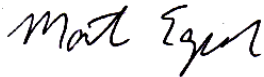


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| DISTRICT COURT, DENVER COUNTY, COLORADO | |
| Court Address: 1437 Bannock Street, Rm 256, Denver, CO, 80202 | |
| Plaintiff(s) GERALD ROME SECURITIES COM FOR THE ST OF CO v. Defendant(s) GARY DRAGUL et al. | DATE FILED: December 17, 2019 4:09 PM CASE NUMBER: 2018CV33011 <p style="text-align: center;">△ COURT USE ONLY △</p> Case Number: 2018CV33011 Division: 424 Courtroom: |
| Order: Receiver's Motion for Order Authorizing Sale of Real Property (3675 S. Hibiscus Way Denver Colorado 80237 (w/attach) | |

The motion/proposed order attached hereto: SO ORDERED.

Issue Date: 12/17/2019



MARTIN FOSTER EGELHOFF
District Court Judge

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| <p>DISTRICT COURT, DENVER COUNTY, STATE OF COLORADO Denver District Court 1437 Bannock St. Denver, CO 80202 720.865.8612</p> | |
| <p>Plaintiff: David S. Cheval, Acting Securities Commissioner for the State of Colorado</p> <p>v.</p> <p>Defendants: Gary Dragul; GDA Real Estate Services, LLC; and GDA Real Estate Management, LLC</p> | <p style="text-align: center;">▲ COURT USE ONLY ▲</p> |
| <p>Attorneys for Receiver:</p> <p>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 E-mail: pvellone@allen-vellone.com E-mail: mgilbert@allen-vellone.com E-mail: rsternlieb@allen-vellone.com</p> | <p>Case Number: 2018CV33011</p> <p>Division/Courtroom: 424</p> |
| <p style="text-align: center;">RECEIVER’S MOTION FOR ORDER AUTHORIZING SALE OF REAL PROPERTY (3675 S. Hibiscus Way, Denver, Colorado 80237)</p> | |

Harvey Sender, the duly-appointed receiver (“Receiver”) for Gary Dragul (“Dragul”), GDA Real Estate Services, LLC, GDA Real Estate Management, LLC, and related entities (collectively, “Dragul and the GDA Entities”), asks the Court to enter

an order approving the sale of real property located at 3675 S. Hibiscus Way, Denver, Colorado 80237 (the “Property”).

I. Background

1. On August 15, 2018, the 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), 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 respective properties and assets, and interests and management rights in related affiliated and subsidiary businesses (the “Receivership Estate” or the “Estate”). Receivership Order at 2, ¶ 5.

4. The Receivership Order grants the Receiver the authority to sell or otherwise dispose of Estate property and obtain Court approval for any sale for greater than \$10,000 (Receivership Order at 12, ¶ 13(t)).

II. The proposed sale

5. The Property is a single-story, single-family ranch home with approximately 2,500 finished square feet. In August 2019, the Receiver listed the

Property for sale at \$550,000. The list price was reduced to \$537,500 on September 17, 2019, further reduced to \$529,500 on October 8, 2019, and again reduced to \$525,000 on November 11, 2019.

6. On November 26, 2019, Colton Henkowski and Audrey Miller (“Buyers”) offered to buy the Property for \$500,000. Buyers accepted the Receiver’s \$515,000 counteroffer on December 4th. Buyers are arms-length purchasers who have no affiliation with Dragul or the Dragul Entities. A copy of the fully-executed contract is attached as **Exhibit 1** (the “Contract”). Based on the listing broker’s market valuation, \$515,000 is a fair market price for the Property. Closing is scheduled to occur December 30, 2019.

7. The Property is titled in the name of 3675 South Hibiscus 15, LLC, whose sole member is X12 Housing, LLC (f/k/a GDA Housing, LLC) (“X12 Housing”). The sole member of X12 Housing is Gary Dragul. The Property is therefore property of the Receivership Estate the Receiver is authorized to sell.

III. Sale of the Property is in the best interests of the Estate and its creditors.

8. The Property is encumbered by a first mortgage held by Velocity Commercial Capital, LLC (“Velocity”). The original principal amount of the loan was \$367,500. Velocity has declared the Loan in default, and as of October 31, 2019, the payoff amount of the Velocity loan was \$420,199.08.

9. On or about March 21, 2018, WBF/CT Associates, LLC (“WBF”) extended a line of credit of up to \$1,200,000.00 to Dragul (the “LOC”). The LOC was

evidenced by a March 21, 2018, Promissory Note and Loan Agreement, and was secured and cross-collateralized by 11 residential properties, including the Hibiscus Property (collectively, the “Collateral”). A Second Deed of Trust dated March 27, 2018, was recorded against the Property by WBF on April 26, 2017.

10. On November 1, 2018, the Court entered an Order approving a Settlement Agreement between the Receiver and WBF resolving a dispute as to how net sales proceeds from the sale of the Collateral would be distributed. Pursuant to the Settlement Agreement, WBF agreed to accept 70% of the net sales proceeds from the sale of the Collateral and the remaining 30% would be paid to the Estate. WBF also agreed to release its second deed of trust on the Property at closing. To facilitate the proposed sale, WBF has agreed to reduce its split to 60%.

11. The table below estimates the sales proceeds and ultimate distribution to the Estate:

| | |
|--------------------------------------|-----------------|
| Sale Price | \$515,000 |
| 1st Mortgage (Velocity) | \$420,199 |
| Additional interest through 12/31/19 | \$12,458 |
| Broker Commission (5.5%) | \$28,325 |
| Estimated Closing Costs (1.5%) | \$7,725 |
| Estimated Unpaid Taxes, 2017 – 2019 | \$8,498 |
| NET SALE PROCEEDS | \$37,795 |
| | |

| | |
|------------------------------------------------|-----------------|
| 2 nd Mortgage (WBF/CT) (60% of net) | \$26,457 |
| Proceeds to Receiver (30% of net) | \$11,339 |

12. In the Receiver's reasonable business judgment, the proposed sale is in the best interest of the Estate and its creditors. The Property is not presently leased and the purchase price is reasonable. If the Estate continues to hold the Property, the Velocity Loan will continue to accrue default interest, and the Estate will continue to incur management fees and have to pay insurance and maintenance for the Property, further eroding any equity.

13. Pursuant to paragraph 10 of the Receivership Order, Court approval of any motion filed by the Receiver shall be given as a matter of course within 10 days after the motion is filed and served. As reflected by the certificate of service below, this Motion is being served on all parties who have appeared in this case and on all currently known creditors of the Estate.

WHEREFORE, the Receiver asks the Court to grant this Motion and approve the proposed sale of the Property in accordance with the terms of the Contract.

Dated: December 6, 2019.

ALLEN VELLONE WOLF HELFRICH & FACTOR P.C.



By: /s/ Michael T. Gilbert

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Michael T. Gilbert

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ATTORNEYS FOR THE RECEIVER

Attachment to Order 2018CV33011

CERTIFICATE OF SERVICE

I hereby certify that on December 6, 2019, I served a true and correct copy of the foregoing **RECEIVER'S MOTION FOR ORDER AUTHORIZING SALE OF REAL PROPERTY (3675 S. Hibiscus Way, Denver, Colorado 80237)** via CCE to the following:

Robert W. Finke
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1300 Broadway, 8th Floor
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Estate Management, LLC***

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***Counsel for WBF CT Associates, LLC,
Chad Hurst, and Tom Jordan***

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.

s/Teresa Silcox


Allen Vellone Wolf Helfrich & Factor P.C.