

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF INDIANA  
INDIANAPOLIS DIVISION

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UNITED STATES SECURITIES )  
AND EXCHANGE COMMISSION, )  
  
Plaintiff, )  
  
v. )  
  
VEROS PARTNERS, INC, )  
MATTHEW D. HAAB, )  
JEFFERY B. RISINGER, )  
VEROS FARM LOAN HOLDING LLC, )  
TOBIN J. SENEFELD, )  
FARMGROWCAP LLC, )  
PINCAP LLC, and )  
  
Defendants, )  
  
PIN FINANCIAL LLC, )  
  
Relief Defendant. )

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Case No. 1:15-cv-659-JMS-MJD

**RECEIVER’S MOTION FOR AUTHORITY TO TRANSFER PRIVATE  
PLACEMENT, VEROS 702 NORTH HOLDING, LLC, TO INVESTOR MEMBERS**

William E. Wendling, Jr., the Receiver herein, by counsel, respectfully seeks the Court’s authority to transfer one of the Private Placements of the Receivership, Veros 702 North Holding, LLC, to its Investor Members (hereinafter “Investment Members”). In support of this motion, the Receiver States:

1. On April 22, 2015, the Plaintiff, Unites States Securities and Exchange Commission (“SEC”) filed its Complaint [[Filing No. 1](#)] in this action and a motion for temporary restraining order, asset freeze and other relief [Filing No. 3]. Thereafter, the Court entered a

Temporary Restraining Order [[Filing No. 12](#)].

2. On May 1, 2015, the Agreed Order Appointing Receiver (“Agreed Order”) was entered [[Filing No. 34](#)], appointing William E. Wendling, Jr. to serve without bond as the Receiver for the estates of the Receivership Defendants.

3. The Agreed Order at Paragraph 38, provides that the Receiver “may, without further Order of this Court, transfer, compromise, or otherwise dispose of any Receivership Property, other than real estate, in the ordinary course of business, on terms in the manner the Receiver deems most beneficial to the Receivership Estate, and with due regard to the realization of the true and proper value of such Receivership Property.” [[Filing No. 34, at ECF p. 15](#)]

4. The Agreed Order further provides in Paragraph 44 that “[s]ubject to his obligation to expend receivership funds in a reasonable and cost-effective manner, the Receiver is authorized, empowered and directed to investigate the manner in which the financial and business affairs of the Receivership Defendants were conducted...” [[Filing No. 34, at ECF p. 17](#)]

5. Further, the Receiver is charged with the responsibility to:

To take any action which, prior to the entry of this Order, could have been taken by the officers, directors, partners, managers, trustees and agents of the Receivership Defendants;

To take such action as necessary and appropriate for the preservation of Receivership Property or to prevent the dissipation or concealment of Receivership Property;

To take such other action as may be approved by this Court.

*Agreed Order Appointing Receiver* [[Filing No. 34, at ECF p. 5](#)]

6. The Investment Members in Veros 702 North Holding, LLC recently approached the Receiver requesting that this Private Placement be released from the Receivership and from Veros Partners as administrative agent for the Private Placement. The Investment Members have

submitted a proposal to dissolve and liquidate Veros 702 North Holding, LLC for the primary purpose of acquiring a twenty percent (20%) ownership interest in the property located at 702 North Capitol Avenue, Indianapolis, IN (hereinafter “Property”), whereby each Investment Member would become a member directly of the Property following such dissolution and liquidation. A copy of the Investment Members Summary Term Sheet is attached hereto as [Exhibit A](#). A copy of the accompanying Release is also attached as [Exhibit B](#).

7. The Investment Members obtained independent counsel and independent accountants to review and advise them as to their investments and their role in this proposed transaction regarding the legal and tax ramifications. The Investment Members have indicated they are relying upon the advice of their independent agents in making this proposal.

8. Pursuant to the terms of the Agreed Order Appointing Receiver as set forth herein above, the Receiver instructed Blue & Co. to perform an analysis of each Private Placement to determine the status of each and whether there were any concerns regarding that Private Placement. The Receiver and Blue & Co. complied with the Court’s direction. Blue & Co. has completed its analysis of 702 North Holding, LLC. Attached hereto and incorporated herein as [Exhibit C](#) is a copy of the correspondence from Blue & Co. indicating that based on the Blue & Co. procedures performed related to 702 North Holding, LLC, no issues of concern were found or identified.

9. Accordingly, The Receiver believes that transferring the Private Placement assets and funds to the Investment Members is appropriate and therefore requests the Court’s authority to execute the Release in the form attached hereto as [Exhibit B](#).

10. Legal counsel for the Investment Members will take the lead in preparing the necessary documents to satisfy the legal requirements of the transfer upon the Court’s approval

of this Motion.

11. Upon the Court's approval of this Motion, and pursuant to the agreement of the parties, the Receiver will retain the sum of \$3,958.34 from the Receivership bank account for 702 North Holding, LLC and the balance of funds in that account in total will be released to the Investment Members who will make their own distributions with the assistance of their counsel.

12. Counsel for the United States Securities and Exchange Commission has reviewed this motion and has no objection to the same. The Receiver has attempted to contact counsel for the Defendants and private counsel for Veros Partners regarding this motion. However, at the time of filing of this motion, the Receiver is unable to determine whether the Defendants and private counsel for Veros Partners have any objections to the same

**WHEREFORE**, the Receiver, by counsel, requests that this Court enter an order approving the transfer of the Private Placement assets and funds to the Investor Members, and authorizing the Receiver to execute all documents necessary to facilitate the transfer of this Private Placement, to sign the Release in the form attached to this motion as [Exhibit B](#), to retain \$3,958.34 from the from the Receivership bank account for 702 North Holding, LLC and to transfer the balance of funds intact in that account to the Investment Members, and for all other proper relief.

Respectfully submitted,

By s/Anne Hensley Poindexter.  
Anne Hensley Poindexter, #14051-29  
Rodney T. Sarkovics, #19547-49  
CAMPBELL KYLE PROFFITT LLP  
One Penn Mark  
11595 N. Meridian St., Suite 701  
Carmel, IN 46032  
Telephone: (317) 846-6514  
Fax: (317) 843-8097

Email: [apointexter@ckplaw.com](mailto:apointexter@ckplaw.com)

E-mail: [rsarkovices@ckplaw.com](mailto:rsarkovices@ckplaw.com)

*Counsel for the Receiver*

**Certificate of Service**

I hereby certify that on December 18, 2015, a copy of the foregoing ***Receiver's Motion For Authority to Transfer Private Placement, Veros 702 North Holding, LLC, to Investor Members*** was filed electronically. Notice of this filing will be made on all ECF-registered counsel by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

*s/Anne Hensley Poindexter* \_\_\_\_\_.

Anne Hensley Poindexter, #14051-29

Rodney T. Sarkovics, #19547-49

CAMPBELL KYLE PROFFITT LLP

One Penn Mark

11595 N. Meridian St., Suite 701

Carmel, IN 46032

Telephone: (317) 846-6514

Fax: (317) 843-8097

Email: [apointexter@ckplaw.com](mailto:apointexter@ckplaw.com)

E-mail: [rsarkovices@ckplaw.com](mailto:rsarkovices@ckplaw.com)

# EXHIBIT A

## VEROS 702 NORTH HOLDING, LLC

### Summary Term Sheet

### Dissolution and Liquidation

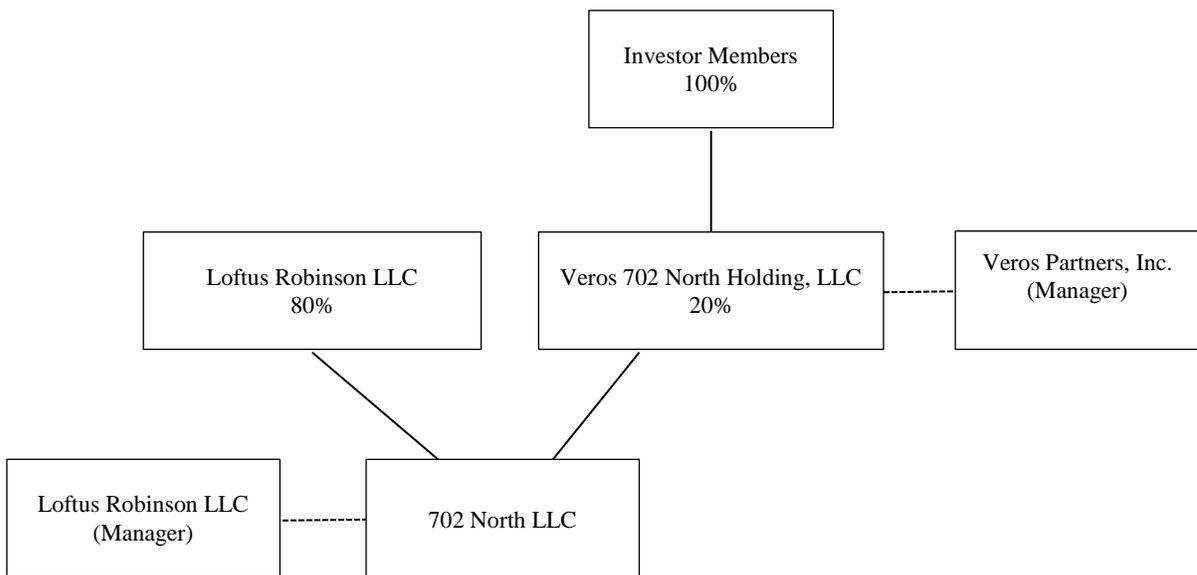
#### Introduction

Veros 702 North Holding, LLC, an Indiana limited liability company (“**Veros 702 North**”), was formed by Veros Partners, Inc. (“**Veros**”) for the primary purpose of acquiring a twenty percent (20%) ownership interest in 702 North LLC, an Indiana limited liability company (“**702 North**”). Veros is the manager of Veros 702 North. 702 North owns, manages and controls approximately 11,500 square feet of office space located at the address commonly known as 702 North Capitol Ave., Indianapolis, Indiana (the “**Property**”). The capital contributions of the members of Veros 702 North (the “**Investor Members**”) were invested in 702 North and utilized to acquire and renovate the Property. Loftus Robinson LLC, an Indiana limited liability company (“**LR**”), is the manager of 702 North and has an eighty percent (80%) ownership interest in 702 North. This summary is being sent to each Investor Member of Veros 702 North outlining the proposed dissolution and liquidation of Veros 702 North, whereby each Investor Member of Veros 702 North would become a member directly in 702 North following such dissolution and liquidation.

#### Current Ownership

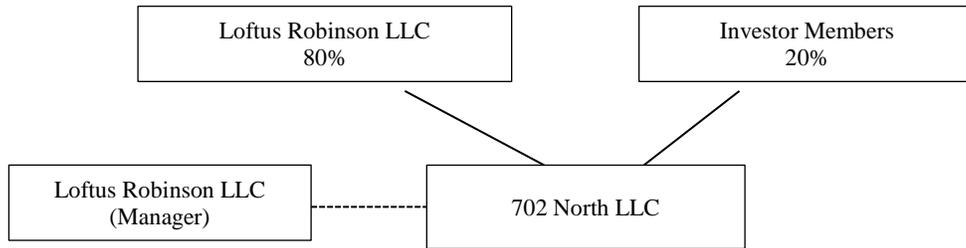
702 North is currently owned by LR and Veros 702 North. LR owns an eighty percent (80%) interest in 702 North and Veros 702 North owns a twenty percent (20%) interest in 702 North. LR is the manager of 702 North.

Veros 702 North is currently owned by eight (8) Investor Members, each of whom purchased Units of Veros 702 North in an offering by Veros 702 North pursuant to that certain Confidential Private Placement Memorandum of Veros 702 North Holding, LLC, dated around March of 2013. Veros is the manager of Veros 702 North.



Dissolution and Liquidation of Veros 702 North

Veros 702 North will dissolve and liquidate. As part of its liquidation, Veros 702 North will transfer all of its twenty percent (20%) “Company Interest” in 702 North (the “*Company Interest*”) to its Investor Members as a liquidating distribution in-kind in accordance with its operating agreement. Each Investor Member of Veros 702 North will receive its pro-rata share of the Company Interest according to the number of Units of Veros 702 North held by each Investor Member, thereby becoming a member directly in 702 North. Immediately following these transfers, there will be nine (9) members of 702 North, including (i) LR, which will continue to own an eighty percent (80%) Company Interest in 702 North, and (ii) each of the Investor Members of Veros 702 North, of whom there are eight (8), which will, in the aggregate, own a twenty percent (20%) Company Interest in 702 North and will be the “Preferred Group” under the Operating Agreement of 702 North, which will be amended and restated to take into account the transactions contemplated hereby (the “*Operating Agreement*”). Every Investor Member of Veros 702 North receiving a Company Interest in 702 North upon the dissolution and liquidation of Veros 702 North will be required to become a party to the Operating Agreement by executing a counterpart thereof.



The liquidation and dissolution of Veros 702 North will require the approval of a two-thirds (2/3) majority of the outstanding Units of Veros 702 North held by the Investor Members. Economically, nothing will change for the Investor Members of Veros 702 North other than the fact that Veros will no longer be entitled to receive any portion of the distributions made by 702 North as compensation in its capacity as the manager of Veros 702 North (the “*Veros Fees*”). Following the dissolution and liquidation of Veros 702 North, the Investor Members of Veros 702 North, now as members of the “Preferred Group” of 702 North, shall be entitled to the same amount and timing of distributions from 702 North as they are currently entitled to as members of Veros 702 North, except such distributions will not be reduced by the Veros Fees. Following the dissolution and liquidation of Veros 702 North, distributions from 702 North will be made directly to each Investor Member. Those actions under the current operating agreement of 702 North which require the approval of Veros 702 North will be amended in the Operating Agreement to instead require the approval of a majority in interest of the Investors Members as the “Preferred Group”.

Upon dissolution, the Investor Members (or one or more Investors Members designated by the Investor Members) shall proceed to wind up and liquidate the business and affairs of Veros 702 North by discharging its liabilities (if any) and distributing its assets as described above and in accordance with the operating agreement of Veros 702 North. Available cash held by Veros 702 North, to the extent accessible by the Investor Members, shall be used to pay all expenses incurred in connection with the dissolution and liquidation of Veros 702 North, including, but not limited to, any consulting, professional and other fees and expenses of persons providing services to Veros 702 North in connection with its liquidation and dissolution (such as legal fees, filing fees and accounting fees for the preparation of required tax forms and filings). In the event such funds are not accessible by the Investor Members or not sufficient to pay such expenses in full, the Investor Members shall be responsible for such fees and expenses on a pro rata basis according to the number of Units of Veros 702 North held by each Investor

Member, and may be deducted from future distributions to the Investor Members from 702 North in the event such fees and expenses are not paid directly by the Investor Members.

The following is a summary of the material terms of the Company Interests in 702 North that will be held by the Investor Members as the “Preferred Group” of 702 North (referred to below as the “**Preferred Members**”):

**Preferred Capital Return:** The Preferred Members shall be entitled to a Preferred Capital Return payable to the Preferred Members in such amounts and at such times as set forth in the provisions below regarding distributions by 702 North, which Preferred Capital Return shall be calculated based on such Preferred Member’s capital contribution to Veros 702 North and taking into account any distributions previously received by such Preferred Member from Veros 702 North. “**Preferred Capital Return**” shall mean, for a calendar year, an eleven percent (11.0%) simple interest rate of return on all undistributed capital contributions of the Preferred Members through such year. For purposes of this definition, tax benefits (including losses) that accrue to the Preferred Members from 702 North shall be excluded for purposes of calculating the remaining amount of the Preferred Member’s “undistributed capital contribution”. Notwithstanding the foregoing, the 11.0% return shall be compounded annually, but calculated and paid each calendar quarter against that certain amount of undistributed capital contribution of the Preferred Member. Once the balance of the “undistributed capital contribution” is reduced to zero, the Preferred Members shall no longer receive such Preferred Capital Return.

**Distributions of Income:** Income for each calendar year (or fractional portion, such as monthly or quarterly, thereof) shall be distributed as follows:

First, to the payment of all non-discretionary operating expenses including, but not limited to, utilities, insurance and property taxes;

Second, to the payment of all amounts due and payable on the debts and liabilities of 702 North which are secured by 702 North’s real property, excluding debts and liabilities of 702 North to Members or their affiliates;

Third, to the payment of all other building operating expenses not paid under Clause First;

Fourth, to the establishment and preservation of \$20,000 in a reserve account;

Fifth, to payment of all amounts due and payable on all other loans by the Members to 702 North;

Sixth, to the payment of any unpaid Preferred Capital Return from a previous quarter;

Seventh, to the Preferred Members in an amount equal to each Preferred Member's Preferred Capital Return for the current quarter. Notwithstanding the foregoing, in the event income for the current quarter is not sufficient to distribute the entire Preferred Capital Return then due to each Preferred Member, then each Preferred Member shall receive a pro-rata percentage of the available cash flow equal to the Preferred Member's pro-rata percentage of the Preferred Group; and

Eighth, any remaining balance shall be allocated to all of the Members, whereby such distribution shall be allocated amongst the Members in accordance with each Member's pro-rata percentage interest in 702 North.

Clauses First through Fifth shall be made as the expenses become due and payable, and all other Clauses shall be paid quarterly. Notwithstanding the foregoing, the distributions made pursuant to this waterfall do not decrease the amount of a Preferred Member's "undistributed capital contribution," which is used to calculate each Preferred Member's future Preferred Capital Return.

***Distributions of Proceeds  
from a Capital Transaction  
(Except a Refinancing):***

If there are proceeds available for distribution from a Capital Transaction (other than a debt refinancing), such proceeds shall be applied and distributed as follows:

First, to the payment of all matured debts and liabilities of 702 North which are secured by 702 North's real property, excluding debts and liabilities of 702 North to Members or their affiliates;

Second, to the payment of all sales related or other similar expenses associated with the event giving rise to the Capital Transaction, excluding debts and liabilities of 702 North to Members or their affiliates;

Third, to the payment of all matured debts and liabilities of 702 North in the order of priority as provided by law, excluding debts and liabilities of 702 North to Members or their affiliates;

Fourth, to the establishment of any reasonable and prudent reserves which the Manager shall determine to be necessary for contingent, un-matured or unforeseen liabilities or obligations of 702 North;

Fifth, to payment of all principal and accrued interest on all other loans by the Members to 702 North;

Sixth, to the payment of any unpaid Preferred Capital Return;

Seventh, to each Member in an amount equal to the positive balance in such Member's Capital Account (the "**Capital Distribution Allocation**"). Notwithstanding the foregoing, in the event the available funds are not sufficient to distribute the entire Capital Distribution Allocation then due to each Member, then each Member shall receive its pro-rata percentage of all outstanding Capital Distribution Allocations; and

Eighth, any remaining balance shall be allocated to all of the Members, whereby such distribution shall be allocated amongst the Members in accordance with each Member's pro-rata percentage interest in 702 North.

A "**Capital Transaction**" is any refinancing of 702 North debt, the merger of 702 North, the sale of 100% of the Company Interests of the Members of 702 North, or the sale, exchange, condemnation, destruction (including insurance proceeds in excess of amounts required to be applied to restore the insured property) or other disposition of all or any substantial part of 702 North's property, other than minor sales of assets obsolete in the ordinary course of 702 North's business.

***Distributions of Proceeds from a Refinancing:***

Any proceeds available from a refinancing of debt secured by 702 North's real property shall be applied and distributed as follows:

First, to the repayment of the debt being refinanced;

Second, to the payment of all refinancing costs to third parties;

Third, to the distribution and payment to the persons and in the order of priority set forth in Clauses Third through Sixth of the waterfall set forth above under "Distributions of Proceeds from a Capital Transaction (Except a Refinancing)"; and

Fourth, any remaining balance shall be allocated to all of the Members, whereby such distribution shall be allocated amongst the Members in accordance with each Member's pro-rata percentage interest in 702 North.

***Management of 702 North:***

Subject to any matters which must be submitted to an affirmative vote of the Members, 702 North is managed by LR (the "**Manager**").

***Protective Provisions:***

702 North may not do any of the following without the consent of a majority in interest of the Preferred Members: (i) sell, refinance or otherwise dispose of the Property; or (ii) allocate any additional portion of the Company Interest to the Manager or the Manager's affiliates.

***Transfer Restrictions:***

No Preferred Member may sell, assign or transfer all or any part of its interest in 702 North without first offering such interest (or portion thereof) to 702 North pursuant to the provisions and procedures set forth in the Operating Agreement.

***Demand Repayment:***

At any point after March 7, 2018, and upon 6 months written notice, any Preferred Member may demand full repayment of such Preferred Member's "undistributed capital contribution" and unpaid Preferred Capital Return.

\* \* \* \* \*

## EXHIBIT B

### Mutual Release

Veros Partners, Inc. (“Manager”) and Veros 702 North Holding, LLC (“Investor Member”) hereby affirm that they each release the other from any obligations which they may have heretofore had pursuant to the Investor Agreement of 702 North LLC (“Agreement”) which they most recently executed on \_\_\_\_\_. More specifically, the Investor Member agrees to release and hold forever harmless the Manager from any and all fiduciary duties specified in the Agreement and any and all future injury that may arise as a result of the Manager relinquishing that position. In view of the reorganization and transfer of 702 North LLC, the promises the parties made to one another in said Agreement are no longer meaningful or necessary. Furthermore, said Agreement is replaced by a new Investor Agreement pertaining to 702 North Holdings LLC. Additionally, Investor Member and Manager both agree to release and hold forever harmless the Receiver in this matter, William E. Wendling, from any and all future claims related to or arising out of the reorganization and transfer of 702 North LLC.

Veros Partners, Inc.-Manager

By \_\_\_\_\_  
William E. Wendling, Jr., Receiver

Dated: \_\_\_\_\_

\_\_\_\_\_  
Veros 702 N. Holding-Investment Member

Dated: \_\_\_\_\_

CPAs • ADVISORS



Blue & Co., LLC / 12800 N. Meridian Street, Suite 400 / Carmel, IN 46032  
main 317.848.8920 fax 317.573.2458 email blue@blueandco.com

December 4, 2015

Mr. William E. Wendling, Jr.  
Campbell Kyle Proffitt, LLP  
11595 North Meridian Street  
Suite 701  
Carmel, Indiana 46032

Re: *Veros Partners, Inc. Receivership (Case No. 1:15-cv-659-JMS-MJD): Veros 702 North Holding, LLC*

Dear Mr. Wendling:

As set forth in the August 5, 2015 engagement letter between Blue & Co., LLC ("Blue") and Campbell Kyle Proffitt, LLP ("Counsel" or "Receiver"), and as authorized by the United States District Court Southern District of Indiana Indianapolis Division (the "Court"), we have provided certain consulting and analysis in connection with the Veros Partners, Inc. and certain related entities/investments ("Veros") matter referenced above as requested by the Receiver related to certain Veros private placements. The focus of this correspondence is related to Veros 702 North Holding, LLC ("Veros 702 North" or "Private Placement"). The procedures performed in connection with this Private Placement did not constitute a formal review, or full-scale forensic investigation, and were limited to the following agreed upon procedures:

1. Obtaining an understanding of the Private Placement by analyzing certain documentation provided to Blue, by Counsel and Receiver;
2. Determining the amount raised by the Private Placement;
3. Identifying the corresponding investors of the Private Placement;
4. To the extent available, analyze the Private Placement monthly bank statements to identify any potential irregularities;
5. Performing any necessary bookkeeping services on behalf of the Private Placement, as performed by Aliign, LLC ("Aliign"), a related entity of Blue; and

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6. To the extent identified by Blue or Align, note any extraordinary transactions (i.e., deposits, transfers, withdrawals, etc.) or irregularities that may necessitate additional procedures or further investigation, as part of the analysis performed with respect to the Private Placement.

**Veros 702 North Holding, LLC - \$350,000**

Investment Overview:

- Overview of Private Placement:  
Based on information included in Veros prepared literature in support of this Private Placement, the investment was structured to provide its investors with a net return in excess of 11% per year based on the normalized, pro forma cash flow, along with a gross profit participation of 20% of the net proceeds upon a sale of the building that would further enhance the investor's total return. At the end of 5 years, the Investor Group has a put option that can require the principal owners to fully repay the investors' capital and any unpaid preferred distributions through any means possible.
- Date of Private Placement Memorandum – March 7, 2013
- Proceeds Raised - \$350,000
- Investors Noted:
  - Eric & Jennifer Armstrong – (Wired on March 11, 2013)
  - Dave & Patricia Bednarz – (Subscription Document Noted; Wire/Deposit not traced)
  - Jonah & Sara Beer – (Wired on March 11, 2013)
  - Jose & Astrid Cardenas – (Subscription Document Noted; Wire/Deposit not traced)
  - Patrizia Cavazzoni – (Wired on March 12, 2013)
  - Andre Guillaume – (Wired on March 11, 2013)
  - David Hatchett – (Wired on March 12, 2013)
  - Thomas & Sandra Mason – (Wired on March 12, 2013)
  - Kurt Showalter – (Subscription Document Noted; Wire/Deposit not traced)
- Monthly statements for Veros 702 North's Main Source Account (Account: 6667832) were analyzed for the period May 2013 through April 2015 with no material irregularities noted.

December 4, 2015

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- Based on the Veros Investors Summary file, payments were made as follows:
  - May 6, 2014 - \$2,657.49
  - September 4, 2014 - \$19,103.95
  - October 21, 2014 - \$15,181.21
  - January 20, 2015 - \$18,176.64
  - April 13, 2015 - \$103,394.14
  
- Aliign bookkeeping items noted
  - Aliign assisted Counsel in setting up the Private Placement's bookkeeping in QuickBooks™. As part of these procedures, no irregularities or concerns (beyond various instances of minor transaction / line item detail presentation noted with Counsel), no material issues were identified.
  
- Other items noted with respect to Private Placement
  - None

It is important to note, that while the scope of the analysis and agreed upon procedures to be performed by Blue and Aliign was not restricted by any of the parties, the Receiver requested that any such analysis and procedures be performed in the most cost-efficient manner with the investor group's financial interest in mind. In doing so, while in certain instances Blue and Aliign may have identified transactions or line items that we would otherwise have investigated (or traced) further, given the request of Counsel and the Receiver, we have noted such instances with the Receiver and Counsel and foregone any additional procedures. It is important to note, that any of these such instances were immaterial in nature, and likely not reason to raise further concern or issue with respect to the Private Placement (e.g., tracing Millennium Trust Payments to the specific Investor's individual account).

As previously noted, the procedures and analyses set forth within this correspondence and as performed by Blue and Aliign, do not constitute a full-scale forensic review, or a fairness opinion with respect to the Private Placement. To the extent additional procedures had been performed, our findings may have been different. As set forth above, and limited to the agreed upon procedures outlined previously specific to this Private Placement, we have not noted any risks (beyond those included in the Private Placement's offering memorandum as prepared by Veros and their representatives), irregularities, or concerns beyond those set forth in this correspondence with respect to Veros 702 North.

Regards,

*Blue & Co., LLC*

Blue & Co., LLC