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FILED IN UNITED STATES DISTRICT
COURT, DISTRICT OF UTAH

JUL 09 2002

MARKUS B. ZIMMER, CLERK
BY _____
DEPUTY CLERK

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE)
COMMISSION,)

Plaintiff,)

v.)

MERRILL SCOTT & ASSOCIATES, LTD.;)
MERRILL SCOTT & ASSOCIATES, INC.;)
PHOENIX OVERSEAS ADVISORS, LTD.;)
GIBRALTER PERMANENTE)
ASSURANCE, LTD.; PATRICK M.)
BRODY; DAVID E. ROSS II; and)
MICHAEL G. LICOPANTIS,)

Defendants.)

**DECLARATION AND THIRD
REPORT OF RECEIVER**

Civil No. 2:02CV 0039C

Judge: Tena Campbell

DAVID K. BROADBENT, pursuant to 28 U.S.C. § 1746, declares as follows:

1. This Declaration and Report of Receiver ("Declaration") is my third report as Receiver and is submitted for the purpose of apprising the Court of my work as Receiver and for the further purpose of seeking approval of the payment of fees and expenses for services incurred for the three months of April, May and June, 2002 by the Receiver and by Holland & Hart LLP. In addition, I submit the most recent monthly bank statement (for the period through June 30, 2002) of the cash reserves of the

Receivership estate, which are invested in an account at Wells Fargo Bank Northwest, N.A. (“Wells Fargo”).

2. On January 23, 2002, this Court entered its Stipulated Order Appointing Receiver in this action, appointing me the Receiver for Merrill Scott & Associates, Ltd., Merrill Scott & Associates, Inc. and Phoenix Overseas Advisors, Ltd., and all subsidiaries and affiliated entities (collectively “Merrill Scott”). Section II(i) of the Order Appointing Receiver provides:

The costs, fees and expenses of the Receiver incurred in connection with the performance of his duties described herein, including the costs and expenses of those persons who may be engaged or employed by the Receiver to assist him in carrying out his duties and obligations hereunder shall be paid out of the proceeds or other assets of Merrill Scott, or any and all assets under the control of the Receiver pursuant to this Order. All applications for costs, fees and expenses for services rendered in connection with the Receiver shall be made by application setting forth in reasonable detail the nature of the services and shall be heard by the Court.

3. I submit with this declaration a proposed Order for the Court’s endorsement authorizing payment of the fees and expenses as more fully detailed below and in the accompanying statements. I respectfully request that the Court endorse the proposed Order by July 26, 2002, provided that neither counsel for the Securities and Exchange Commission nor counsel for the Defendants state that they wish to be heard on the matters addressed in this Declaration and the proposed Order.

Request for payment of fees and expenses.

4. I attach hereto as Exhibits "A" and "B" true and correct copy of invoices for services rendered and expenses incurred for the months of April, May and June 2002, by me in my capacity as Receiver and by Holland & Hart LLP, in its capacity as counsel to the Receiver. These invoices include detailed reports of the time spent working on this matter as well as the detail concerning the particular expenses incurred.

5. By agreement of the firm of Holland & Hart LLP, the hourly rates of the partners in the firm who have participated in the representation of the Receiver in this matter have been capped at \$235, even though the established hourly rates for such attorneys are in excess of the \$235 rate. The hourly rates of the firm's associates have also been lowered for their work on this matter.

In sum, the requested fees and expenses to be paid are as follows:

Invoice from Receiver, Holland & Hart LLP	\$ 33,252.50
Invoice from Holland & Hart LLP amount	\$340,385.00
Total	\$373,637.50

6. The cumulative amounts invoiced in my first two reports are \$77,597.00 for my services rendered in my capacity as Receiver and \$466,858.85 by Holland & Hart LLP, in its capacity as counsel to the Receiver.

7. I attach hereto as Exhibits "C" true and correct copies of the invoices for services rendered and expenses incurred by PricewaterhouseCoopers in connection with its accounting examination of the books and records of CGI International Holdings, Inc. and affiliates. These invoices include detailed reports of the time spent from April 15, 2002 through June 15, 2002, working on this matter as well as expenses incurred. The requested fees and expenses to be paid to PricewaterhouseCoopers are \$42,701.64 through June, 2002.

Receiver's Activities.

8. As the accompanying invoices detail, the work of the Receiver and his counsel at Holland & Hart LLP has involved a wide variety of tasks. These tasks include:

Marshalling Assets

- Identifying and securing assets of Merrill Scott located in the United States and abroad. We have located bank accounts in the United States, Canada, the Bahamas, Belize, Hong Kong, and other jurisdictions, totaling over \$4,000,000. Negotiating with parties in the foreign jurisdictions to arrange for the recovery of assets held in the offshore jurisdictions, principally in the Bahamas, Belize, Dominica and the Cayman Islands.
- Obtaining possession or control of two stock accounts with stock values of approximately \$1,800,000 in Canada and the United States.

- Identifying, analyzing and managing other significant assets of Merrill Scott, including a portfolio of mortgage loans made by Merrill Scott, and a portfolio of leased assets (in which Merrill Scott is the lessor).
- Obtaining and arranging for the sale of equipment, furniture and other personal property, including two luxury automobiles.
- Arranging for the sale of real property, furnishings and art work in home located in Park City, Utah. The Receiver has accepted an offer of \$725,000 for the home, and anticipates that the net recovery from the sale will be approximately \$125,000, after paying off the underlying debt, sales commission and closing costs. The Receiver has also received a back-up offer for the same price. The sale of the Park City property will be subject to confirmation by the Court.
- Obtaining and analyzing information about other real property included in the Receivership, including property located in Utah, Michigan, California, and Idaho.
- Arranging for sale of artwork located at former MSA office space, Park City home, and Canyon Cove home.
- Taking control or possession of over 200 boxes of documents and records related to Merrill Scott, and evaluating the materials obtained.

- Tracking funds returned to Merrill Scott clients in the form of loans and other repatriation mechanisms.
- Working with computer specialists to recover information on the Merrill Scott computers that were seized by the FBI and the computers that were taken from Merrill Scott by its former officers and other employees.
- Coordinating with the Securities and Exchange Commission, Department of Justice and Internal Revenue Service regarding document production and review, identification of assets and claims, identification of potential witnesses and other information relating to potential Receivership claims and assets.
- Identifying and analyzing numerous court actions to which Merrill Scott is a party, in which the plaintiffs are seeking return of fees paid to Merrill Scott and the return of funds invested in Merrill Scott products. On June 18, 2002, this Court issued a Stay of Litigation with respect to these and similar actions.
- Dealing with claims from non-client creditors of Merrill Scott, including negotiating and reaching a preliminary agreement for a resolution of claims of LinkNet, Inc. against Merrill Scott in an amount in excess of \$600,000.

- Maintaining contact with investors and clients of Merrill Scott and obtaining information about the investors and their participation with Merrill Scott and to providing ongoing information about the progress of the Receivership to Merrill Scott clients.
- On March 21, 2002, the Receiver filed a Complaint against CGI International Holdings, Inc.; Concilium Insurance Services, Inc.; Concilium Real Estate and Mortgage Services, Inc.; Concilium Planning Group, Inc.; Concilium Merchant Capital Group, Inc. (Collectively “Concilium”); Robert J. Hipple; Rod B. Read; Drew Roberts; Aaron A. Nilsen; and others. The Complaint alleges a scheme to divert the assets of MSA concocted by Hipple, former Chief Executive Officer of MSA, and carried out in part through International Planning Associates, Inc. (“IPA”) and Concilium. On March 26, 2002, a TRO was issued against Concilium, ordering an accounting examination of the books and records of Concilium. A Stipulated Order was entered on April 5, 2002 providing, among other things, that all funds in all identified Concilium bank accounts were to be transferred to the Receiver. Moreover, Concilium was required to deliver to the Receiver certain computer equipment and software and other assets which employees of Concilium had removed from the offices of Merrill Scott.

Insurance Claims.

9. The Receiver has filed a claim with Lloyds of London under the policy issued by Lloyds of London to Merrill Scott, Ltd. The claims were based on actions taken by Merrill Scott's officers, employees, and agents which led or may have led to losses incurred by Merrill Scott clients, as well as actions taken by employees and agents of Merrill Scott which led to losses suffered directly by Merrill Scott. The Receiver and his attorneys have been involved in extensive discussions and correspondence with Lloyds of London regarding the claims and coverage for the claims is either in dispute or under investigation by Lloyds of London and its attorneys. The Lloyds of London policy constitutes the largest contingent asset of the Receivership, and has a stated face amount of \$10,000,000.

Plan of Distribution.

10. The Receiver is currently identifying and categorizing claims related to the Receivership, including claims of investors, clients and creditors. This information has been collected through multiple sources, including mailings to MSA databases, cataloguing of bills and other claims received through the mail, contact with plaintiffs' counsel in pending litigation, telephone inquiries from MSA clients and submission of Investor Response Forms through the Receivership website. The Receiver intends to formalize this process by proposing a plan to the Court that will include approved claim forms for all potential claimants, as well as a bar date for submitting final claims.

The Receiver is also assisting the Securities and Exchange Commission in its development of a proposed plan of distribution. This activity includes providing all information requested by the Securities and Exchange Commission related to the marshalling of assets and the identification, categorization and validation of claims. The Securities and Exchange Commission has expressed to the Receiver its desire to propose a plan of distribution sometime within the next two to three months.

Wells Fargo Account Statement.

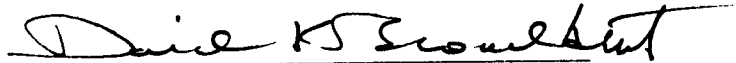
11. I attach hereto as Exhibit "D" a true and correct copy of the monthly account statement of account number 576-2693405 in the name of the Receiver in Wells Fargo for the period ending June 30, 2002. As of that date, the account had a balance of \$3,174,235.10.

CONCLUSION

I respectfully request that this application for fees and expenses be granted in all respects and the accompanying proposed Order be endorsed by this Court by July 26, 2002, provided that neither counsel for the Securities and Exchange Commission or counsel for Defendants in this action state that they wish to be heard on the matters addressed in the Declaration and proposed Order.

I declare under penalty of perjury the foregoing is true and correct.

Dated this 9th day of July, 2002.

A handwritten signature in black ink, reading "David K. Broadbent". The signature is written in a cursive style with a horizontal line underneath it.

David K. Broadbent, Receiver
60 East South Temple, Suite 2000
Salt Lake City, UT 84111
(801) 595-7800

CERTIFICATE OF SERVICE

I certify that on the 9th of July, I served a copy of the foregoing document to the following by

U.S. Mail, postage prepaid
Hand Delivery
Fax

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