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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

<p>SECURITIES AND EXCHANGE COMMISSION</p> <p>Plaintiff,</p> <p>v.</p> <p>Art Intellect, Inc., a Utah corporation, d/b/a Mason Hill and VirtualMG, Patrick Merrill Brody, Laura A. Roser, Gregory D. Wood,</p> <p>Defendants.</p>	<p>Case No. 2:11CV00357 TC</p> <p>Judge Tena Campbell</p> <p>THIRD STATUS REPORT OF R. WAYNE KLEIN, RECEIVER</p> <p><i>For the period October 1, 2011 Through December 31, 2011</i></p>
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This Third Status Report is being submitted by R. Wayne Klein, the Court-Appointed Receiver¹ (the "Receiver") for the period October 1, 2011 through December 31, 2011 (the "Reporting Period").

¹ 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."

ACTIONS TAKEN DURING THE REPORTING PERIOD

Real Estate Transactions

1. In October, the Receiver closed on the transfer of the Rogen Street property to the secured lenders. This required the Receiver's involvement in obtaining releases of a lien held by another lender. The property transfer closed on October 28, 2011.

2. During the Reporting Period, the Receiver was paid \$30,000.00 due pursuant to the settlement agreements for transfers of the five properties in Florida. The Receiver also received refunds of \$3,064.12 in unused property insurance premiums. These payments are discussed below in the report on financial transactions.

3. On October 13, 2011, the Court denied the Receiver's motion to require Laura Roser to turn over her home and furnishings to the Receiver. The Court said the Receiver can renew the motion at a later time. Roser was ordered to maintain the home in good condition and keep it insured.

4. The Receiver has identified an earnest money deposit paid by Mason Hill that is being held by a title company and is attempting to recover that deposit.

Settlements and Asset Recovery Efforts

5. As noted above, the Receiver received \$25,000.00 as settlement from Ken Hills and \$5,000.00 from Michael Seybold, relating to the Florida properties transferred to them.

6. Two wall hangings were sold at a consignment store in October, netting \$35.40. The remaining unsold wall hangings were delivered to a charity.

7. On December 15, 2011, the Court approved a settlement between the Receiver and The Church of Jesus Christ of Latter-day Saints pursuant to which the church paid the

Receiver \$26,000.00. This represented a return of 88% of the amount donated to the church by Laura Roser using Art Intellect funds.

8. The Receiver is in negotiations with automobile leasing companies and other recipients of funds to secure a return of payments made by Art Intellect for personal vehicles of Roser, Brody, and other insiders. If settlement is not reached, the Receiver may need to file suit.

9. Roser and Brody have failed to deliver to the Receiver automobiles and other assets in their possession. This is in defiance of the order appointing the Receiver. Additional information on this matter is found in the discussion, below, of the Court order finding Roser and Brody in contempt.

10. The most significant tangible assets remaining in the Receivership Estate are Roser's home, furnishings in the home, and automobiles. Several factors constrain the Receiver's near-term ability to recover those assets for the Receivership Estate.

a. First, Roser and Brody continue to disregard the requirements imposed by orders of the Court and the efforts of the Receiver to take possession of their assets. They simply refuse to obey court orders, making the Receiver's work more difficult. They have sold assets in violation of Court orders, have refused to deliver assets, and have not provided sufficient accounting or explanation for what they have done with assets. There is no reason to believe their attitudes will change. This means that coercion by the Court is likely to be the only effective means of affecting their behavior.

b. Second, while the Court has found Roser in contempt, the Court has postponed a ruling on whether Roser has purged herself of contempt.² Until the time that

² Brody was also found in contempt. The Court's contempt order is discussed below.

the Court issues a final ruling on this matter, the Receiver is unlikely to be able to secure the Court's enforcement powers in obtaining possession of these assets.

c. Third, Roser and Brody have filed a motion seeking permission to immediately appeal the Court's ruling that the investments sold by Mason Hill, Roser, and Brody constitute securities. The SEC opposes the motion. If the Court were to grant this motion, the Receiver would feel obliged to cease his asset recovery and liquidation efforts pending the results of the appeal. This would cause substantial delay in the termination of the Receivership.

Court Proceedings

11. There were many court filings by Roser and Brody during the Reporting Period. Many of these filings were designed to impede, or had the effect of impeding, the work of the Receiver and of the SEC. Significant court filings and court hearings during the Reporting Period included the following.

12. Deposition of Steven Paul. The SEC is seeking to take the deposition of Steven Paul, the attorney for Roser and Brody, relating to his role as counsel for Mason Hill during its operations. Roser and Brody filed a motion and brief on October 4, seeking to prevent Paul from having to be deposed. On October 14, the SEC filed a motion to compel Paul to provide deposition testimony. Roser and Brody filed papers opposing this motion. This matter is still pending before the Court.

13. Roser/Brody Motion to Remove Receiver. On October 12, 2011, the Court held a hearing on Roser's and Brody's motion to remove the Receiver. The Court denied the motion at the conclusion of the hearing and issued a written order on December 15, 2011. This is another

example of actions being taken by Roser and Brody to impede the work of the Receiver. In the process, the Receiver was required to expend time preparing for this hearing, despite believing the motion lacked merit.

14. Preliminary Injunction. On October 20, 2011, the Court issued a detailed opinion granting a preliminary injunction against Art Intellect, Roser, and Brody. In its opinion, the Court:

- a. Found that Roser and Brody made material misrepresentations to investors;
- b. Found that “investor funds were commingled and later used for the personal expenses of Mr. Brody and Ms. Roser;”
- c. Found that “Mason Hill operated as a Ponzi scheme” and that “[r]eturns to investors were funded from the principal sums of newly-attracted investors;”
- d. Found that Brody and Roser violated the asset freeze order entered by the Court by selling and attempting to sell assets subject to the freeze order;
- e. Ruled that the investments sold by Mason Hill, Roser, and Brody were securities and that Roser and Brody violated the securities laws;
- f. Ordered Art Intellect, Roser, and Brody to not engage in this or similar conduct in the future, pending a final ruling in this matter.

15. Interlocutory Appeal. On November 3, 2011, Roser and Brody filed a motion seeking additional time to appeal the Court’s preliminary injunction ruling. On December 15, Roser and Brody formally petitioned the Court for permission to appeal the preliminary

injunction order. This petition is opposed by the SEC. The Court has not yet ruled on this matter.

16. Order Finding Contempt. On November 15, the Court issued an order finding Roser and Brody in contempt of court for violating the Court's order that froze their and appointed the receiver. In its decision, the Court:

- a. Found that items that are subject to the asset freeze order were removed from Roser's home before the court-ordered inventory of the home on May 18 and that Roser and Brody have refused to disclose the location or disposition of those assets;
- b. Found that defendants attempted to sell and sold assets subject to the asset freeze order, which assets belong to the Receivership Estate;
- c. Described a "blatant unwillingness on the part of the Defendants[] to cooperate in any meaningful way with the SEC and the Receiver" and found that Roser and Brody "actively obstructed the SEC's and the Receiver's ability to carry out a valid court order;"
- d. Ordered Roser and Brody to immediately transfer to the Receiver any funds they received from the improper sale of assets, disclose the location of unsold and secreted assets, deliver possession of those assets to the Receiver, and produce all documents related to the assets;
- e. Ordered Roser to demonstrate – by December 14, 2011 – that she had complied with the Court's contempt order, thereby purging herself of contempt. A similar requirement applies to Brody upon his release from prison.

17. The Court set a hearing for December 14 to consider whether Roser had purged herself of the contempt finding. In advance of the hearing, Roser's attorney filed a declaration, purporting to explain how Roser had complied with the Court's order. The SEC filed a memorandum showing how Roser was still in violation of the contempt order. Two days before the hearing, Roser filed a motion seeking a postponement of the hearing. The Court held a telephone hearing the next day and denied the request for postponement.

18. At the December 14 hearing, Roser was required to take the witness stand to answer questions about the location of assets and her compliance with the contempt order. She refused to answer virtually all questions, asserting her constitutional right against self-incrimination. The Court set a schedule for Roser to make a written submission demonstrating how the hearing showed she had purged herself of the contempt and for the SEC to respond. These submissions are to be completed by the end of February.

Records, Investigation, and Analysis

19. At the request of Roser's attorney, the Receiver provided a copy of Art Intellect's QuickBooks records to the accountant for Roser, to enable him to prepare 2010 tax returns for Roser. Roser is required to provide a copy of the final return to the Receiver. The Receiver reviewed a draft of the tax returns prepared by the accountant and provided comments to Roser's attorney.

20. Records from Mason Hill's Florida offices were provided to the Receiver by the SEC. Those records have been reviewed and indexed.

21. In connection with the Court's contempt order, the Receiver identified documents that he believes exist, but which have not been delivered to the Receiver. A list of those documents was provided to Roser's attorney and to the SEC.

22. The Receiver also provided Roser's attorney and the SEC with a list of assets that the Receiver believes should be in the Receivership Estate, but which have not been delivered.

Assistance to, Informing Investors

23. In addition to the quarterly status reports, the Receiver prepared a special interim report to the Court. This was filed on November 15, 2011. Copies of all reports as well as other significant information relating to the Receivership are posted on the Receiver's website at <http://www.kleinutah.com/index.php/receiverships/mason-hill>.

24. The Receiver has provided information and assistance to investors, including responding to phone calls and e-mails, answering inquiries on taxes and property ownership, and researching information.

Financial Report, Fees Paid to the Receiver

25. During the Reporting Period, \$59,099.52 was deposited into the Receivership bank account. The following chart shows the income during the quarter:

<i>Date</i>	<i>Source</i>	<i>Purpose</i>	<i>Amount</i>
10/10/11	Ken Hills Retirement Plan	Transfer Florida home	25,000.00
10/24/11	Home Consignment	Sale of wall hangings	35.40
11/4/11	Michael Seybold	Transfer Florida home	5,000.00
11/17/11	Harr Insurance	Insurance refund	765.76
12/14/11	Church of Jesus Christ	Settlement agreement	26,000.00
12/28/11	Harr Insurance	Insurance refund	2,298.36
Total			59,099.52

26. The Receiver expended \$50,024.00 from the Receivership bank account during the quarter. These expenditures consisted of \$24.00 paid to Wells Fargo bank as monthly account fees and \$50,000.00 paid to the Receiver and his counsel as reimbursement of costs and for partial fee payments.

27. On December 15, 2011, the Court approved an interim award of costs and fees for the receiver and his attorneys. Pursuant to that order, on December 16, \$11,190.49 was paid to the law firm Clyde Snow for costs and partial fees and \$38,809.51 was paid to the Receiver as reimbursement of costs and partial fees.

28. The current balance of the Receivership bank account is \$47,442.51.

Next Steps

29. The next steps for the Receiver will mostly be determined by events in the Court. The Receiver is refraining from selling the computers taken from Mason Hill until the Court decides whether to permit Roser and Brody to take an immediate appeal. The Receiver is awaiting the Court's decision on punishment for contempt before seeking Court assistance in recovering vehicles, home furnishings, and the home.

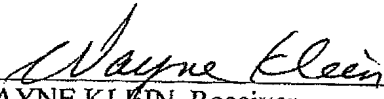
30. The Receiver is able, however, to proceed immediately against car leasing companies and other recipients of funds.

CONCLUSION

The Receiver respectfully submits this Third Status Report for the period from October 1, 2011 through December 31, 2011.

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

DATED this 20th day of January, 2012.



WAYNE KLEIN, Receiver

CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the above was served via email on this 23rd day of January, 2012 on the following:

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Court-Appointed Receiver

/s/Jennifer A. James