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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

SECURITIES AND EXCHANGE COMMISSION  Plaintiff,  v.  Art Intellect, Inc., a Utah corporation, d/b/a Mason Hill and VirtualMG, Patrick Merrill Brody, Laura A. Roser, Gregory D. Wood,  Defendants.	Case No. 2:11-cv-00357 TC  Judge Tena Campbell  FIFTH STATUS REPORT OF R. WAYNE KLEIN, RECEIVER  <i>For the period April 1, 2012 through June 30, 2012</i>
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This Fifth Status Report is being submitted by R. Wayne Klein, the Court-Appointed Receiver<sup>1</sup> (the “Receiver”) for the period April 1, 2012 through June 30, 2012 (the “Reporting Period”).

**OVERVIEW**

1. In recognition of the limited assets of Mason Hill and the expectation that bringing fraudulent transfer actions would not likely result in recovery of sufficient funds to

<sup>1</sup> The Receivership includes Art Intellect, Inc. (“Art Intellect”), d/b/a Mason Hill (“Mason Hill”) and VirtualMG (“VirtualMG”), and the assets of Patrick Merrill Brody (“Brody”), and Laura A. Roser (“Roser”), collectively, the “Receivership Entities.”

make a distribution to investors, the Receiver has been limiting his activities to the bare essentials that are required to assist the Court, respond to government inquiries, and prepare to wind down the Receivership.

2. The Receiver intends to close out the Receivership as soon as the SEC's litigation results in a final court determination on disposition of the remaining assets. This may occur with the SEC's recent motion for summary judgment.

### **FURTHER CONTEMPT PROCEEDINGS**

3. Significant time was again spent during this Reporting Period on matters relating to contempt. On April 3, the Court ordered the incarceration of Laura Roser for her contempt. After a week of incarceration, Roser was released from custody.

4. Through her attorney, Roser delivered to the Receiver the \$3,500.00 Roser received from the sale of a hot tub, which sale was in violation of the Court's asset freeze.

5. The Receiver attended multiple court hearings, testified at hearings, and submitted declarations for the Court describing the extent of Roser's compliance (and lack of compliance) with Court orders.

6. In connection with the Court's evaluation of Roser's contempt, the Receiver participated in the depositions of Roser, Bryan Brody, Pat Brody, and the Brodys' attorney, Steven Paul.

7. At the request of the SEC, the Receiver signed documents waiving the attorney-client privilege in connection with legal advice given by Steven Paul to Art Intellect.

8. The Receiver held discussions with Steven Paul on the extent to which the Receiver believed that actions to be taken by Roser would satisfy Court-mandated duties.

### **STATUS OF SEC LITIGATION**

9. The SEC has filed a motion seeking summary judgment against Roser and Brody. The Receiver has provided information to the SEC relating to its motion, including the Receiver's calculation of the amount of disgorgement that should be required.

10. On behalf of Art Intellect, the Receiver consented to the entry of a default judgment against Art Intellect.

### **OTHER ACTIVITIES OF THE RECEIVER DURING THE REPORTING PERIOD**

#### **Tax Filings**

11. The Receiver paid employment taxes to the IRS for the first and second quarters of 2011. These payments are detailed in the financial discussion below.

12. The Receiver submitted other state and federal tax forms for Art Intellect, but has not paid taxes for periods before 2011.

#### **Settlement**

13. The Receiver entered into a settlement agreement with BMW Financial Services pursuant to which BMW paid \$10,000.00 to the Receivership Estate as repayment of car leases paid by Art Intellect for a personal vehicle used by Laura Roser.

#### **Other Assets**

14. The Receiver responded to an inquiry from Steven Paul, outlining the conditions under which the Receiver would agree to release any claims on the home. Paul has not responded to the Receiver's offer.

15. The Receiver was contacted by Land Rover Leasing regarding another vehicle leased to Laura Roser. The Receiver made it clear that the Receivership Estate would not be responsible for past-due lease payments on a vehicle being used for personal purposes.

#### Assisting Investors

16. The Receiver helped additional investors claim tax deductions for their losses with Art Intellect by providing valuations of the investments.

17. The Receiver also responded to a number of other inquiries by investors.

18. Information and documents summarizing developments in the Receivership are regularly posted on the Receivership website:

<http://www.kleinutah.com/index.php/receiverships/mason-hill>.

#### Assisting Government Agencies

19. The Receiver searched records of the Receivership Entities and provided documents to, and responded to questions from, multiple government agencies. This included requests for information on persons other than Brody and Roser, who were affiliated with Art Intellect.

#### Financial Report, Fees Paid to the Receiver

20. During the Reporting Period, there were two deposits into the Receivership bank account:

a. On March 17, 2012, Roser's attorney, Steven Paul, paid to the Receiver \$3,500.00, representing the proceeds from the sale of a hot tub sold in violation of the Court-imposed asset freeze.

b. On May 30, 2012, BMW Financial Services paid \$10,000.00 to the Receiver in settlement of claims the Receiver had asserted against based on Art Intellect having made vehicle lease payments for Roser.

21. The Receiver expended \$831.07 from the Receivership bank account during the quarter. These expenditures consisted of:

a. \$420.00 paid to the Utah Tax Commission for withholding taxes for the first quarter of 2011.

b. \$70.00 paid to the Utah Tax Commission for withholding taxes for the second quarter of 2011.

c. \$341.07 paid to the IRS for withholding taxes for the second quarter of 2011.

22. The current balance of the Receivership bank account is \$20,111.63.

#### Next Steps

23. The Receiver is minimizing the time he spends on this case while he awaits a ruling on the SEC's pending summary judgment motion. If the Court grants the motion, the Receiver intends to use proceeds from the sale of vehicles and home furnishings to make a distribution to investors, and then ask the Court to close the Receivership matter and discharge the Receiver.

#### CONCLUSION

The Receiver respectfully submits this Fifth Status Report for the period from April 1, 2012 through June 30, 2012.

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

DATED this 21<sup>ST</sup> day of August, 2012.

  
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WAYNE KLEIN, Receiver

**CERTIFICATE OF SERVICE**

IT IS HEREBY CERTIFIED that service of the above was served via email on this 21st day of August, 2012 on the following:

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*Court-Appointed Receiver*

/s/Jennifer A. James