

APPROVED BY COURT

05/17/2019

DATE FILED: May 17, 2019 11:40 AM

CASE NUMBER: 2018CV33011



**Martin Egelhoff
Judge**

District Court, Denver County, State of Colorado Denver District Court 1437 Bannock St. Denver, CO 80202 (720) 865-8612	
Plaintiff: Chris Myklebust, Securities Commissioner for the State of Colorado v. Defendants: Gary Dragul, GDA Real Estate Services, LLC, and GDA Real Estate Management, LLC	▲ COURT USE ONLY ▲
<u>Attorneys for Receiver:</u> Patrick D. Vellone, #15284 Michael T. Gilbert, #15009 Rachel A. Sternlieb, #51404 ALLEN VELLONE WOLF HELFRICH & FACTOR P.C. 1600 Stout St., Suite 1100 Denver, Colorado 80202 Phone Number: (303) 534-4499 pvellone@allen-vellone.com mgilbert@allen-vellone.com rsternlieb@allen-vellone.com	Case Number: 2018CV33011 Division/Courtroom: 424
RECEIVER'S SECOND REPORT	

Harvey Sender, the duly-appointed receiver (“Receiver”) for Gary Dragul (“Dragul”), GDA Real Estate Services, LLC (“GDA RES”), GDA Real Estate Management, LLC (“GDA REM”), and related entities (collectively, “Dragul and the GDA Entities”), submits his second report concerning the status and condition of the Receivership Estate.

I. Procedural History

1. On August 15, 2018, Gerald Rome, Securities Commissioner for the State of Colorado (the “Commissioner”), filed his Complaint for Injunctive and Other Relief against Dragul and the GDA Entities.

2. On August 29, 2018, the Commissioner and Dragul and the GDA Entities filed a Stipulated Motion for Appointment of Receiver, consenting to the appointment of a receiver over Dragul and the GDA Entities pursuant to Colo. Rev. Stat. § 11-51-602(1) and C.R.C.P. 66.

3. On August 30, 2018, the Court entered a Stipulated Order Appointing Receiver (the “Receivership Order”) appointing Harvey Sender of Sender & Smiley, LLC as receiver for Dragul and the GDA Entities, and their assets, interests, and management rights in related affiliated and subsidiary businesses (the “Receivership Estate” or the “Estate”). Receivership Order at 2, ¶ 5.

4. On December 7, 2018, Chris Myklebust was substituted as the Securities Commissioner for Gerald Rome.

5. As required by paragraph 14 of the Receivership Order, the Receiver previously submitted his preliminary report concerning the status of the Estate on November 28, 2018. This report addresses both information uncovered as well as the work and activities undertaken since the preliminary report.

II. Significant Estate Activities Since Initial Report

6. Much of the Receiver’s efforts since he was appointed and since he filed his preliminary report have been focused on preventing the foreclosure of real properties held by the Estate, and in marketing and selling those properties to generate some return. The following chart details the properties that were originally part of the Estate:

ESTATE REAL PROPERTY INTERESTS						
	Property Name	Street Address	City	State	Description	Dragul Equity (%) ¹
1.	Ash and Bellaire	6 houses located at Ash & Bellaire Streets; ²	Denver	CO	Proposed 27 townhome development	100%
2.	AV Pad (aka Village Inn Pad)	5290 East Arapahoe Road	Centennial	CO	Unoccupied former Village Inn restaurant	100%
3.	Cassinelli Square	East Kemper & Princeton Parkway	Cincinnati	OH	Retail shopping center	4.727%
4.	Clearwater Collection	21800 US Highway 19 North	Clearwater	FL	Retail shopping center	6.76%
5.	Marketplace at Delta	501 North Marketplace Boulevard	Lansing	MI	Retail shopping center	7.066%
6.	DU Student Housing	2311, 2321, and 2329 South High Street	Denver	CO	3 single-family homesites acquired to develop a 0.43-acre site with 5-story 60,000 sq. ft. student housing development. No construction has started	20.00%
7.	Happy Canyon Market (aka Happy Canyon Box)	4950 East Hampton Avenue	Denver	CO	Former Safeway store	9.417%
8.	Happy Canyon Shoppes	5082 East Hampton Avenue	Denver	CO	Retail shopping center	100%
9.	Hickory Corners & Box	1718 Highway 70 SE	Hickory	NC	Retail shopping center	25.875%

¹ In some cases, the companies' records are inconsistent with respect to Dragul's equity percentage in these properties. The above equity figures are based on the best estimates currently available to the Receiver.

² 2166 South Ash Street, 2175 South Ash Street, 2175 South Bellaire Street, 2186 South Ash Street, 2195 South Bellaire Street, and 2196 South Ash Street.

ESTATE REAL PROPERTY INTERESTS						
	Property Name	Street Address	City	State	Description	Dragul Equity (%) ¹
10.	Prospect Square	9722 Colerain Avenue	Cincinnati	OH	Retail shopping center	6.387%
11.	Rose, LLC	8916 3300 S. Las Vegas Boulevard	Las Vegas	NV	Leasehold interest at Treasure Island Casino leased to Senor Frogs Restaurant	
12.	Summit Marketplace	335 Crossing Drive	Lafayette	CO	Retail shopping center	10.041%
13.	Windsor Square	297 North Seven Oaks Drive	Knoxville	TN	Retail shopping center	3.793%
14.	YM Retail	6460 East Yale Avenue	Denver	CO	Retail shopping center with two separate parcels; lender's receiver has controlled the property since 2013	17.411%
15.	X12 Housing	Various	Various	AZ, CO, IL, NV	24-residential properties	100%

A. Commercial Property

7. **The YM Property (CO).** As explained in the Receiver's Preliminary Report, the YM property was of no value to the Estate due to un-remediated, environmental contamination. On December 13, 2018, the Receivership Court entered an order granting the Receiver's motion to abandon the property.

8. **Happy Canyon Shoppes (CO).** From December 2018 through January 2019, the Receiver negotiated to sell Happy Canyon Shoppes. On January 16, 2019, the Receiver filed a motion to sell the property for \$23,625,000 after entering into a contract for that amount. Several objections to the motion were filed and litigated, including objections from a lienholder and a competing bidder. On February 4, 2019, the Receiver filed his reply in support of the sale motion in which the Receiver asked the Court to approve an auction for the property. The Court approved the Receiver's proposed action procedures and on February 22, 2019, an auction was conducted between two competing bidders. The auction resulted in the

execution of a contract to sell Happy Canyon Shoppes to BPI, Inc. for \$24.2 million. During buyer's due diligence it was discovered, among other things, that there were unpaid real estate taxes of \$262,883, unpaid tenant improvement allowances of over \$90,000, unpaid CAM expenses of \$117,000, and that Dragul failed to segregate tenant security deposits. The sale finally closed on April 15, 2019, netting the Estate \$600,494.52. A copy of Seller's Settlement Statement is attached as **Exhibit 1**.

9. **Hagshama Properties.** Since 2016, Dragul's most substantial investor has been Hagshama, an Israeli private investment firm that solicits investments from individuals. Those investor funds are then pooled and invested in real estate ventures throughout the world, including the United States. Hagshama is responsible for the investments of about 28,000 individual investors. Globally, it has invested over \$5 billion in various projects, including Dragul projects that are part of the Receivership Estate.

10. Hagshama was the major funding source for 8 of the Estate's commercial properties: (1) Cassinelli Square, (2) Clearwater Collection, (3) Marketplace at Delta, (4) DU Student Housing, (5) Happy Canyon Box, (6) Hickory Corners, (7) Prospect Square, and (8) Windsor Square (the "Hagshama Properties"). Hagshama invested approximately \$34.5 million of the \$41.3 million used to acquire these Properties. The mortgage loans on all of the Hagshama Properties were declared in default before or soon after the Receiver was appointed. As a result, the lenders began sweeping rents from the Properties making them unavailable to the Estate.

11. Almost immediately after he was appointed, Hagshama and a number of other potential buyers approached the Receiver and expressed interest in buying the Estate's interest in the Hagshama Properties. Valuing those interests proved difficult due to inconsistent operating agreements, uncertainties concerning control issues, and – due to Dragul's inaccurate and incomplete accounting and recordkeeping, extensive comingling, and outright theft of SPE money – an inability to accurately quantify the liabilities associated with the Properties. The Receiver received and negotiated various LOIs from interested parties, some of which the Receiver discovered were drafted, promulgated, and backed by Dragul and his team. The Receiver and the Commissioner demanded that any sale of Dragul's interest in the Hagshama Properties involve complete disclosures to the non-Hagshama individual investors in the Properties so that each could make an informed decision about whether to stay in the deal or opt out and file claims against the Estate. The

Receiver and the Commissioner also required any buyer of Dragul’s interests to confirm in writing that Dragul have no future involvement in the acquiring entity.

12. Hagshama was not willing to acquire Dragul’s interest or to assume management and operation of the Hagshama Properties directly, so it negotiated with several other real estate development and management companies to do so. Despite interest by several companies that submitted LOIs to the Receiver, none was willing to sign an actual agreement. Not until February 2019 did Odyssey Acquisitions III, LLC (“Odyssey”) actually sign an agreement with the Receiver to purchase the Estate’s interest the Hagshama Properties. Meanwhile, the Receiver continued to market all Estate properties, including the Hagshama Properties.

13. On February 14, 2019, the Receiver filed a motion to sell the Estate’s interest in the Hagshama Properties to Odyssey for \$1 million. As indicated in the table below, the potential value of Dragul’s interest in the Hagshama Properties was estimated to be approximately \$1.5 million if the Properties could be stabilized, fully-leased, the loan defaults cured, pending foreclosures dismissed, and the Properties were eventually sold under non-distressed conditions. The Estate lacked the funds necessary to accomplish any of this. Thus, in the Receiver’s judgment, the inability of the Estate to preserve the Hagshama Properties and the uncertainties concerning potential liabilities on the Properties, more than justified the \$1 million purchase price.

HAGSHAMA PROPERTIES				
Receivership property	Estimated sales proceeds if sold separately	Debt assumed in proposed transaction	Potential equity claims satisfied	Estimated value of Dragul interest³
Cassinelli Square (Cincinnati, OH)	\$2.9 million	\$800,000	\$495,143	\$4,000
Clearwater Collection (Clearwater, FL)	\$17.1 million	\$13.4 million	\$1,133,371	\$200,000
Delta Marketplace (Lansing, MI)	\$20 million	\$12.4 million	\$797,016	\$500,000
DU Student Housing (Denver, CO)	\$3 million		\$800,942	\$185,000

³ The value of Dragul’s equity interest was estimated based on applicable operating agreements.

HAGSHAMA PROPERTIES				
Receivership property	Estimated sales proceeds if sold separately	Debt assumed in proposed transaction	Potential equity claims satisfied	Estimated value of Dragul interest³
Happy Canyon Box (Denver, CO)	\$5 million	\$5.6 million	\$285,517	\$0
Hickory Corners (Hickory, NC)	\$13.6 million	\$11.6 million	\$1,718,422	\$240,000
Prospect Square (Cincinnati, OH)	\$7.9 million ⁴	\$10.2 million	\$611,675	\$0
Windsor Square (Knoxville, TN)	\$17 million	\$10.4 million	\$653,000	\$390,000
Total	\$87 million	\$64 million	\$6,495,086	\$1,519,000

14. Under the Odyssey purchase agreement, the Receiver remained free to market the Hagshama Properties during Odyssey’s due diligence period. Upon notice by the Receiver of a proposed sale to a third-party buyer, Odyssey had the right to elect to include any of the Hagshama Properties subject to third-party contracts within its bulk purchase.

15. On February 8, 2019, the Receiver filed a motion seeking Court approval to sell Hickory Corners to Nova Capital Partners for \$13.6 million; on February 21, 2019 the Receiver filed motions to sell Cassinelli Square to Daniel Johnson for \$2.87 million, and Clearwater Collection to Fortune Capital Partners for \$17.1 million. Hagshama filed objections to each of these motions, contending, *inter alia*, that the Receiver lacked authority to sell the properties without Hagshama’s consent, and it did not consent. Thereafter, Odyssey notified the Receiver that it elected to include all of the Hagshama Properties in its bulk purchase, effectively rendering the three existing third-party purchase contracts backups to the Odyssey sale. Due to the uncertainty created by the Odyssey contract, the Cassinelli Square buyer terminated his contract, and on March 8, 2019, the Receiver withdrew the Cassinelli sale motion.

16. The terms of the Odyssey purchase agreement allowed the buyer to terminate the agreement for any reason without penalty during its 30-day due diligence period. During due diligence, Odyssey discovered Dragul had underreported

⁴ \$7.9 million is the estimated value as is.

the liabilities of, and overvalued his interest in, the Hagshama Properties. On February 25th, Odyssey terminated the agreement. Three days later, the Receiver filed notice of Odyssey’s termination and withdrew the Odyssey sale motion. This put the Clearwater and Hickory Corners sales, and Hagshama’s objections to them, front and center.

17. After Odyssey terminated its agreement, the Receiver continued to market all of the Estate properties, including the Hagshama Properties, while Hagshama continued to search for a third-party interested in acquiring the Estate’s interest in the Hagshama Properties.

18. On March 18, 2019, the Receiver entered into an agreement similar to the Odyssey agreement with Isabel Marina, LLC (“Isabel”) for \$710,000 (the “Isabel Agreement”). The Isabel Agreement did not, however, include the Estate’s interest in the Hickory Corners, Prospect Square, or Clearwater properties. Isabel is a Texas limited liability company affiliated with Tarantino Properties, Inc., a Texas corporation, which is a full-service real estate company operating in many states, and currently managing over \$2 billion in real estate assets, with over 38 years of experience.

19. On March 19, 2019, the Receiver filed a motion to approve the Isabel Agreement for the five following Hagshama Properties.

HAGSHAMA PROPERTIES IN ISABEL AGREEMENT						
	Receivership property	Hagshama investment	Total investment dollars	Hagshama equity %	Other investment equity	Dragul equity %
1	Cassinelli Square (Cincinnati, OH)	\$2,880,000	\$3,180,000	90%	10%	4.00%
2	Delta Marketplace (Lansing, MI)	\$6,903,141	\$7,353,141	90%	10%	7.07%
3	DU Student Housing (Denver, CO)	\$2,800,000	\$3,650,000	80%	20%	20%
4	Happy Canyon Marketplace (Denver, CO)	\$3,595,298	\$4,035,298	83.71%	16.29%	9.41%
5	Windsor Square (Knoxville, TN)	\$5,603,705	\$6,478,705	90%	10%	3.793%
	Totals	\$21,782,144	\$24,697,144			

20. In connection with the Isabel Agreement, the Receiver and Hagshama negotiated terms (discussed below) that resulted in Hagshama withdrawing its objections to the pending Clearwater and Hickory Corners sale motions.

21. On March 21, 2019, the Court held a hearing to address numerous pending motions. On March 29, 2019, the Court entered an order approving the Isabel Agreement. The economics of the transaction from the Estate’s perspective are shown in the following table.

	Receivership Property	Estimated sale price if property sold separately⁵	Debt⁶	Potential equity claims satisfied	Estimated value of Dragul interest⁷
1	Cassinelli Square (Cincinnati, OH)	\$2.9 million	\$800,000	\$300,000	\$11,000
2	Delta Marketplace (Lansing, MI)	\$19 million	\$12.4 million	\$450,000	\$420,000
3	DU Student Housing (Denver, CO)	\$3 million	\$1.84 million	0	\$150,000
4	Happy Canyon Box (Denver, CO)	\$6.5 million	6.28 million	\$345,000	\$7,0000
5	Windsor Square (Knoxville, TN)	\$16.25 million	\$12.1 million	\$625,000	\$143,000
	Total	\$47.65 million	\$33.4 million	\$1,720,000	\$731,000

22. The sale to Isabel Marina closed in April 2019, and on April 11, 2019, the Estate received \$710,000 from the sale.

23. **Clearwater Collection (FL) and Hickory Corners (NC).** On March 18, 2019, the Receiver filed a motion seeking Court approval of an agreement between the Receiver and Hagshama pursuant to which Hagshama agreed to withdraw its objections to the Receiver’s pending motions to sell Clearwater and Hickory Corners. The agreement governs how the proceeds from those sales will be

⁵ The estimated sale price for the properties (except for Delta) is based on offers the Receiver obtained for those properties. The Delta price is based on a market evaluation by Marcus & Millichap, commercial real estate brokers hired by the Estate.

⁶ The listed debt is based on the best estimates presently available.

⁷ The value of Dragul’s equity interest is estimated based on known, applicable operating agreements.

distributed: (1) to pay commissions and uncontested secured claims; (2) \$75,000 from each sale will be paid to the Estate as partial reimbursement for operating expenses the Estate incurred; (3) an amount needed to pay contested loans and liens will be held in escrow; (4) the amount of distributions Hagshama was paid by Dragul will be escrowed pending resolution of issues concerning the amount and propriety of those distributions (which are between \$707,776 and \$574,869 on Clearwater, and \$438,523 and \$488,836 on Hickory Corners); (5) the remaining proceeds will be paid to Hagshama and the Estate according to their respective equity positions in the properties. On March 29, 2019, the Court entered an order approving this agreement.

24. On March 4, 2019, a mechanics' lien claimant, National Commercial Builders, Inc. also objected to the Hickory Corners sale motion and filed a motion for relief from the litigation stay imposed by the Court's Receivership Order to pursue a foreclosure action in North Carolina against the Hickory Corners property. The Receiver negotiated with NCB to resolve its objection to the Hickory Corners sale, stay the North Carolina foreclosure action, and agreed to pay NCB's lien in a reduced amount from the Hickory Corners sale proceeds. This agreement was confirmed by the Court's April 8, 2019, Stipulated Order between the Estate and NCB.

25. On April 4, 2019, Hagshama withdrew its objections to the Clearwater and Hickory sales; on April 8th the Court entered orders approving both sales. The buyers of both Clearwater and Hickory are presently conducting due diligence. The Clearwater sale is projected to close on or about June 24, 2019. The Hickory Corners sale is projected to close no later than August 17, 2019, and, depending upon the timing of the buyer's assumption of the first mortgage loan, perhaps as early as the end of June 2019.

26. **Prospect Square (OH).** Isabel elected not to purchase the Estate's interest in the Prospect Square property. The property is currently controlled by a receiver appointed by an Ohio state court at the lender's request. An order authorizing the lender to foreclose on the property was entered on April 17, 2019, by the Ohio state receivership court. The current first mortgage debt on the property exceeds \$10.1 million; its appraised value as of August 22, 2018, was approximately \$7.9 million. The Receiver has engaged in discussions with a third-party who has expressed interest in purchasing the Estate's interest in the property for a nominal amount, but no agreement has been reached.

27. **Village Inn (CO).** On or about February 5, 2019, the Receiver entered into a contract to sell the Village Inn property to Sidford Capital Partners, LLC for \$1.2 million. The Receivership Court approved the proposed sale on February 26, 2019. Closing was to occur on March 22, 2019. On March 15, 2019, Sidford notified the Receiver it was terminating the contract, purportedly due to dissatisfaction with the condition of the property. On or about April 16, 2019, the Receiver entered into an agreement with Chad Hurst, the first-lienholder on the property, pursuant to which Hurst would pay the Estate \$200,000 net at closing and release the Estate from any liability on his \$1 million mortgage against the Property. The Court approved that transaction on May 7, 2019, and the transaction closed on or about May 13, 2019. The closing statements from the transaction are submitted with this Report as **Exhibit 2**. From the sales proceeds, the Estate paid \$7,827.73 in overdue CAM charges, and a 4% broker's commission (\$48,000) to Marcus & Millichap.

28. **Summit Marketplace (CO).** On or about February 24, 2019, the Receiver entered into a contract to sell Summit to JoMar Properties, LLC for \$4.4 million and buyer agreed to pay exit fees of approximately \$495,000 on the first mortgage loan. On March 21, 2019, the Receivership Court entered an order approving the sale, which the Receiver estimated would net over \$500,000 to the Estate. On March 29th, buyer terminated the agreement. The Receiver has continued to market the property and is close to finalizing terms with a prospective buyer.

29. **Ash & Bellaire (CO).** The Estate has received two offers to acquire all six of the single-family residences located at Ash & Bellaire streets in Denver. This was the proposed site for a 27-townhome development. Based on available information, the Receiver believes a bulk sale will achieve the best return for the Estate. The property is over-encumbered by first and second liens and subject to a \$142,000 mechanics' lien. Neither offer was sufficient to provide any return to the Estate. The second lienholder on the Ash & Bellaire houses is WBF/CT Associates, LLC, which is co-owned by Chad Hurst, who had business dealings over the years with Dragul. There are avoidance issues concerning the second deeds of trust on these properties which the Receiver is investigating which may be resolved in connection with their sale. The first lienholder on four of the Ash & Bellaire houses and on eleven of the Residential Estate Properties identified in paragraph 31 below claims to have a cross-collateralizing lien on all 15 properties. The Receiver is investigating this

purported cross-collateralization but is presently not aware of evidence that supports the lender's cross-collateralization claim.

30. **Rose, LLC (NV).** The only asset believed to be owned by Rose is a lease at Treasure Island Casino in Las Vegas.⁸ Rose subleased the space to Senor Frogs to operate a restaurant. The lease apparently cash flowed for a period of time before the Receiver was appointed. But prior to the Receiver's appointment, Treasure Island claimed to have effectively terminated the lease and obtained a Nevada state court judgment declaring the lease terminated. Again, before the Receiver was appointed, the judgment was appealed. The appeal remains pending. Since the Receiver was appointed, the Estate has not received any payments from Senor Frogs. Despite repeated demands of Dragul, Treasure Island, and Senor Frogs, no accounting has been provided for the lease or the sub-lease. The Receiver plans to issue subpoenas to obtain the requested information.

B. Residential Property.

31. The following are (or in one case were) residential properties the Receiver contends are part of the Receivership Estate.

RESIDENTIAL ESTATE PROPERTIES					
	PROPERTY	Zip	Est. FMV	1st DOT	2nd DOT
1	1660 N. LaSalle Drive #3909, Chicago, IL	61614	\$298,898	(\$273,867)	
2	1660 N. LaSalle Drive, #4205, Chicago, IL	61614	\$307,000	(\$279,794)	
3	5455 Landmark Pl, #509, Greenwood Village, CO	80111	\$727,400	(\$601,530)	

⁸ Dragul solicited and obtained over \$2.5 million from investors under the guise of capitalizing Rose, LLC and purchasing real property. It is unclear at this time what Dragul used that money for.

RESIDENTIAL ESTATE PROPERTIES					
	PROPERTY	Zip	Est. FMV	1st DOT	2nd DOT
4	5722 S Lansing Court Englewood, CO	80111	\$491,000	(\$326,938)	(\$96,985)* ⁹
5	5788 S Lansing Way Englewood, CO	80111	\$470,000	(\$408,889)	
6	6316 E Fair Avenue Centennial, CO	80111	\$525,000	(\$408,743)	
7	7373 E Fremont Centennial, CO	80112	\$400,000	(\$297,979)	(\$59,097)*
8	7517 E Davies Place Centennial, CO	80112	\$450,000	(\$341,701)	(\$50,610)*
9	7842 E Briarwood Boulevard Centennial, CO	80112	\$480,200	(\$350,964)	
10	1777 Larimer Street #703 Denver, CO	80202	\$460,000	(\$400,220)	
11	1777 Larimer Street, #901, Denver, CO	80202	\$470,000	(\$414,600)	
12	891 14th Street, #2417 Denver, CO	80202	\$572,000	(\$594,930)	
13	3142 S Leyden Street Denver, CO	80222	\$540,000	(\$342,224)	(\$118,320)*
14	2432 S Newport Street Denver, CO	80224	\$506,500	(\$190,907)	(\$43,405)
15	2624 S Oneida Street Denver, CO	80224	\$470,000	(\$175,207)	
16	3555 S Holly Street Denver, CO	80237	\$575,000	(\$418,631)	(\$89,786)*
17	3593 S Hudson Street Denver, CO	80237	\$520,000	(\$467,367)	(\$7,723)*
18	3675 S Hibiscus Way Denver, CO	80237	\$560,000	(\$403,233)	(\$90,405)*

⁹ The twelve second deeds of trust that are asterisked are held by WBF/CT Associates, LLC to secure a \$1.2 million loan made to Dragul personally on March 18, 2018. Ten of those seconds (all except the seconds on the 41 S. Fairway, Beaver Creek and the Campsie Fells, Nevada properties) are subject to a Court approved agreement between the Estate and WBF/CT pursuant to which WBF/CT would receive 70% of any net sale proceeds. See Court's November 1, 2018, Order on Motion to Approve Settlement Agreement with WBF/CT Associates, LLC. The amount of the seconds listed in the table for those ten properties is an estimate of the amount that would be owed to WBF/CT under that agreement.

RESIDENTIAL ESTATE PROPERTIES					
	PROPERTY	Zip	Est. FMV	1st DOT	2nd DOT
19	41 S Fairway Beaver Creek, CO	81620	\$2,145,000	(\$1,824,997)	(\$400,000)*
20	6937 E 6th Street, #1002 Scottsdale, AZ	85215	\$450,000	(\$380,413)	(\$23,511)*
21	6937 E 6th Street, #1004 Scottsdale, AZ	85215	\$450,000	(\$376,797)	(\$26,042)*
22	6937 E 6th Street, #1005 Scottsdale, AZ	85215	\$450,000	(\$353,765)	(\$42,164)*
23	4450 Timber Falls Court, #1702, Vail, CO	81657	\$481,361	\$215,984	
24	11188 Campsie Fells Court, Las Vegas, NV	89141	\$619,000	\$434,000	*

32. As with the Hagshama Properties, the Estate received a number of LOIs to purchase some or all of these “Residential Properties.” In February 2019, the Receiver entered into a second agreement with Odyssey pursuant to which Odyssey would purchase the Estate’s interest in the Residential Properties for \$700,000 and assume all liability for encumbrances. On February 19, 2019, the Receiver filed a motion seeking Court approval of that transaction. On February 26, 2019 – as it had with its agreement to purchase the Hagshama Properties – Odyssey terminated this agreement.

33. Isabel, the purchaser of the five of the Hagshama Properties, also submitted an LOI to purchase the Residential Properties, but ultimately withdrew it.

34. With respect to the Campsie Fells property in Las Vegas, Dragul entered into a contract to sell that property just before the Receiver was appointed. The Receiver filed a motion seeking Court approval of that contract on October 19, 2018, which the Court approved on October 31, 2018. The buyers subsequently terminated the contract. Despite having notice of the Receivership and of the Court’s stay of all actions concerning Estate property – without providing notice to the Receiver or obtaining relief from this Court – the first mortgage lender foreclosed the Campsie Fells property on February 22, 2019. The Receiver is considering potential claims against the mortgagee.

35. On April 29, 2019, the Receiver entered into an agreement with Chad Hurst pursuant to which Hurst agreed to purchase the Estate's interest in the first 22 Residential Properties listed above for \$575,000. On May 10, 2019, the Receiver filed a motion seeking Court approval of the agreement. Due to an ownership dispute concerning the Timber Falls condominium, Hurst entered into a separate agreement with the Estate to purchase the Estate's interest in that property for \$100,000. The Receiver is presently negotiating with the co-owner of the Timber Falls property to see if the co-owner wishes to purchase the Estate's interest in the condo.

III. Personal Assets and Writs of Assistance

36. The Receiver continues to investigate the ownership of various assets Dragul claims to own personally or jointly with his wife and children. As part of this investigation, the Estate has recovered a RV purportedly owned by an entity solely owned by Dragul. The RV has been turned over to Dickensheet & Associates for liquidation. The estimated value of the RV is approximately \$175,000, but it appears to be encumbered by a purchase money lien exceeding \$200,000 and therefore may not be of any value to the Estate. The Receiver is investigating the validity and extent of the purported lien as a precursor to selling or abandoning the RV.

37. The Receiver also anticipates filing a motion to obtain the turnover of other personal property owned by Dragul, including the furnishings located in his personal residence, which is currently listed for sale for \$6.9 million. It appears, however, that there may be little or no equity in the residence as it is encumbered by first and second liens, which are both in default. A foreclosure has been filed against the house by the second lienholder.

38. On May 7, 2019, in cooperation with the Commissioner and the Arapahoe County Sheriff, the Receiver executed Writs of Assistance and seized documents, computers, and hard drives from Dragul's personal residence, the home of his CFO Susan Markusch, and from offices currently occupied by Dragul and former GDA employees. Eleven boxes of Estate documents (including voluminous financial and other documents the Receiver had demanded Dragul and GDA employees to turnover) were obtained from Ms. Markusch's home. The hard drives of Markusch's laptop and Dragul and his wife's personal computers have been imaged as have numerous hard drives and computers from Dragul's new business office. The data has been transferred to two four-terabyte drives for analysis.

IV. Operations and Management

39. On March 15, 2019, all former GDA staff were terminated and management of the Receivership properties was turned over to Revesco Property Services, LLC. Given the sales of Estate property referred to herein, the Receiver anticipates that operational and management expenses will diminish substantially.

40. During the time former GDA employees were purportedly working on the Receiver's behalf, they were, in part, working to further Dragul's own ends in forming and setting up one or more competing businesses under Dragul's direction and control. Pursuant to Dragul's instructions, former GDA employees routinely concealed material information from the Receiver and failed timely to provide information requested by the Receiver. This concealment required the Receiver and his attorneys and accountants to conduct time-consuming and sometimes futile searches for information that was readily available to Dragul and his team. Moreover, while purportedly working for and being paid by the Estate, some former GDA employees and Dragul formed at least one competing entity, RTG Capital Partners, LLC.¹⁰ RTG's former website listed Receivership properties in order to market the new enterprise. All of this substantially increased the costs to the Estate and led the Receiver to terminate their employment.

V. Liabilities and Assets

41. The deadline for submitting claims against the Estate was March 18, 2019. As of April 29, 2019, approximately 271 investor claims totaling over \$150 million had been filed. Approximately 67 claims totaling over \$5 million had been filed by vendors and other creditors, and various lenders have claims exceeding \$120 million. A number of these claims will be disallowed or withdrawn based on the sale of the Hagshama Properties and the assumption of debt associated with them, the sale of the Residential Properties and the assumption of debt associated with them, and the Clearwater and Hickory sales and the payoff of the mortgages and other liens against those properties. The Receiver has not yet analyzed the claims in their entirety.

¹⁰ The Receiver is presently investigating potential claims against some of the former GDA employees for breach of fiduciary duty. Dragul was never paid anything by the Estate.

42. A number of claims have been filed after the bar date. Some claimants have represented they did not receive notice of the Receivership or the claims bar date. During the Receiver's claims review, he will consider allowing late-filed claims on an individual basis. The Receiver will thoroughly review claims when the Estate has sufficient assets to consider making distributions.

43. As of May 13, 2018, the Estate has paid the following professional fees and expenses as detailed in the Receiver's first two fee applications (submitted on December 6, 2018 – covering the period between August 30, 2018, and November 30, 2018; and on April 19, 2019, covering the period between December 1, 2018, and, for the most part, March 31, 2019):

Provider	Description	Amount Paid
Harvey Sender	Receiver	\$275,000.00
Allen Vellone Wolf Helfrich & Factor P.C.	Counsel for the Receiver	\$577,985.10
RubinBrown LLP	Accountants (forensic accounting, expert witness, and tax preparation)	\$175,759.76
Waldrep LLP	North Carolina local counsel for the Receiver	\$8,339.00
Frost Brown Todd, LLC	Ohio local counsel for the Receiver	\$68,348.36
Revesco Property Services	Property manager (commercial and residential)	\$71,986.01
Kelly Reinhart	Accountant (former GDA accountant; tax preparation)	41,200
Total Professional Fees and Expenses Paid:		\$1,218,618.23

44. As of May 13, 2018, the balance in the Receivership's operating account was \$448,034.97, the Estate held a \$100,000 earnest money deposit for the proposed sale of the Estate's interest in the 22 Residential Properties, and there was also \$7,74.54 in a property management subaccount. A detailed list of all Estate income and disbursements is attached as **Exhibit 3**.

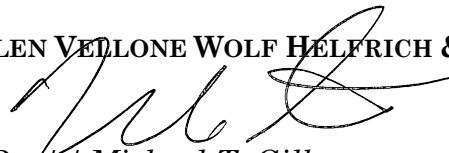
45. The Receiver continues to identify and investigate potential litigation claims against various parties. These litigation claims may allow the Receiver to recover assets transferred both before and after the Receivership Order was entered, including claims against preferred equity holders, insiders, and other potential

beneficiaries and family members of Dragul and the GDA Entities. At this time, the Receiver cannot provide any reasonable estimate of the value, if any, of these claims.

46. The Receiver continues to investigate the assets and liabilities of the Estate and will file additional periodic reports as appropriate. Information and substantive filings concerning the Estate are publicly available on the Receivership website: <http://dragulreceivership.com>.

Dated: May 15, 2019.

ALLEN VELLONE WOLF HELFRICH & FACTOR P.C.



By: */s/ Michael T. Gilbert*

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ATTORNEYS FOR THE RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on May 15, 2019, I served a true and correct copy of the foregoing **Receiver's Second Report** via CCE to the following:

Robert W. Finke
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Denver, Colorado 80203

Jeffery A. Springer
Springer and Steinberg P.C.
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Denver, Colorado 80202

*Counsel for Gerald Rome, Securities
Commissioner*

*Counsel for Defendants, Gary Dragul,
GDA Real Estate Services, LLC and
GDA Real Estate Management, LLC*

CERTIFICATION OF E-SERVICE ON KNOWN CREDITORS

In accordance with this Court's February 1, 2019, Order clarifying notice procedures for this case, I also certify that a copy of the foregoing is being served by electronic mail on all currently known creditors of the Receivership Estate to the addresses set forth on the service list maintained in the Receiver's records.

By: /s/ Terri M. Novoa


Allen Vellone Wolf Helfrich & Factor, P.C.