

(Trustee's Third Status Report)

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November 22, 2013

Re: CLSF III/IV, Inc., Debtor (and all related cases)
Case No. 12-30081-BKC-EPK, et al.

Dear Investors and Potential Creditors:

Below is an update as to the status of these cases since my August, 2013 report.

REGARDING YOUR INVESTMENT – VERY IMPORTANT!

Deadline to File Claims:

The deadline to file Proofs of Claims in these cases is **January 30, 2014**. A blank Proof of Claim form that you may use to file your claim was mailed to you on August 2, 2013 with other important documents filed in these cases. However, another form can be found on this website, or you may e-mail the office of the Trustee's counsel at kgoins@bergersingerman.com and have a form e-mailed to you. Below are instructions on how to complete the form and file it with the Bankruptcy Court. **All Proofs of Claim forms must be received by the Clerk no later than 4:00 p.m. on January 30, 2014.** Any Proof of Claim form that is not received by the Clerk by 4:00 p.m. (EDT) on January 30, 2014 will be considered late. The address of where the completed and signed Proof of Claim form should be sent is:

United States Bankruptcy Court
Attn.: Clerk of Court
Flagler Waterview Building
1515 North Flagler Drive, 8th Floor
West Palm Beach, FL 33401

Below are instructions on how to fill out your Proof of Claim form:

1. If not already filled in, you must fill in the federal judicial district for these cases, which is the “Southern District of Florida.”
2. In the entitled “Name of Debtor” you need to fill in “CLSF III IV, Inc., et al.”
3. In the box entitled “Case Number” – you will need to write the case number of these cases, which is 12-30081-EPK.
4. In the box entitled “Name of Creditor” – you will need to fill in your full legal name.
5. In the box directly below Name of Creditor, you will need to fill in the name and address of where you want to receive notices in these cases. You will also need to write in your telephone number and email address in this box.
6. In the box directly below Name and address of where notices should be sent, you will need to write in the name and address of where payment for this claim should be sent, if this address is different than the one that you filled in on the previous box.

Section 1

On the blank line that begins with a dollar sign (\$), you need to write the amount that you were owed as of the Petition Date, August 22, 2012. This number needs to be stated in U.S. Dollars.

If all or part of your claim is secured, you need to complete item number 4 on the form. A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.

If all or part of your claim is entitled to priority, you need to complete item number 5 on the form. Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

If the amount that you are owed includes interest or other charges in addition to the principal amount – you should check the box under section 1 and attach a statement to your claim that itemizes the interest or other charges.

Section 2 – Basis for Claim

In section 2, you will need to fill in the basis for your claim. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

Section 3 – Last Four Digits of Any Number By Which Creditor Identifies Debtor

In section 3, you should fill in the last four digits of the Debtor's account or other number used by you to identify the Debtor, if any.

Section 3(a)

If there has been a change in your name, a transferred claim, or any other information that clarifies a difference between your claim and the way that the Debtors may have listed you on its bankruptcy schedules, please fill in that information under Section 3(a)

Section 4 – Secured Claim

If your claim is full or partially secured, you will need to check the appropriate box. You can skip this section if the claim is entirely unsecured. If your claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on your claim.

Section 5 – Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a).

If any part of your claim falls into one of the categories listed under section 5 for priority claims, you will need to check the box that specifies the priority and state the amount.

Section 6 – Credits

By signing the Proof of Claim form, you are acknowledging that when calculating the amount of the claim, you have given the Debtor credit for any payments that you have received toward the debt.

Section 7 - Documents:

You should attach redacted copies of any documents that support your claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, security agreements, or, in the case of a claim based on an open-end or revolving consumer credit agreement, a statement providing the information required by FRBP 3001(c)(3)(A). If the claim is secured, box 4 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached. If the claim is secured by the debtor's principal residence, the Mortgage Proof of Claim Attachment is being filed with this claim. (See instruction #7, and the definition of “redacted”.)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please use the blank line under Section 7 to explain why the documents are not available.

Section 8 – Signature

You will need to check the appropriate box as to whether you are the creditor, you are the creditor's authorized agent, or you are a guarantor, surety, indorser or other codebtor.

Also under Section 8 is where you need to print your name, your title, the name of your company (if applicable) and fill in the address and telephone number (if this information is different than what you have filled in under the notice address information near the top of the form).

You must also sign, penalty of perjury, and date the completed Proof of Claim form.

Once you have completed your Proof of Claim form using the instructions above, and have signed and dated the form, you are now ready to send your original Proof of Claim form to the United States Bankruptcy Court. Again, the address to send your form to the United States Bankruptcy Court is:

United States Bankruptcy Court
Attn.: Clerk of Court
Flagler Waterview Building
1515 North Flagler Drive, 8th Floor
West Palm Beach, FL 33401

You **must file the original** Proof of Claim form with the Bankruptcy Court, and your completed form **must be signed**. Whether you are a member of SPQI or MQIC, you must file your own individual proof of claim.

If you wish to have a copy of the filed proof of claim form returned to you for your records, your package to the Clerk of the Bankruptcy Court will need to contain the original Proof of Claim form, a photocopy of the Proof of Claim form, and a self-addressed stamped envelope. Your self-addressed envelope must contain sufficient postage in order for the form to be returned to you by the Court. The Bankruptcy Court will not put postage on your envelopes. If insufficient postage is put on the return envelope, you will not receive your filed copy back from the Clerk.

You may file your form using the postal service or overnight mail, but in order for your claim to be filed timely and not considered late, you **must** send it to the Bankruptcy Court in enough time for the original claim form to be **received by the Bankruptcy Court by 4:00 p.m. on January 30, 2014**.

General case status information -

Substantive Consolidation:

As indicated in my prior report, the Trustee filed Trustee's Motion for Substantive Consolidation on July 16, 2013, which was amended to add additional parties on July 23, 2013 (see Doc. #415). The Trustee's motion was set for an evidentiary hearing on September 23 and 24, 2013 (See Doc. #417). The Trustee's motion was objected to, on a limited basis, by Parcside Equity, LLC, as Parcside raised an issue as to whether the Ibrahim Rabadi Trust Dated 2/3/2011 should be substantively consolidated along with the other Debtor and non-Debtor entities. The CLSF VIII investors also filed an objection to the Trustee's motion. Prior to the September 23, 2013 hearing, Parcside and the Trustee agreed to a resolution of Parcside's limited objection, which provided that the issues as to whether the Ibrahim Rabadi Trust Dated 2-3-2011 should be substantively consolidated would be heard in conjunction with the adversary proceeding Parcside filed (Adv. Pro. No. 13-1479). At the September 23, 2013 hearing, the Court granted the Trustee's motion to substantively consolidate the Debtors' cases, and overruled the objection filed by the CLSF VIII investors. On October 2, 2013, the Court entered an order (the "Subcon Order") [ECF# 561] substantively consolidating the Debtors' cases with certain non-debtor entities as identified in the Subcon Order. The Subcon Order has been posted on the website.

On October 15, 2013, the Court entered an order [ECF# 579] modifying the Subcon Order (the "Modified Order"), and providing that the Subcon Order be amended to include two additional alter ego entities. The Modified Order has also been posted on the website.

Sale of Insurance Policies:

As stated in the August 13, 2013 status report, MQIC stopped paying policy premiums in mid-July 2013, without notice to the Trustee or to Litai, the servicer, which put the policies in jeopardy. Due to the abrupt stoppage of premium payments, the Trustee filed, on August 8,

2013, an emergency motion [ECF# 422] asking the Court for permission to sell 25 life insurance policies (the “Insurance Policies”) for the highest and best price. The Trustee’s consultant, Longevity Market Advisors, and the Trustee’s broker, Life Insurance Settlements, assisted the Trustee with the marketing and sale process, in order to obtain the best price for the Insurance Policies. The Court entered an order on August 16, 2013 [ECF# 437], setting certain procedures for potential purchasers to bid on the sale of the Insurance Policies. In that order, the Court scheduled an auction for September 11, 2013 at the offices of Trustee’s counsel, Leslie Gern Cloyd, and a sale hearing for September 12, 2013 at 3:30 p.m. The Trustee received eleven bids for the sale of the Insurance Policies and the auction was conducted at counsel’s office on September 11, 2013. The highest and best offer received after conducting the auction was from Limited Life Assets Services Limited (“LLASL”), for the purchase price of \$9,850,000.00.

At the sale hearing on September 12, 2013, the Court approved the sale of the Insurance Policies to LLASL, and entered an order approving the sale on September 13, 2013 [ECF# 515].

Marketing of Policies:

The Trustee is in the process of marking insurance policies that were the subject of two litigation matters that have been settled. On November 21, 2013, the Trustee filed a motion to sell one of these policies for a price of \$2.2 million, which is a price significantly higher than the price it was original sale price [ECF # 622]. In the next few weeks, the Trustee expects to file a motion asking the Court’s permission to sell the second insurance policy for the highest and best price.

General Ongoing Case Activities:

Although this is not an exhaustive list of all activities ongoing in these cases: Litigation is ongoing involving several policies sold or transferred just prior to or after the bankruptcy filings in these cases. In addition, the Trustee has filed a lawsuit seeking to recover real property owned by Peck in trust for Moens, which the Trustee believes was purchased with investor funds. These lawsuits are disputed and discovery is ongoing. The Trustee expects to pursue other litigation claims for the benefit of the estates.

The Trustee continues to send out subpoenas, review documents, and investigate the recovery of assets for the benefit of all creditors.