.78	\$22
		Total Liquidation Value 6-12-2013		\$352,362

5

Larry Jackson Numismatics, Inc.

4920 Roswell Road, Suite 23B, Atlanta, GA 30342
Mailing Address: P.O. Box 76482, Atlanta, GA 30358
Phone: (404) 256-3667 FAX: (404) 256-3668

Appraisal For: Jason L. Nohr, Receiver for MSC Holdings
212 Church Street
Marietta, GA 30060
(770) 528-0150

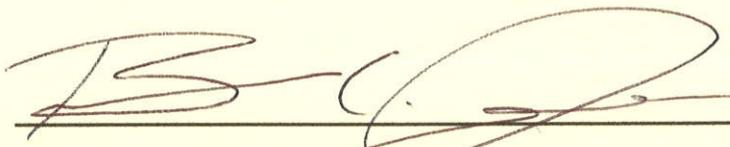
Appraisal as of: June 13, 2013

Gold Spot: 1383.00/oz. Silver Spot: 21.80/oz. Palladium Spot: 740.00/oz.

QTY	Description	Value
213	Swiss and French 20 Franc Gold Coins	\$50,055.00
195	British Gold Sovereigns	\$58,110.00
52	Austrian 100 Corona	\$65,000.00
23	Hungarian 100 Korona	\$28,750.00
40	1/2oz. American Gold Art Medallions	\$26,000.00
20	1oz. Gold Canadian Maple Leaf Coins (.9999 Purity)	\$27,100.00
15	1oz. Gold Canadian Maple Leaf Coins (.999 Purity)	\$20,025.00
10	1oz. Credit Suisse Gold Bars	\$13,250.00
34	1oz. Pamp Suisse Palladium Bars	\$23,460.00
533	1oz. Silver Canadian Maple Leaf Coins	\$11,200.00
3	100oz. OPM Silver Bars	\$6,000.00
35	1oz. Silver American Eagles	\$765.00
4	90% Silver Dollars	\$80.00
1	1oz. Commemorative Silver Christmas Round	\$20.00
160	1oz. Sunshine Mining Silver Rounds	\$3,200.00

TOTAL

\$333,015.00



Brian C. Jackson, Vice President
Professional Numismatist

6/13/2013

Date