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Attorneys for the Receiver

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR MARICOPA COUNTY

State of Arizona,)	Cause No. CV2014-006765
Plaintiff,)	PETITION NO. 30
v.)	PETITION FOR ORDER APPROVING
Sherman Eugene Unkefer, III, <i>et al</i> ;)	RECEIVER'S STATUS REPORT DATED
In Personam Defendants.)	SEPTEMBER 25, 2017
)	(Assigned to Judge Randall Warner)

The Receiver respectfully petitions the Court as follows:

1. On April 16, 2014, this Court entered its *Order Appointing Receiver*, which appointed Michael J. FitzGibbons as Receiver of Mango Trust; X-1, LLC fka X-1, Inc.; Magic Wand Services, LLC; Occidental Resources Group, LP; Occidental Management, LLC; E.A.P. Trust; International Marketing Systems; G.M.S. LLC; Catshaker Family Trust, Inc.; SLADUR; Black Rock, Inc.; and X-1 Global, LLC. ("Receivership Order"). On April 22, 2014, the Court entered its *Order Appointing Michael J. Fitzgibbons Receiver*, which appointed Michael J. FitzGibbons as Receiver of the Receivership Entities. These two orders are referred to hereafter as the "Receivership Order".

Report of the Receiver

Mango Trust et al.

Submitted By: Michael J. FitzGibbons, Receiver

September 25, 2017

1) Procedural

Receivership Court (Court): Superior Court of the State of Arizona in and for the County of Maricopa

Cause #: CV2014-006765

Receivership Order: April 16, 2014

Order Appointing Receiver: April 22, 2014

Order Service Date: May 23, 2014

Receiver: Michael J. FitzGibbons

Counsel to Receiver: Guttilla Murphy Anderson, P.C.

Other Professionals: FitzGibbons and Company, Inc.
Henry and Horne, LLC

2) Operating Receivership Entities and Status

A) X-1, LLC: X-1 remains the primary operating company. Effective December 31, 2015, a final Mango Trust 1041 tax return was filed. X-1 was a consolidated asset. We collapsed Mango Trust's remaining bank accounts into X-1 in November 2016.

Buyer has defaulted under the Distributorship Sale Agreement and Xango, which was the guarantor, has apparently had all of its assets seized by purported secured creditors. Receiver and counsel are now evaluating alternatives. A collection action may be necessary.

B) Magic Wand Services, LLC (Magic Wand): Closed in August 2015.

C) Occidental Resources Group, LP/Occidental Management, LLC (ORG): Closed in August 2015.

D) Mango Trust: Mango Trust was closed with the filing of the final 1041 Federal Tax Return for the year ending December 31, 2015. All remaining assets and liabilities have now been collapsed into X-1 as discussed at 2 (A) above.

3) Non- Operating and Previously Closed Receivership Entities:

As previously reported to this Court, all other legal entities subject to this Receivership Order were either closed at outset of the receivership or closed during the receivership.

4) Employees: None

5) Distributions to Defendants: The Receivership Order prohibited asset distributions to certain individuals without approval of the Court, however, this restriction was modified by a settlement subsequently approved by the Court as described below.

Settlement: Plaintiff settled with all defendants and stipulated to the entry of the *Amended Final Order and In Rem Judgment*, entered on March 20, 2015 ("Judgment"). The Judgment requires that certain payments be made by the Receiver:

- a) Laundry Unkefer receives 10% of each payment received by the Receiver from the sale of the XANGO distributorship sale discussed above at 2 (a), not to exceed \$300,000. Ms. Unkefer has been paid \$ 166,541 through 6-30-17.
- b) The Receiver paid \$55,000 to counsel for the co-trustees of the Mango Trust for Trustee fees, legal fees and expenses incurred.

6) Other

A) X-1: X-1 continues to be the vehicle for receipt of distributorship sale proceeds and expense payments. X-1 is now a non-taxable entity since all of its assets were forfeited to the State of Arizona pursuant to this Court's Order on March 20, 2015 (Forfeiture Order).

B) Core Resources: The Core Resources \$100,000 investment is valueless as a result of its Bankruptcy filing dated June 13, 2016. We have not investigated the circumstances for the investment.

C) Federal and State Tax Recoveries: The Forfeiture Order resulted in the forfeiture of the Trust Res to the State effective in 2008. The Receiver consulted with his tax advisors and concluded that certain of the taxes paid previously by the Trust on income earned after the effective date of this forfeiture were recoverable, but only for the last two (2) tax years.

Therefore, the tax recovery was limited to the Res conveyed at the date of the Forfeiture Order. Amended returns for 2014 and 2015 were filed and \$150,114 in tax refunds have now been collected.

D) Victim Compensation: On August 15, 2016 the Receiver filed his Report on Requests for Compensation in accordance with this Court's Order re: Petition 16.

The Receiver undertook significant efforts to locate the Victims set forth in the Maricopa County Attorney's Office's records. The results of the Receiver's efforts to locate Victims resulted in the filing dated October 24, 2016 (Receiver's Report on Objections).

Since this filing we continued to locate Victims and subsequently received an additional eight (8) Requests for Compensation (Requests) and noted one (1) timely Request previous overlooked. We will be submitting these none (9) Requests to this Court for approval. The total economic loss for these Requests is \$188,815.

With the Court's approval of a \$1.0 million distribution on May 27, 2017 we made a pro rata distribution of \$965,201 to and on behalf of Victims¹. We withheld \$34,799, pending the receipt of additional documents from certain of the Victims/Victim Representatives.

There will be at least one additional distribution. The amount of this subsequent distribution will be dependent on the performance of the buyer discussed at 2A above.

- 7) **Receivership Fees & Costs:** Set forth at **Exhibit A** is a schedule of all fees and costs paid from the receivership estate to the Receiver and his professionals in accordance with the orders of the Court.

¹ Order Re: Petition 27

8) Financial Statements at June 30, 2017:

- a) The Receivership Cash Flow ending June 30, 2017 is attached at **Exhibit B**.
- b) Balance Sheet at **Exhibit C**.

9) Closure of Mango Trust Receivership:

The Distributorship payout originally extended to June 2018, with a balloon payment due at that time estimated to be in excess of \$1.0 million. The Receiver had hoped to be able to terminate the receivership within a few months of receiving the final balloon payment. However, with the default of the Buyer, further payment under the Distributorship agreement is uncertain and therefore the estimated date for closure of the receivership is uncertain as well.

**Mango Trust Receivership
Fees Paid to Professionals
May 2014 to June 30, 2017**

	2014	2015	2016	2017	Grand Total
FitzGibbons and Company	97,913	136,581	190,988	40,864	466,347
Guttilla Murphy Anderson PC	55,726	56,335	40,853	13,002	165,916
Henry & Horne, LLP	9,160	25,875	57,043	-	92,078
Gilardi	-	5,000	17,697	-	22,697
Carpenter, Hazelwood, Delgado, Bolen, PC	-	55,000	-	-	55,000
Total	162,799	278,792	306,581	53,866	802,038

Mango Trust in Receivership
Cash Receipts and Disbursements Inception to Date
Period Ending June 30, 2017

	2014 (a)	2015	2016	2017	Total
Beginning Balance January 1	38,686	963,776	1,165,009	1,447,230	38,686
Receipts					
Gary Road House Sale	569,620	-	-	-	569,620
Rev - 13th Street Property	-	13,400	-	-	13,400
Interest Income	-	4,621	94,576	47,129	146,326
Revenues	402,802	544,481	417,215	166,400	1,530,897
Tax refunds	-	187,299	126,600	30,179	344,078
Derrick Raynes Payments	-	6,000	1,699	-	7,699
Deposit from Wells Fargo	-	147	-	-	147
Net Sale of Investments	141,251	-	-	-	141,251
Net Sale of Assets	19,326	-	-	-	19,326
Dividends Received	279	-	-	-	279
Misc. Income	-	2,237	(7)	-	2,230
Total Receipts	1,133,278	758,185	640,083	243,707	2,775,253
Disbursements					
Bank Fees	236	592	348	358	1,534
Payroll taxes	19,380			-	19,380
Wells Fargo Pmt to MOB		147		-	147
Insurance	4,380	1,306	684	1,290	7,660
Postage		457	5,176	-	5,633
Misc. Expense	3,378	822	2,733	1,268	8,201
Tax Expense					-
Federal	18,015	180,098	(44,784)		153,329
State	-	-	36,281		36,281
L. Unkefer payments		94,738	50,803	21,000	166,541
Professional		5,000	17,697	-	22,697
Legal Fees	55,726	134,986	23,191	13,002	226,905
Receiver Fees	97,913	136,581	190,990	40,864	466,348
Tax Prep Fees	9,160	2,225	74,743	-	86,128
Victim Distributions				964,259	964,259
Total Disbursements	208,189	556,952	357,862	1,042,041	2,165,043
Net Cash Flow	925,090	201,233	282,221	(798,333)	610,210
Ending Balance	963,776	1,165,009	1,447,230	648,897	648,897

(a) May 24, 2014 Incepting

Mango Trust in Receivership
Balance Sheet
30-Jun-17
Unaudited

Assets

Cash	648,898
Note Receivable	1,469,102
Interest Accrued on Dist, sale	<u>273,367</u>
Total Assets	2,391,367

Liabilites

Accrued Payables	63,359
Due Insiders	
Deferred Revenue	1,335,642
Due Laundry Unkefer	<u>133,460</u>
Total Liabilities	1,532,461

Net Worth	858,906
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