

MANNING CURTIS BRADSHAW
& BEDNAR LLC

L.R. Curtis, Jr. [0784]
David C. Castleberry [11531]
170 South Main, Suite 900
Salt Lake City, UT 84101-1655
Telephone (801) 363-5678
Facsimile (801) 364-5678

Attorneys for R. Wayne Klein, the Court-Appointed Receiver

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH

U.S. COMMODITY FUTURES
TRADING COMMISSION,

Plaintiff,

v.

U.S. VENTURES LC, a Utah limited liability
company, WINSOME INVESTMENT
TRUST, an unincorporated Texas entity,
ROBERT J. ANDRES and ROBERT L.
HOLLOWAY,

Defendants.

Case No. 2:11CV00099 BSJ

INITIAL REPORT OF
R. WAYNE KLEIN, RECEIVER

R. Wayne Klein, the Court-Appointed Receiver (the “Receiver”) of U.S. Ventures LC (“USV”), Winsome Investment Trust (“Winsome”), and all the assets of Robert J. Andres (“Andres”) and Robert L. Holloway (“Holloway”), collectively, the “Receivership Entities,” hereby submits this Initial Report for the period of January 25, 2011 through March 18, 2011 (the “Reporting Period”).

PROCEDURAL HISTORY

1. On January 24, 2011, this action was commenced with the filing of a lawsuit by the U.S. Commodity Futures Trading Commission (the “CFTC”). The CFTC lawsuit alleges, among other things, that USV, Winsome, Andres, and Holloway operated a fraudulent commodity investment program in violation of the registration, disclosure, and recordkeeping requirements of the federal commodities laws. In essence, the CFTC alleges that the defendants in this action engaged in a Ponzi scheme, whereby over \$50 million was fraudulently taken from investors.
2. The following day, the Court entered various orders in response to requests from the CFTC including an “Order Granting Plaintiff’s *Ex Parte* Motion for Statutory Restraining Order . . . and Other Equitable Relief” [Docket No. 15]. This Order:
 - a. Prohibits the transfer, dissipation, and disposal of assets;
 - b. Requires the defendants to provide an accounting of all assets inside and outside the U.S. and repatriation of all assets to the U.S.;
 - c. Requires financial institutions to freeze any accounts held by the defendants and to provide information regarding account balances;
 - d. Requires the defendants to grant the CFTC and the Receiver access to their books and records;
 - e. Appoints Wayne Klein as Receiver for the assets of defendants and the assets of any affiliates or subsidiaries; and
 - f. Grants the CFTC and the Receiver authority to conduct expedited discovery.
3. The Court held hearings on February 14 and 28 on the CFTC’s motion for preliminary

injunctions against the defendants. Following those hearings, the court entered the following orders:¹

- a. On February 28, 2011, the Court entered a default against Robert L. Holloway and USV, based on their failures to respond to the CFTC's lawsuit.
 - b. On February 28, 2011, the Court entered a preliminary injunction against USV and Winsome Investment Trust. This keeps the asset freeze and the work of the Receiver in place while the case moves towards trial.
 - c. On March 7, 2011, the Court entered a preliminary injunction against Holloway, based on Holloway's consent.
 - d. On March 8, 2011, the Court entered a preliminary injunction against Andres, rejecting arguments Andres made at the February 28 hearing. The ruling also is based on Andres' failure to file any documents in opposition to the CFTC motion for a preliminary injunction.
4. The Receiver engaged attorneys in other states to file notices of the receivership in federal courts in California and Texas. These filings are necessary to be able to take action against any assets that might be found in those states.

INVESTIGATION BY THE RECEIVER

Business Records of the Defendants

5. The Order requires that defendants deliver an accounting to the Receiver and the CFTC and that they provide access to their records.
6. In his deposition, Holloway indicated that he no longer has possession or control over the

¹ Copies of these orders are posted on the Receiver's website.

business documents of USV or his personal records for 2005 through 2008. He described where he believes the records can be located.

7. Andres has provided no records to the Receiver and no accounting of the location of bank accounts and assets. His deposition will be taken March 22, 2011.

Bank Records

8. The CFTC served notice of the asset freeze and receivership on scores of banks that might have held deposits or bank records of the defendants. The CFTC has provided the Receiver with copies of bank records for many accounts it has identified as being used by the defendants.
9. To date, the Receiver has identified 55 bank accounts held by the defendants or companies controlled by them. These are:

ENTITY	BANK	# OF ACCOUNTS
US Ventures	Bank of America	2
	Bank of American Fork	4
	Barnes Bank	5
	Harris Bank	1
	HSBC	1
	JP Morgan Chase	4
	Key Bank	7
Winsome	Bank of America	1
	Harris Bank	1
	JP Morgan Chase	1
Winsome Int'l	Hang Seng Bank	1
Robert Holloway	JP Morgan Chase	4
	Wachovia Bank	3
Robert Andres	JP Morgan Chase	3
	Wells Fargo	2
	Bank of America	4
Holloway Companies	Wells Fargo	3
Andres Companies	Wells Fargo	8
Total	10	55

10. The Receiver has also identified another 30 bank accounts that have been the sources of funds sent to one of the Receivership Entities or to which funds were sent. Further investigation is expected to reveal whether these bank accounts belong to investors or are accounts controlled by the defendants.
11. For the primary bank accounts controlled by USV and Winsome, the Receiver has been reconstructing transactions in those accounts to determine the sources of funds in the accounts and where those funds were spent. This analysis is ongoing. Some of our initial findings are described in a later section of this report.

Balances in Bank Accounts

12. As noted above, the Order entered by the Court on January 25, 2011, requires banks and brokerage firms holding account balances for any of the defendants (and companies they control) to deliver the proceeds of those accounts to the Receiver.
13. This process has begun, but the Receiver has discovered that the majority of bank accounts held by the defendants had been closed in 2008 or before. We have not found that either USV or Winsome currently has any bank accounts. The Receiver has identified only two business bank accounts that are still open. These are accounts for Bear & Bull Strategies. The account balances are small and there has been little activity in the accounts in 2010. The Receiver has requested that the bank send the account balances to the Receiver.
14. We have located only a few additional bank accounts that were still open in 2011; these are in the names of the individual defendants or companies they controlled. For these accounts, the outstanding account balances are small:

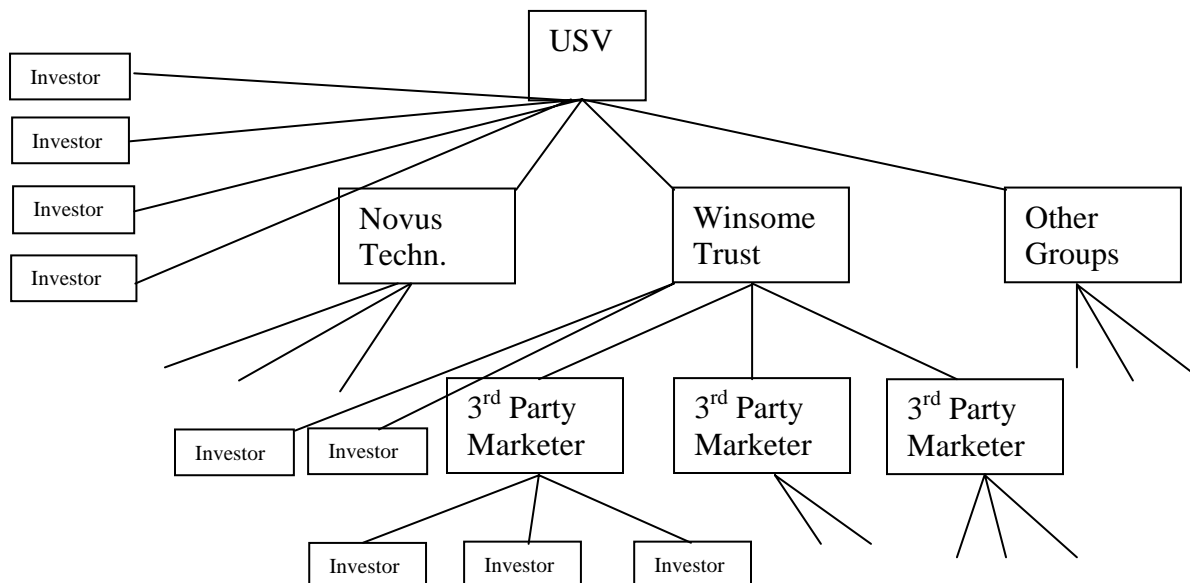
- a. Wells Fargo delivered to the Receiver \$432.85, representing the balance of all accounts held at that bank.
- b. HSBC delivered \$60.99 to the Receiver, representing the balance of accounts held there.
- c. The Receiver learned that the Bank of American Fork is holding \$114.35, representing the balances of the four accounts held at that bank. However, further investigation revealed that this amount had been frozen in connection with a 2007 enforcement action by the Securities and Exchange Commission against USV. Those funds belong to the receiver in that SEC action.
- d. The CFTC and the Receiver continue contacting banks and brokerage firms to recover any current balances in bank accounts controlled by defendants.²

History of the USV Investment Scheme

15. The US Ventures investment program is best understood as a multi-level (pyramid) Ponzi scheme. The Ponzi characteristic resulted from its distribution of profits to investors that came from other investors – rather than from the net proceeds of investment activity. The pyramid aspect occurred because so much of the money provide to USV came from other entities – who in turn collected investment funds from investors. Some of these lower–level investment funds were collected from still other investors.

² On March 18, 2011, Penson Futures paid \$100.72 to the Receiver, representing the balance in the trading accounts of Bear & Bull Strategies.

16. The scheme appears to have at least four levels, as illustrated by the following graphic:



17. The pyramid nature of this structure appears to have had a significant impact on the money flows in several ways:

- a. It appears that fees were taken by those at each level. It has not yet been determined whether these fees were taken on the front end (while investment monies were being forwarded to Winsome and USV), on the back end (as a share of profits or distributions received from Winsome and USV), or both.
- b. Because there were often intermediaries between the actual investors and the ultimate destination for funds (generally USV), some investors may not have known that their funds were ultimately destined for USV. The Receiver has learned from some investors that they understood their funds were being managed or invested by the lower-level third-party marketers – without knowing about the existence or identity of the two levels above the third-party marketers.

- c. To the extent the third-party marketers did not disclose the ultimate destination of investor funds or the terms under which funds were being sent to Winsome or USV, the third-party marketer would have a greater ability to determine the payout rate to the investors – without the investors raising questions about the extent to which the third-party marketer was retaining a large portion of distributions received from Winsome or USV.
 - d. The pyramid nature of the investment structure would have made it easier for intermediaries to divert some of the funds to their own uses. While our financial analysis is at a very early stage, we have already identified some instances in which investor funds were sent to a third-party marketer, but the third-party marketer did not forward those funds to Winsome or USV.
 - e. Our preliminary analysis also has revealed instances in which third-party marketers used monies paid by certain investors to make distribution payments to other investors. Thus, instead of sending the money to Winsome or using the money to engage in commodities trading, the investor funds were used to make distribution payments to other investors. As a result, there are indications there were smaller Ponzi schemes within the larger Ponzi scheme. Ponzi schemes likely existed on at least three of the four levels described above.
18. The Receiver expects that further financial analysis of the bank records, as well as bank records from third-party marketers will reveal the extent to which the multi-level structure of this investment scheme resulted in money being diverted or misused at each of the various levels.

Chronology of the USV Investment Program

19. In his early career, Holloway was a licensed securities agent, selling insurance and a limited range of securities.
20. In 2004, Holloway said he became a consultant for a company called “Two Hours a Day Trading.” He was to help the company find students interested in learning how to trade commodities. After investigating the instructional program, Holloway says he decided to trade commodities himself, rather than solicit students for the course. He says he engaged in simulated trading for a substantial period, during which he believed he had perfected a trading system that was consistently profitable.
21. During 2005, Holloway appears to have begun trading commodities using money from several individuals. He also began investing monies on behalf of Novus Technologies and several others associated with Novus Technologies.
22. On October 26, 2005, Winsome Investment Trust began sending money to USV for investment, sending \$100,000.00. Between October 26, 2005 and April 25, 2007, Winsome sent \$24,785,703.75 to USV.³

Commission Structure at USV, Guarantees Against Loss

23. Holloway says that the terms of the investment agreements that USV had with Winsome, Novus, and others provided that USV was to receive 30% of the net trading profits for each day that USV earned profits.
24. At the same time, Holloway says USV was guaranteeing investors against loss. This means that on days that had losses, USV was responsible to cover those losses from its

³ As described in more detail below, Winsome took in substantially more money from investors than it sent to USV.

own funds. However, this would be possible only to the extent that USV's 30% share of net trading profits earned on profitable days was sufficient to: i) pay the operating expenses of USV, ii) cover Holloway's living expenses, and iii) cover the entirety of investment losses on trading days that suffered losses.

Results of Trading

25. In short, the commodities trading by USV resulted in catastrophic trading losses. Not only did USV not earn sufficient income from its 30% share of net profits to cover losses, but the trading resulted in significant losses during most months.
26. In his March 9, 2011 deposition, Holloway testified that USV earned profits on 59% of trading days and lost money the other 41% of trading days. However, he says his average losses on unprofitable days were significantly greater than his average gains on profitable days.
 - a. Holloway reported that the days with net trading gains averaged 5% gains. Trading days with losses averaged 10% losses.
 - b. He testified that the successful days earned \$14 million in profits. From this, he says he was entitled to take 30%, or \$4.2 million. The remaining \$9.8 million was credited to investors as profits. Much of this profit was paid out to investors as distributions.
 - c. Holloway says the days with trading losses incurred aggregate losses of \$22 million.
 - d. The \$4.2 million that USV theoretically earned as its compensation for profitable trading days was not sufficient to cover the \$22 million lost on days with net

losses.⁴

27. Holloway's own calculations from his deposition constituted acknowledgement that USV had lost a net \$8 million in trading alone. When USV's \$4.2 million compensation is added to that total, the losses exceeded \$12 million.
28. As discussed in a subsequent section of this report, USV sent \$25,917,978.00 to brokerage accounts and withdrew \$15,731,483.38, resulting in an aggregate trading-caused loss of \$10,186,494.62.
29. These numbers are consistent with the analysis performed by the CFTC and included as part of the CFTC's motion for a statutory restraining order and appointment of a receiver. The chart below shows the month-by-month results of trading in the three brokerage accounts maintained by USV:

⁴ The general results identified by Holloway (before his 30% commission) would result in an overall 10% loss in the value of an investment portfolio. After the 30% commission is taken into consideration, the account would have lost 31% overall.

PROFIT AND LOSS FROM COMMODITIES TRADING		
<i>Analysis Performed by the CFTC*</i>		
Peregrine Financial Group		
Month	Year	Profit/Loss
February	2005	-32,282.50
March	2005	-74,699.30
April	2005	-104,967.74
May	2005	30,104.24
June	2005	-56,470.10
July	2005	0.00
August	2005	0.00
September	2005	0.00
October	2005	-76,307.61
November	2005	-140,992.26
December	2005	-54,567.32
January	2006	-594,030.10
February	2006	-216,388.62
March	2006	-111,902.70
Net Total		-1,432,504.01
Fortis Clearing		
Month	Year	Profit/Loss
March	2006	73,516.30
April	2006	-137,958.98
May	2006	194,675.44
June	2006	-2,382,585.95
July	2006	-349,905.11
August	2006	-255,789.83
September	2006	1,304,813.61
October	2006	-4,366,327.40
November	2006	-3,248,721.85
December	2006	-390,072.87
January	2007	910,794.59
February	2007	-555,310.05
March	2007	-44,555.23
April	2007	-263.84
May	2007	-8.99
June	2007	-8.70
July	2007	-9.60
August	2007	-9.30
September	2007	-8.20
Net Total		-9,247,735.96
Cunningham Commodities		
Month	Year	Profit/Loss
June	2006	-20.62
Net Total		-20.62
Grand Total		-10,680,260.59
<i>*Bates No. CFTC03348</i>		

30. Notwithstanding these overall losses, USV paid itself commissions and paid distributions to investors based on reports of profits in the relevant period.

31. Due to these losses, Holloway acknowledged in his deposition that beginning in November 2005, USV owed investors more than the value of investments it owned. In other words, after the first month of trading, the company's liabilities exceeded its assets.

Reports to Investors

32. The Receiver analyzed a ten-month period for which he had a complete set of trading records and reports to investors.

33. During the period from June 1, 2006 to March 30, 2007, USV had net losses from trading of \$9,377,923.93. During this same period, USV issued 211 daily reports to investors identifying the profits earned from trading.

- a. Account statements sent to investors reflected profits for 175 days – or 78.8% of the time. These reported profits ranged from 0.01% to 1.15% per day.
- b. Statements on 22 of those days showed a “blank” in the earnings for the day.⁵
- c. Statements for 14 days indicated 0.00% profit.

34. In his deposition, Holloway admitted that USV had not earned profits on as many days as indicated in the reports to investors.

USV Financial Transactions

35. To date, the Receiver has reviewed the financial transactions in 15 bank accounts belonging to USV. The preliminary analysis of those transactions shows the following

⁵ In his deposition, Holloway said the “blank” could mean: i) there were losses, ii) no trading occurred on that day, iii) trades were being carried over from one day to the next, or iv) trading broke even that day. The Receiver has found no indications that investors understood that the blanks represented days with trading losses.

sources of funds and expenditures in these accounts:

Source of Funds	Amount	% of Total
Balance transfers from other banks	\$3,783.43	.00744%
Winsome Investment Trust	\$24,785,570.69	48.7372%
USV investors (other than Winsome)	\$2,366,875.09	4.6541%
Transfers from other USV accounts	\$540,477.57	1.0628%
Withdrawals from brokerage accounts	\$15,731,483.38	30.93337%
Robert Holloway, PayPal deposits	\$117,786.33	.2316%
Other (purchase refunds, etc.)	\$24,840.85	.0489%
Cash and from banks not yet identified	\$7,284,700.31	14.3243%
Total	\$50,855,517.65	100.00%

Expenditures	Amount	% of Total
Brokerage accounts	\$25,917,978.00	50.9639%
Winsome Investment Trust	\$14,523,208.54	28.5578%
USV investors (other than Winsome)	\$2,206,725.37	4.3392%
Transfers to other USV bank accounts	\$684,927.57	1.3468%
Holloway personal and business	\$3,300,163.56	6.4893%
Payments to other banks	\$666,597.95	1.3108%
Known persons, unknown purposes	\$56,580.62	.1113%
Payments to banks not yet identified	\$3,499,336.04	6.8809%
Total	\$50,855,517.65	100.00%

2007 Lawsuit by the SEC

36. Some of the largest direct investors in USV (other than Winsome) were Novus Technologies, RCH2, LLC, and an entity controlled by Casey Hall. On April 11, 2007, the SEC filed suit alleging that Novus and five other defendants had violated federal securities laws. The SEC also sued US Ventures, Holloway, and others as “relief defendants,” seeking assets and the balances of bank accounts.
37. At the SEC’s request, the Court issued an order (in the Novus case) freezing the bank and brokerage accounts of USV. At the time, USV had a combined balance of \$114.35 in its

bank accounts. USV's brokerage account had a negative value of approximately (\$1,200.00). In other words, by the time the SEC had brought its action, USV had already dissipated all its assets.

38. At this point in time, Holloway admits USV owed at least \$25 million to Winsome investors. Millions more was owed to other investors.
39. Despite USV having such a small bank balance and a negative value in its brokerage accounts, many Winsome investors were told that the freeze order obtained by the SEC had prevented USV and Winsome from paying distributions to investors. It is now apparent that USV had no assets to pay distributions after April 2007 – regardless of the court-imposed freeze order.
40. USV ceased conducting any trading activities or substantial business activities after April 2007.⁶
41. On May 25, 2010, a judgment was entered in the SEC lawsuit against Holloway and USV for \$1,327,966.37.

Winsome Investment Activities Before October 2005

42. The financial and investment activities of Winsome are best understood by dividing the analysis into three time periods: before USV, during USV, and post-USV.
43. The main bank account used by Winsome was opened on February 15, 2005. Andres was the sole signatory on the bank account. Between the date of the account opening and

⁶ Holloway reported that he did engage as a trader on an individual basis for three parties after April 2007. One account was traded for ten days, the second was traded for five weeks, and the third was trading of funds for a few weeks in an account controlled by Andres under the name Bear & Bull Strategies. Bear & Bull Strategies is discussed later in this report.

October 25, the account had total deposits of \$35,400.26. \$35,000.00 of this amount was deposited in three transactions from one source, a likely investor. \$34,700.00 of this amount was wired out of the account within days of receipt. The destination of these payments is still being investigated, but none of the money went to USV.

Winsome Investment and Banking Activities During the USV Period

44. On October 25, 2005, \$100,000.00 was wired into the Winsome bank account from a third-party marketer. The following day, Winsome wired \$100,000.00 to USV.
45. Between October 2005 and April 2007, Winsome sent a total of \$24,786,070.69 to USV. \$10,114,184.49 of this was sent to USV in one wire transfer on June 16, 2006.
46. During this same period, Winsome withdrew \$14,523,208.54. The difference between amounts paid by Winsome to USV and the amounts withdrawn is \$10,262,862.15.
47. The bulk of Winsome's withdrawals from USV (90.7%) occurred in three batches:
 - a. Between June 30 and July 21, 2006, USV sent Winsome \$8,996,167.37.
Holloway testified that a single Winsome investor had sent in a \$10,000,000.00 investment in mid-June, then decided to withdraw it within weeks. Holloway wanted to insist that those funds remain in the trading account for six weeks, as required by the investment agreement, but he says Andres insisted on withdrawing the money immediately. Holloway stated that liquidating commodities positions to fund this withdrawal caused USV to lose \$2.5 million.⁷
 - b. Between October 10 and November 7, 2006, Winsome withdrew \$3,172,053.52.

⁷ The CFTC analysis of trading results in the earlier chart shows a monthly loss of \$2,382,585.95 for June 2006.

- c. Between February 9 and February 13, 2007, Winsome withdrew another \$1,000,000.00.
 - d. This third batch of withdrawals left the USV brokerage account with a month-end account value of \$48,467.76.
48. During this time period (October 2005 to April 2007), \$54,666,189.51 was deposited into the Winsome bank account. \$24,786,070.69 was sent to USV. The balance, \$29,880,118.82, was used by Winsome for other purposes. It is not yet known whether some of these funds were used to make distribution payments to investors out of monies received from other investors. The Receiver is in the process of analyzing how the \$29.8 million given to Winsome (that was not sent to USV) was used.

Winsome Financial Activities After April 2007

49. As noted above, USV's bank and brokerage accounts were frozen by a court order in April 2007. At that time, USV had a minimal amount in its bank accounts and a negative balance in its brokerage accounts. No further funds were paid to USV by Winsome after April 2007 and no funds were sent by USV to Winsome. At that point, USV ceased conducting trading or any other substantive business.
50. Winsome, however, continued with significant operations until at least July 2008.
51. On April 15, 2007, the Winsome bank account had a balance of \$2,817.21. Over the next 15 months, an additional \$20,899,335.79 was deposited into the Winsome bank account.
52. By July 21, 2008, the Winsome bank account had a negative balance. \$20,903,103.00 had been spent out of this account since April 2007.
53. The Receiver believes that much of the money deposited into this account came from

third-party marketers and that much of the money paid out of this account went to third-party marketers and other investors. Significant funds were also paid to Andres out of this account. Understanding the sources and destinations of funds in this account will be a primary focus of the next phase of the Receiver's investigation.

54. Our preliminary analysis has revealed specific instances in which money deposited into the Winsome bank account by persons believed to be investors was used for purposes that appear to benefit Winsome, instead of being used for trading. Further investigation will be expected to reveal whether the money was spent in the manner expected by the investor.

55. During this post-USV time period, it appears that Winsome continued to send account statements and reports to investors. The Receiver has reviewed reports given to investors during this time period that indicate that investors were still being told that trading was occurring and that trading was profitable.

a. In one instance, an investor was given a report that purported to describe the results of trading from November 29, 2007 to January 23, 2008. The "Portfolio Report" says that there were 40 trading days. Of those 40 days, 28 reported daily profits ranging from .07% to .31%. Twelve days were reported as having \$0.00 earnings. The report lists no losses. The total earnings reported during this 40-day period was 4.65%.

b. In another instance, an investor was given a report for trading supposedly conducted during June 2008. The report identifies 21 trading days and says 18 were profitable; three days had losses reported. The monthly return was 19.8%,

for an average daily return of .94%

Bear and Bull Strategies

56. In 2008, Andres opened three bank accounts under the name Bear & Bull Strategies.

57. In his application to open a commodities trading account for Bear & Bull Strategies,

Andres stated that Bear & Bull “will not be soliciting anyone in the U.S. for purposes of trading commodities futures or options.” The Receiver suspects that further investigation will reveal that this was not accurate.

58. A total of \$5,824,494.15 was deposited into these accounts. Initial indications are that the bulk of deposits into the account came from investors. The Receiver does not yet know whether the monies sent to these accounts were for commodities trading.

59. Holloway testified that Andres put \$300,000.00 into a commodities brokerage account in 2008, under the name Bear & Bull Strategies, and gave Holloway trading authority over the account. Holloway said he traded this account for a few weeks and that most of the money was lost in trading.

60. Winsome sent a total of \$13,000.00 to one of the Bear & Bull bank accounts. Winsome later withdrew \$11,600.00 from this account, meaning Winsome sent more money to Bear & Bull than Winsome received.

Overseas Payments

61. Our preliminary analysis indicates that Winsome sent \$11,068,180.09 to recipients or bank accounts that appear to be outside the U.S.⁸ The Receiver expects to devote

⁸ This is in dramatic contrast to the few overseas payments by USV. The USV accounts received \$16,224.09 from what appear to be international sources and paid \$55,690.67 to international recipients, a net outflow of \$39,466.58.

significant attention to identifying the recipients of these funds and understanding the purposes of the payments. The CFTC also is believed to be investigating these payments.

- a. A large share of the overseas payments may have been sent to investors. A total of \$7,598,153.54 was deposited into the Winsome bank accounts from what appear to be overseas sources. This suggests that much of the money sent overseas might have been distribution payments to investors. Comparing the amounts received from international sources and paid to international sources indicates that a net \$3,470,026.55 was sent to international sources.
- b. Substantial funds were sent to Spain, apparently as part of the purchase price for Aerospace Consulting Corporation. This was part of approximately \$4.2 million paid by Winsome towards the purchase of Aerospace. Aerospace has filed a lawsuit, alleging that Winsome breached its duties under the purchase contract and has no rights to the intellectual property that was the focus of the purchase. This matter is in litigation.
- c. A number of payments sent overseas appear to have gone to fraudulent entities. The Receiver will seek to determine what documentation exists for these payments and whether the funds are recoverable. It appears that Winsome may have fallen victim to one or more fraudulent schemes.

Third-Party Marketers

62. It appears that a large portion of the investor funds sent to Winsome were gathered by

\$7,100.00 of these payments were to a law firm in the Bahamas to set up an international business company that Holloway said was never used. The remaining money appears to have been distribution payments to investors.

third-party marketers. The Receiver is in the process of identifying these third-party marketers. Information being gathered from investor questionnaires is aiding in this investigation.

63. The Receiver already has found instances where investors sent funds to third-party marketers for investment, but the funds were not sent on to Winsome. Further investigation is expected to reveal the extent to which third-party marketers forwarded investor funds to Winsome, retained them for their own purposes, or used them to make distribution payments to other investors.
64. Some of the third-party marketers have already been the subject of governmental enforcement actions, alleging that their taking investment funds violated securities laws:
 - a. On March 15, 2007, the California Department of Corporations ordered Warren Wai Hung Chiu, along with Winsome and Andres, to desist and refrain from violating California securities laws.
 - b. On October 6, 2009, the California Department of Corporations ordered Covenant Family Trust and Lewis Scogin to desist and refrain from violating California securities laws.
 - c. On December 14, 2009, the Alabama Securities Commission ordered Covenant Family Trust, Lewis Scogin, Winsome and Andres to cease and desist violating Alabama Securities laws.
 - d. On October 14, 2010, following a hearing, the California Department of Corporations ordered MacArthur Birch, Betty Warner, and Eugene Foster to desist and refrain from violating the securities laws of California.

65. The Receiver has seen documents used by Winsome and some third-party marketers that prohibited investors from cooperating with government investigations or threatened a loss of the investment if the investors cooperated with any investigations. It is likely these purported prohibitions slowed investigative efforts of the state agencies identified above and the CFTC. It remains to be seen whether those documents will cause some investors to not cooperate with the Receiver's efforts.

Assets Identified to Date

66. As noted above, the Receiver has recovered a few hundred dollars from balances of bank accounts held by defendants. No bank or brokerage accounts have yet been located that contain sizable balances.

67. Andres and Holloway have both denied having any bank or brokerage accounts outside the U.S. Andres and Holloway have both signed documents permitting the CFTC to inquire about assets held overseas.

68. A deposition was taken of Holloway to determine what assets he owns. Holloway stated that he has no bank accounts currently and no automobiles and that his only assets are personal items, such as clothing and a few items of furniture. A deposition of Andres is scheduled for the last half of March.

Other Receiverships

69. The Receiver has begun talks with the receiver in the Novus case filed by the SEC. It is hoped that coordination will assist in identifying assets that might be recovered for USV and Winsome investors, despite the prior SEC action.

70. A receiver also has been appointed in Toronto, Canada, at the request of the Ontario

Securities Commission. We have initiated discussions with the Canadian receiver about coordinating our investigations.

Next Investigative Steps

71. Notwithstanding the defendants' claims that they have no assets overseas, neither Holloway nor Andres has delivered business records to the Receiver or the CFTC. This failure to obtain business records complicates – but does not prevent – the Receiver's efforts to identify assets. The Receiver is reconstructing all bank transactions by the defendants. The bank records can be expected to lead to identification of possible assets. It is a time-consuming and difficult process, but should enable the Receiver to trace all money flows to and from the defendants.

72. When the bank transactions have been reconstructed, the Receiver expects to take the following steps, among others:

- a. Identify the recipients of all significant payments from any of the defendants.
This step determines where the money went.
- b. Seek to determine the purposes of the payments. This involves obtaining information about the recipients that will help us determine whether they are investors, whether they are insiders, and the purposes of the payments.
- c. If payments are identified as improper, the Receiver will seek a return of those payments.

73. The Receiver will also use this information to:

- a. Identify each investor who provided funds to USV or Winsome,
- b. Determine the amount paid by each investor and to whom the investment was

paid, and

- c. Calculate the payments made to each investor (including profit distributions and returns of principal).
74. Winsome is one of the defendants in a lawsuit in federal bankruptcy court in New Mexico. *Aerospace Consulting Corporation (Spain) v. Winsome Investment Trust*, No. 11-05-14244, Adv. No. 09-1130 (Bankr. N.M.). The Receiver filed with the bankruptcy court a copy of the court order imposing a stay of litigation. On March 4, 2011, the bankruptcy court entered an order postponing any further proceedings in that litigation. The Receiver will evaluate what position he wants to assert in that litigation after he completes his analysis of financial transactions relating to these entities.

COMMUNICATING WITH INVESTORS ABOUT THE RECEIVERSHIP

75. Shortly after being appointed, the Receiver established a website with information about the work of the Receiver. www.kleinutah.com/index.php/receiverships/us-ventures. The website contains copies of the key court rulings (complaint, order freezing assets and appointing a receiver, and preliminary injunctions), information on how receiverships operate, the tax consequences of Ponzi losses, and the investor questionnaire.
76. The website will be the most efficient means of communicating with investors. As new developments occur, information will be posted on the website. Investors are encouraged to check the website periodically to learn of new developments.
77. On February 24, 2011, the Receiver sent a questionnaire to investors, soliciting information about them, their investments, and the history of their involvement with Winsome or USV. A copy of the questionnaire has been posted on the website. The

questionnaire was sent via e-mail to all investors who had contacted the Receiver and to addresses provided by the CFTC. The Receiver encouraged recipients of the questionnaire to send copies to other investors they know.

78. The Receiver has begun receiving completed questionnaires and is compiling the information from the questionnaires.

AVAILABLE ASSETS, ESTIMATED TIME TO WIND UP RECEIVERSHIP

79. The Order appointing the Receiver requires that the Receiver report on “the portion of assets available to pay back customers” and “the estimated time it will take to distribute available asset to customers and wind up the receivership.”

80. Based on the work performed by the Receiver since January 25, the recovery of assets will be extremely difficult. There are no significant balances in bank or brokerage accounts. Holloway claims to have no assets and the Receiver has not yet located assets in his name or for which he is a beneficiary. The extent of Andres’ assets is unclear. Andres and Holloway both declared that they have no bank accounts or other assets outside the U.S. The USV and Winsome entities appear to have been insolvent for several years. Winsome is the subject of litigation with Aerospace Consulting, seeking a declaration that Winsome has no interest in intellectual property rights. It is unclear whether any of the overseas transfers were improper and can be recovered.

81. Notwithstanding the absence of immediately recoverable assets, the Receiver believes it is likely that a significant number of substantial payments by the defendants to others can be challenged and funds can be recovered. This will require significant time to analyze the financial transactions, investigate the purposes of payments, and initiate litigation

against recipients of funds.

82. This process is expected to take at least two years. It may take longer, depending on the extent to which recipients of improper payments contest the Receiver's determinations.

83. It is possible that further investigation will reveal that there are insufficient sources of recovery to justify litigation or continuation of the Receivership. It is too early to make that judgment call at this point. The Receiver intends to continue his investigation – to gather sufficient information to make informed decisions about the future direction of the receivership.

84. The Receiver will submit additional reports to the Court on a periodic basis, to keep the Court and investors informed of developments and will submit a request for reimbursement of its costs and payments of its fees when assets have been recovered from which those fees can be paid.

85. The Receiver has engaged the assistance of LeGrand R. Curtis, Jr. and David C. Castleberry, of Manning Curtis Bradshaw & Bednar LLC, to act as counsel for the Receiver and to handle litigation involved in the Receiver's efforts to recover funds and assets. Manning Curtis has already overseen the filing of the Notice of Appointment of Receiver from this action in the district courts of California and Texas.

CONCLUSION

The Receiver respectfully submits this Initial Report for the period from January 25, 2011 through March 18, 2011.

The Receiver verifies under penalty of perjury that the foregoing is true and correct.



WAYNE KLEIN, Receiver

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of March, 2011, I served a true and correct copy of the foregoing Initial Report of R. Wayne Klein, Receiver, addressed as follows:

Kevin S. Webb
James H. Holl, III
Gretchen L. Lowe
U.S. Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581
kwebb@cftc.gov
jholl@cftc.gov
glowe@cftc.gov

Robert L. Holloway
7040 Avenida Encinas #104-50
Carlsbad, CA 92011
vrilob@gmail.com

U.S. Ventures LC
c/o Robert L. Holloway
7040 Avenida Encinas #104-50
Carlsbad, CA 92011
vrilob@gmail.com

Robert J. Andres
10802 Archmont Dr.
Houston, TX 77070
Rja0418@gmail.com

Winsome Investment Trust
c/o Robert J. Andres
10802 Archmont Dr.
Houston, TX 77070
Rja0418@gmail.com

/s/ L.R. Curtis, Jr._____