

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

|                         |   |                |
|-------------------------|---|----------------|
| SECURITIES AND EXCHANGE | : |                |
| COMMISSION,             | : |                |
|                         | : |                |
| Plaintiff,              | : |                |
|                         | : | No. 09-CV-0063 |
| v.                      | : |                |
|                         | : |                |
| JOSEPH S. FORTE and     | : |                |
| JOSEPH FORTE, L.P.,     | : |                |
|                         | : |                |
| Defendants.             | : |                |

|                           |   |                |
|---------------------------|---|----------------|
| COMMODITY FUTURES TRADING | : |                |
| COMMISSION,               | : |                |
|                           | : |                |
| Plaintiff,                | : |                |
|                           | : | No. 09-CV-0064 |
| v.                        | : |                |
|                           | : |                |
| JOSEPH S. FORTE,          | : |                |
|                           | : |                |
| Defendant.                | : |                |

**SEVENTH REPORT OF MARION A. HECHT,  
COURT-APPOINTED RECEIVER FOR  
JOSEPH S. FORTE AND JOSEPH FORTE, L.P.**

Lawrence T. Hoyle, Jr.  
Arlene Fickler  
Schnader Harrison Segal & Lewis LLP  
1600 Market Street, Suite 3600  
Philadelphia, Pennsylvania 19103  
Telephone (215) 751-2000  
Facsimile (215) 751-2205  
Attorneys for Marion A. Hecht, Receiver

Dated: September 4, 2012

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EXHIBITS

- Exhibit 1: Receivership Fund Accounting Report as of August 17, 2012
- Exhibit 2: Joseph Forte LP—All Limited Partner Accounts as of August 17, 2012
- Exhibit 2.1: Joseph Forte LP—Limited Partner Accounts—Adjustments to Capital Account Balances this Reporting Period as of August 17, 2012
- Exhibit 2.2: Joseph Forte LP—Limited Partner Accounts—Net Winners Only as of August 17, 2012
- Exhibit 3: Receiver’s Plan for Receivership Estate Activities

Marion A. Hecht (“Receiver”), the Court’s appointed Receiver for Joseph S. Forte (“Forte”) and Joseph Forte, L.P. (“Partnership”), files her Seventh Report, showing the Court as follows:

**I. BACKGROUND**

On March 24, 1995, Forte executed a Certificate of Limited Partnership, which was filed with the Secretary of the Pennsylvania Department of State on April 3, 1995. The name of the Partnership so created was Joseph Forte, L.P., with Forte named as its General Partner and his home, 225 Fawnhill Rd., Broomall, PA, listed as the Partnership’s address. As set forth in the Limited Partnership Agreement dated February 28, 1995, its purpose was “[t]o form a fund to invest in securities futures.”

In fact, however, Forte operated the Partnership as a Ponzi scheme from the beginning. Over the years, Forte consistently reported annualized returns of approximately 18% to 38% every quarter, regardless of market conditions, thus attracting an increasing number of investors who became limited partners with an interest in the profits of the Partnership commensurate with the amount of their cash investment. By the time that the Partnership filed its 2007 U.S. Return of Partnership Income (Form 1065), the Partnership had over 100 limited partners.

Following the exposure of the Madoff Ponzi scheme in late 2008, some investors sought assurances from Forte regarding the viability of the Partnership. While Forte may have given such assurances orally, he was unable to honor redemption requests. In late December 2008, Forte confessed to federal authorities about the fraudulent nature of the Partnership.

On January 7, 2009, the Securities and Exchange Commission (“SEC”) filed an action against Forte and the Partnership (collectively, the “Defendants”), alleging violations of the Securities Act of 1933 (“Securities Act”) and seeking injunctive relief, disgorgement of ill-gotten

gains, and civil penalties pursuant to various provisions of the Securities Act. That same day, the Commodities Futures Trading Commission (“CFTC”) filed an action against Forte, alleging violations of the Commodity Exchange Act (“Commodity Act”) and seeking injunctive relief, disgorgement of ill-gotten gains, and civil penalties pursuant to various sections of the Commodity Act. Also on January 7, 2009, this Court entered a Consent Order of Preliminary Injunction and Other Equitable Relief.

On March 30, 2009, this Court entered in both cases an Order Appointing a Receiver (“Receivership Order”), pursuant to which the Court took exclusive jurisdiction and possession of the Defendants’ assets, monies, securities, choses in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated, and any entities that the Defendants own or control or in which either of them have an interest (the “Receivership Assets”), as well as the Defendants’ books, records, computers, and documents (the “Receivership Records”). In the same order, Marion A. Hecht was appointed Receiver for the Receivership Assets and Records (collectively, the “Receivership Estate”), with the goal and purpose of marshalling the Receivership Assets to maximize the recovery of defrauded investors.<sup>1</sup> The Receivership Order also stayed all civil actions or other proceedings involving the Receivership Assets or Receivership Records, other than the Receivership proceedings and

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<sup>1</sup> At the time of her appointment, Ms. Hecht was affiliated with Goodman & Company, now known as Dixon Hughes Goodman LLP. On May 1, 2011, Ms. Hecht became a Managing Director at Clifton Gunderson LLP, now known as CliftonAllenLarson LLP, and the Court, by order dated May 3, 2011, approved Ms. Hecht’s utilization of her new colleagues to assist her in connection with her activities as Receiver.

any additional charges in the actions brought by the SEC and the CFTC. Also in that order, Lawrence T. Hoyle, Jr. and his law firm were appointed to serve as the Receiver's counsel.<sup>2</sup>

On September 30, 2009, this Court entered Partial Final Judgment as to All Defendants in the SEC action and a Consent Order of Permanent Injunction and Other Equitable Relief against Defendant Joseph S. Forte in the CFTC action.

On June 5, 2009, in the related criminal action brought by the U.S. Department of Justice, *United States v. Forte*, Criminal Action No. 09-304-1 (E.D. Pa.), Joseph Forte pleaded guilty to charges of wire fraud (18 U.S.C. §1343); mail fraud (18 U.S.C. §1341); bank fraud (18 U.S.C. §1344); and money laundering (18 U.S.C. §1957). On November 24, 2009, Forte was sentenced to 15 years imprisonment, five years supervised probation, and restitution of approximately \$35 million by the Honorable Jan DuBois of this Court. *Id.*, Docket Entry No. 35 (Nov. 24, 2009).

On July 11, 2011, the Securities and Exchange Commission filed an action against John Irwin, a Certified Public Accountant who did work for the Partnership, including the preparation of the Partnership's investor account statements and tax returns, and Mr. Irwin's firm, Jacklin Associates, Inc., alleging violation of federal securities laws in connection with the Partnership, *SEC v. John N. Irwin and Jacklin Associates, Inc.*, Civil Action No. 11-cv-4429 (E.D. Pa.). On July 12, 2011, this Court entered judgments by consent against Mr. Irwin and Jacklin that, among other things, impose injunctive relief and require them to disgorge ill-gotten gains in amounts to be determined upon the SEC's subsequent motion. The Receiver has since completed her calculations of those ill-gotten gains; the numbers have been communicated to

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<sup>2</sup> At the time of his appointment, Mr. Hoyle was a partner at Hoyle, Fickler, Herschel & Mathes LLP. On January 3, 2012, Mr. Hoyle became a partner at Schnader Harrison Segal & Lewis LLP and the Court, by Order dated January 3, 2012, appointed Schnader as counsel to the Receiver.

counsel for Mr. Irwin and Jacklin; and those defendants are engaged in discussions with the SEC and the Receiver regarding a possible resolution of that action.

On May 16, 2012, the Court entered the Order Setting a Claims Bar Date, Establishing Claims Resolution Procedures, and Approving Distribution Methodology (the “Bar Date Order”). That Order effected the following:

- established July 16, 2012, as the Bar Date for claims against the Receivership Estate;
- approved the Receiver’s proposed procedures for the evaluation of both quantitative and qualitative aspects of claims against the Estate; and
- approved a hybrid distribution methodology for the allocation of Estate assets to claimants under which 50% of the assets available for distribution would be distributed according to the Rising Tide methodology, and then the remaining 50% of the assets would be distributed according to the Net Investment methodology.

Also on May 16, 2012, the Court issued a Memorandum opinion (the “Memorandum”) setting forth the Court’s reasoning in issuing the Bar Date Order and in overruling certain objections to the Receiver’s proposals that had been raised by a total of forty limited partners. Among other things, the Memorandum established the standard that Investors who received Partnership assets must meet in order to demonstrate their “good faith,” as that term is used in section 5108 of the Pennsylvania Uniform Fraudulent Transfer Act (“PUFTA”), in defending clawback actions brought by the Receiver. The Court also confirmed that the Receiver has standing to bring clawback actions under PUFTA (Mem. of May 16, 2012 at 14) and confirmed that any of the Receiver’s clawback claims under PUFTA that were brought or tolled by March

29, 2010, were timely and could seek the recovery of any transfers made during the life of the Partnership. (Mem. of May 16, 2012 at 15.)

Pursuant to the Receivership Order, this Seventh Report provides updated information regarding the known assets and liabilities of the Receivership Estate, including adjustments to two investor accounts; a summary of the Receiver's activities to date; and information regarding the plan together with an estimated schedule for further anticipated activities of the Receiver with respect to the Receivership Estate.

## **II. OVERVIEW OF THE RECEIVER'S ACTIVITIES**

During the six months since the Sixth Receiver's Report, the Receiver has continued her work to assume control of and ultimately liquidate the Receivership Assets with the objective of maximizing the recovery for defrauded investors.

During the current reporting period, the Receiver has diligently continued to pursue collection of the Estate's assets. As the Receiver first noted in her Sixth Report, liquidation of assets slowed somewhat after Joseph Forte's personal assets were largely liquidated. The Court resolved certain key issues in its May 16, 2012 Memorandum (to wit, the issues of the Receiver's standing under PUFTA, the PUFTA standard of limitations as applied to the Receiver's potential clawback actions, and the meaning of the PUFTA "good faith" standard); and, therefore, the Receiver anticipates that asset collections, either by agreement or, if necessary, litigation, will now be achievable.

### **A. Work on Asset Recovery**

As previously reported to the Court, the Receiver has accounts at Eagle Bank and Presidential Bank. There was a total of \$1,844,447.02 in the Receivership bank accounts as of August 17, 2012. As shown in Exhibit 1 hereto and set forth in this Report and previous



Receiver's Reports, the Receiver has successfully liquidated many of the assets, as well as a number of claims against third parties and limited partners, that were illiquid at the time of her appointment. As discussed in Section IV of this Report, \$586,555.06 has been added to the Receivership bank account during the six months since the last Receiver's Report, primarily as a result of a settlement with Hill Top Preparatory School, which agreed to repay 100% of the gifts and net profits it had received plus interest.

The Receivership Estate still contains a number of other assets that have not yet been liquidated. Apart from the Receiver's clawback claims, these assets include:

- *Real estate.* The Receiver expects to recover \$397,500 from the sale of a beach property which Forte helped finance. This property has been listed for sale for two and one-half years, and the listing price was reduced in May 2012, to \$674,900 and on August 26, 2012, to \$659,900. See Section V.B. of this Report.
- *Investments.* There are two remaining Forte investments in closely held businesses that the Receiver has been monitoring. One appears to have no value and the Receiver has determined it is in the best interest of the estate to abandon further liquidation efforts. The Receiver continues to hope that the other investment can be liquidated for value. See Section V.D. of this Report.
- *Claims against John Irwin and Jacklin Associates.* John Irwin was one of the original limited partners of, and accountant for, the Partnership. Jacklin Associates, a firm of which Mr. Irwin was president, provided accounting and other services to the Partnership. The Receiver concluded that she had significant claims against both. As set forth in Section VIII of this Report, the Receiver has pursued her claims against Mr. Irwin both by filing a claim and actively participating in the bankruptcy proceedings commenced by Mr. Irwin and Jacklin Associates and by participating in the SEC's civil enforcement proceedings against Mr. Irwin and Jacklin and, in that context, the Receiver continues to seek an appropriate settlement of Mr. Irwin's disgorgement obligations. See Section VIII of this Report.
- *Claims against MF Global.* MF Global was the futures commission merchant that held the Partnership futures trading account. While the parties were in the process of negotiating a settlement of the Receivership's negligence claims, MF Global collapsed and was placed into receivership. The Receiver has asserted the Receivership's claim in the MF Global receivership proceedings. See Section IX of this Report.
- *Claims against attorneys for the Partnership.* Crawford, Wilson, Ryan & Agulnick, P.C., Crawford, Wilson & Ryan, LLC, and Kevin J. Ryan, Esquire provided legal

services to the Partnership over a period of years. On December 21, 2010, the Receiver filed suit asserting professional negligence claims against the Partnership's attorneys. Discovery was recently completed in this case and defendant Ryan has filed a motion for summary judgment. See Section X of this Report.

The other assets of the Estate are the Receiver's clawback claims, the resolution of which the Receiver expects will be facilitated by the Court's recent determinations regarding the legal issues associated with its approval of the Bar Date Order.

- *Clawbacks—Gifts.* The Receiver holds claims against charities and individuals who received gifts from Forte using Ponzi money fraudulently obtained from the Limited Partners. Total current claims are in excess of \$1,200,000 plus interest. See Section V.C of this Report for a discussion of the Consent Order entered during this period and the Receiver's ongoing negotiations.
- *Clawback—Limited Partners.* The Receiver holds claims against those limited partners who the Receiver alleges have received Partnership assets in violation of PUFTA. Foremost among these are limited partners who withdrew fictitious profits from the Ponzi scheme ("net winners") — that is, where distributions to the limited partner exceeded his or her cash investment. After settling net winning claims with 9 limited partners who agreed to return a total of \$1,486,582 in net winnings plus \$13,380 in interest,<sup>3</sup> there are 30 other limited partners who have failed to return \$7,017,804 in net winnings despite demand. See Exhibit 2.2 and Section VI of this Report.
- *Claims against apprentices.* The Receiver holds claims against three persons who were employed by the Partnership to learn Forte's trading system, two of whom were also limited partners. The Receiver is evaluating the collectability of these claims in light of the Court's recent rulings in connection with the approval of the Bar Date Order. See Section VII of this Report.

As noted in prior Receiver's Reports, the Receiver continues to believe it is unlikely that there will be sufficient assets recovered to make the Limited Partners whole.

## **B. Claims Administration**

During this reporting period, following the entry of the Bar Date Order on May 16, 2012, the Receiver has begun the implementation of the claims process mandated by the Bar Date

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<sup>3</sup> A total of \$540 of this amount is still due from Investor No. 1097, as noted in Exhibit 2.2. This investor's counsel has advised the Receiver to expect payment in September.

Order, including by providing notice of the claims bar date, receiving and processing claims, and submitting the Preliminary Quantitative Claims Report to the Court and to claimants. See Section III of this Report.

### **C. Administrative Tasks**

In addition to commencing the implementation of the claims process and performing the substantive work of evaluating and recovering assets described throughout this report, during this reporting period the Receiver continued to perform necessary administrative tasks and legal duties, including:

- Communicating with limited partners and their counsel about developments in the Receivership.
- Maintaining a website for the Receivership on which all publicly filed documents are posted.

On July 12, 2012, the Receiver and her counsel filed their Third Interim Fee Petition, covering the fifteen month period October 2010 through December 2011. On July 13, 2012, the SEC filed a response to the Third Interim Fee Petition, stating that the SEC did not oppose the relief requested by the Receiver and her counsel. On July 24, 2012, the Court entered an Order approving the Third Interim Fee Petition.

### **III. CLAIMS ADMINISTRATION**

Promptly following the entry of the Bar Date Order on May 16, 2012, and pursuant to paragraph (1) of the Bar Date Order, by June 12, 2012, the Receiver provided notice of the claims bar date and associated claims procedures to all persons she reasonably believed to have a claim against Joseph S. Forte or Joseph Forte, L.P., including all of the investors in the Partnership. Pursuant to paragraph (2) of the Bar Date Order, the Receiver caused notices of the

bar date to be published in the *Legal Intelligencer* on June 4 and June 12, 2012, and in the *Philadelphia Inquirer* on June 7 and June 14, 2012.

Pursuant to paragraph (3) of the Bar Date Order, the Claims Bar Date was July 16, 2012, and the Receiver assembled, examined, and analyzed all claims against the Receivership Estate that she received. On August 15, 2012, pursuant to paragraph 10(a) of the Bar Date Order, the Receiver filed her Preliminary Quantitative Claims Report with the Court and served it on all claimants. The Receiver also filed with the Court under seal a version of the Preliminary Quantitative Claims Report that included investor names in addition to investor numbers. As reported in the Preliminary Quantitative Claims Report, the Receiver received a total of 89 claim forms, including 72 claims from Limited Partners (one of which was submitted on behalf of two limited partners<sup>4</sup>) and 17 claims from others. The Receiver has recommended that these claims be divided into 70 priority 1 claims<sup>5</sup> totaling \$33,702,996.00, two priority 2 claims<sup>6</sup> totaling \$4,341.61, and 18 disallowed claims. The Receiver received four notices of investor claims after the bar date. The four investors were among the eight investors the Receiver identified in her Preliminary Quantitative Claims Report as not having submitted claims. Three of the four investors agreed with the Receiver's capital account balances (#1074, 1075 and 1076). The fourth investor (#1071) sent a notice of dispute without attaching his claim form, which the

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<sup>4</sup> One claim form was submitted on behalf of both Investor No. 1112 and Investor No. 1113; however, the Receiver's recommendation treats the 89 filed claims as a total of 90 claims.

<sup>5</sup> Claimants designated as priority 1 are individuals or entities who the Receiver recognizes as having claims against Joseph Forte, L.P. either because they were Limited Partners or, in the case of Michael and Donna McCorkle and Joseph McManus, because they are individuals who loaned money to Joseph Forte which was deposited into the Joseph Forte L.P. bank account and was used to satisfy Limited Partner redemption requests.

<sup>6</sup> Claimants designated as priority 2 are individuals or entities who made claims against Joseph Forte personally for money that he allegedly owed to them. The Receiver has recommend that the Receivership Estate pay claims designated as priority 2 only if there are funds remaining after all priority 1 claims have been paid in full.

Receiver has requested. The Receiver will update her recommendation to the Court regarding the four investors and any other objections.

Pursuant to paragraph 10(b) of the Bar Date Order, the Receiver is now awaiting the receipt of notice of any additional disputes of the extent, validity, or priority of claims assigned in the Preliminary Quantitative Claims Report, the deadline for which is September 14, 2012. She is also continuing her qualitative analysis of the claims.

#### **IV. RECEIVERSHIP ASSETS RESOLVED DURING THIS PERIOD**

As provided in Section X, Paragraph F of the Receivership Order, the Receiver has the authority to dispose of Receivership Assets, provided that any action is described in the next filed Receiver's Report.

During the current reporting period, the Receiver has recovered an additional \$584,748.00 in settlement of clawback claims against limited partners and donees of gifts, plus interest of \$1,807.06 earned in the Receiver's bank accounts, for a total of \$586,555.06 in cash added to the Receivership Estate bank accounts.

During the current period, the Receiver has abandoned further pursuit of Gotham Capital, LLC as discussed in Section V.D.2.

#### **V. RECEIVERSHIP ESTATE ASSETS**

##### **A. Receivership Account at Eagle and Presidential Banks**

As of August 17, 2012, the Receiver had \$1,598,273.08 at Eagle Bank, and \$246,173.94 at Presidential Bank, for a total cash bank balance of \$1,844,447.02. Both bank accounts are insured by FDIC. See Exhibit 1 for the Receiver's accounting of cash activity.

**B. Forte-Boudwin Interest in Beach House – 3616 Sounds Avenue, North Unit, Sea Isle City, NJ**

In 2002, Forte gave two checks totaling \$397,500 to Michael and Diane Boudwin to help finance the acquisition of the beach property at 3616 Sounds Avenue, North Unit, in Sea Isle City, New Jersey. Michael Boudwin is Bernadette (Mrs. Joseph) Forte's brother. Title is vested in the names of Joseph S. Forte, Bernadette Forte, Michael Boudwin, and Diane Boudwin.

Near the end of the summer of 2009, the Receiver and the Boudwins entered into an agreement providing for the Receiver's recovery of \$397,500 upon the sale of this property. The parties listed the property for sale at \$879,000 through Freda Real Estate Agency, Inc. The listing was reduced to \$849,000 in February 2011 and to \$699,900 in July 2011. The Receiver's realtor advised that the continuing poor real estate market has had a negative effect on the prospects for immediate sale of this property at a reasonable price. The Receiver investigated the option of holding an auction to sell the property, but determined that it was not cost effective.

During the previous reporting period, the listing contract with Freda Real Estate expired and the property was re-listed with Weichert Realty-Hoey Group. During the current reporting period, the Receiver twice extended the listing agreement with Weichert Realty-Hoey Group. On May 31, 2012, and August 26, 2012, the Receiver and the Boudwins agreed to further price reductions – initially to \$674,900 and most recently to \$659,900. The Boudwins continue to pay all taxes, mortgage and other expenses associated with the property, and have agreed to pay for the dredging expense associated with dock repairs.

**C. Gifts and Donations**

**1. Donations to Charities and Organizations**

As set forth in previous Receiver's Reports, Forte made significant charitable donations to numerous organizations, and as discussed in previous Receiver's Reports, a few of these

organizations have returned the donations, including Malvern Preparatory School (which returned its donations following litigation with the Receiver). See Exhibit 1. On April 18, 2012, the Court approved a Consent Order relating to the Receiver's settlement with Hill Top Preparatory School in the amount of \$582,198, of which \$154,992 represented a return of 100% of gifts made to Hill Top Preparatory School by Forte.

As previously reported, in March of 2010, the Receiver executed tolling agreements with the following organizations that are subject to demands from the Receiver for the return of gifts:

| <b>Joseph S. Forte Donees Who Executed Tolling Agreements</b>      | <b>Current Demand Amount <sup>7</sup></b> |
|--|---|
| Cardinal O'Hara High School  | \$623,297                                 |
| Gundaker Foundation/Rotary Club                                    | \$3,000                                   |
| Monsignor Bonner High School                                       | \$206,636                                 |
| Rotary Club of Haverford   | \$11,088                                  |
| Rotary Foundation  | \$1,800                                   |
| St. Anastasia Church and School                                    | \$415,725                                 |
| <b>TOTAL claims against donees who executed tolling agreements</b> | <b>\$1,261,546</b>                        |

The Receiver's demands to the three largest of these organizations (Cardinal O'Hara High School, St. Anastasia Church and School, and Monsignor Bonner High School) have been subject to those organizations' contention that a portion of the Receiver's claims is barred by the applicable statute of limitations. The Receiver intends to renew her demands to those organizations now that the Court has issued its ruling on the Bar Date Order, which included a clarification of the applicable statute of limitations for the Receiver's claims under PUFTA.

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<sup>7</sup> Amounts listed in this column have been adjusted for exchange value where documentation exists, but *exclude* interest, unknown payments prior to 2002, and unknown in-kind contributions.

## 2. Gifts and Loans to Friends, Family, and Third Parties

As reported in previous Receiver's Reports, the Receiver made demands to recipients of gifts and loans made by Forte to friends, family and other third parties. The Receiver currently has tolling agreements with two such persons; she filed suit against six donees on March 29, 2010, under the caption *Marion Hecht, as Receiver for Joseph Forte, L.P. v. Laura Forte, et al.*, Civil Action No. 10-1375, and filed suit against a seventh donee on April 22, 2011, under the caption *Marion Hecht, as Receiver for Joseph Forte, L.P. v. Nassib*, Civil Action No. 11-2716. The claims in the civil actions, other than the claims against Heritage Land Transfer and Mercedes Lynch, have been resolved through settlements and judgments totaling \$214,775. To date, the Receiver has received \$9,750 of that amount:

| Donee          | Amount of Consent Order or Judgment | Paid  | Comments   |
|----------------|-------------------------------------|-------|--|
| Laura Forte    | 96,275                              | 0.00  | Judgment entered pursuant to an agreement to defer collection.   |
| Charlie Cannon | 26,000                              | 2,500 | Mr. Cannon has paid \$2,500 against his obligation, as well as a \$50 insufficient funds fee. He requested a temporary reduction in payment to \$250/month and a deferment of late payments. |
| Gil Nassib     | 12,500                              | 5,250 | Mr. Nassib has requested a temporary reduction in payment to \$250/month and a deferment of late payments. He has committed to resumption of \$500/month beginning November 2012.            |
| John Forte     | 78,000                              | 0.00  | Mr. Forte has failed to respond to any of the Receiver's recent communications.  |
| George Long    | 2,000                               | 2,000 | Paid the Receiver the \$2,000 prior to the entry of the Consent Order.   |



As to the unpaid amounts due, the Receiver's settlement agreement with Laura Forte (Joseph Forte's mother, who was a defendant in case number 10-cv-1375) provided that the judgment would not be enforced until after Mrs. Forte dies.

As to John Forte (Joseph Forte's brother, who was also a defendant in case number 10-cv-1375), this Court on February 7, 2012 granted a motion to enforce the settlement agreement that had been concluded between the Receiver and John Forte. The Court ordered John Forte to pay the Receiver \$78,000 (reflecting the \$73,000 he received from his brother plus \$5,000 in prejudgment interest) through payments of \$400 a month. During this reporting period, Mr. Forte has not made any of the payments required by the Court's order. The Receiver is evaluating how to most cost-effectively enforce the judgment entered by the Court against John Forte, who has no apparent significant assets.

During this reporting period, the Receiver has received \$500 in periodic payments (plus \$50 in reimbursement of a NSF charge) from Charlie Cannon, one of the defendants on case number 10-cv-1375, pursuant to a Consent Order approved by the Court on June 1, 2011; he has \$23,500 remaining on his debt. Mr. Cannon has recently reported to the Receiver that he has experienced additional financial reverses, including foreclosure on his residence, and the Receiver, having concluded that Mr. Cannon's contentions are genuine and in light of those circumstances, has agreed to accept a reduced monthly payment of \$250 (in lieu of \$500) until such time as Mr. Cannon's situation improves.

During this reporting period, the Receiver received \$2,250 in periodic payments from Gilbert Nassib, the defendant in *Hecht v. Nassib*, Civil Action No. 11-2716, pursuant to a Consent Order approved by the Court on August 4, 2011 (including \$250 received on August 29, 2012, that is not reflected in Exhibit 1); he has \$7,250 remaining. Mr. Nassib is behind in his

payments and, in light of the financial information submitted by Mr. Nassib, the Receiver has agreed to a temporary reduction in payments to \$250/month with resumption of \$500/month beginning November 2012.

During this reporting period, the Receiver also continued her efforts to recover gifts from two donees who entered into tolling agreements with the Receiver. However, her efforts have not yet been successful and the Receiver is analyzing whether it would be beneficial to the Estate to commence litigation concerning these claims.

**D. Investments in Closely Held Businesses**

Of Forte's sixteen original investments in closely held businesses, there are two that remain unliquidated. Pursuant to the Court's Order of March 1, 2010, the Receiver will post on the Receivership website any information about proposed sales of these interests, as well as report about any sales in subsequent Receiver's Reports. Specifics of the status of each of Forte's remaining investments in closely held companies follow.

**1. Real Entertainment Group, Inc. ("Real")**

Real operates World Café Live in Philadelphia, PA. Its business model is to develop a portfolio of live music and restaurant venues under the "World Café Live" brand name. The website is [www.worldcafelive.com](http://www.worldcafelive.com).

As previously reported, Forte invested \$25,000 in Real, purchasing 25 shares of Series B Preferred Stock which currently represents approximately 0.13% ownership. Also as previously reported, Real is currently seeking to raise additional capital. Assuming the full purchase of all the recently issued Series C and D Preferred Stock and the exercise of all Series D warrants, the Receiver's position will likely be diluted to approximately 0.11%. Real forwards updated financial information to the Receiver on a regular basis, which the Receiver monitors. Real

reported that 2011 was a year of major investment as it opened a new World Café Live in Wilmington, Delaware; hired more professionals on their executive team; and migrated to a new technology platform to measure results on a real-time daily basis. Further, Real reported that year to date results for both the Philadelphia and Wilmington locations are showing significant growth in event revenue in 2012 versus 2011. In addition, Real and WXPB (a public radio station) executed a completed re-stated License Agreement.

The Receiver recently received an offer for the 25 shares of Series B Preferred Stock, which she deems too low to accept. The Receiver expects to counter upon receipt of updated financial information from Real. The Receiver will make arrangements for one of her partners with the relevant expertise to evaluate the value of the Receiver's interest in Real.

## **2. Gotham Capital, LLC ("Gotham Capital")**

As previously reported, the Receiver holds 18.43 units (approximately 1.774%) in Gotham Capital, an angel investor located in Radnor, PA. Gotham Capital's primary asset is a 79% interest in Gotham Financial LLC ("Gotham Financial"). The Receiver previously reported that Gotham Financial sold its only asset, an interest in a software developer, Power2Process ("P2P"), to Flint Telecom Group, Inc. ("Flint") in October 2010, and received 68,220 shares of Series H Convertible Preferred Stock in Flint with the possibility of receiving 34,110 additional shares on each of the first two anniversary dates of the closing provided certain revenue projections of P2P are met.

By communications dated February 23, 2012, the Receiver has been told that funding by Flint of P2P has been erratic. Gotham Capital's CEO confirmed on August 20, 2012 that there is no value for shareholders and forwarded a press release dated March 23, 2012, which confirmed that Flint Telecom sold Power2Process to Brankib Holdings Pty, Ltd., an Australian registered

company. The Gotham Capital CEO, an investor in the Forte partnership, confirmed that as part of that sale transaction to Brankib Holdings Pty, Ltd., Gotham Capital will hopefully participate in a five year revenue share agreement in exchange for the return of its Series H convertible preferred shares in Flint; however due to the existing and potential liabilities of the company (including two litigation matters with associated legal fees), there is virtually no chance for any recovery to investors. The Receiver has monitored this asset for over three years, and determined it is in the best interest of the estate to abandon further liquidation efforts.

## **VI. INVESTOR ACCOUNTS**

### **A. Receiver's Accounting Process for Investor Accounts**

Because of the nature of the Ponzi scheme, investors' capital accounts were inflated with phantom profits. Starting with preliminary analyses undertaken by the SEC, the Receiver has reconstructed investors' capital accounts. Attached as Exhibit 2 is an updated summary schedule of reconstructed investor balances after elimination of phantom profits,<sup>8</sup> identified by investor number.<sup>9</sup> After reconstruction, account balances that appear in parentheses show the amount by which an investor was a "net winner" – in other words, an investor who received payments of false profits over and above the return of the investor's original capital contributions. Balances that do not appear in parentheses show the amount by which the investor was a net loser – that is, an investor whose investment exceeded withdrawals from the account. Attached as Exhibit 2.1

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<sup>8</sup> In reconstructing the Limited Partners' capital accounts, it was necessary for the Receiver to take account of the fact that certain investors ("Transferor LPs") transferred some of their limited partnership interests to other limited partners ("Transferee LPs"); those intra-fund transfers have been recognized to the extent there was available capital in the Transferor LP account.

<sup>9</sup> Investor numbers were assigned in order to maintain the privacy of the Partnership's investors. The SEC notified investors of their specific Investor Numbers. In addition, the Receiver assigned a new number, R01, to an investor identified by the Receiver. Investors are requested to contact the Receiver for any assistance with respect to their Investor Numbers via email at marion.hecht@cliftonlarsonallen.com.

is a schedule showing the investor accounts that have been adjusted since the Receiver's First Report. This schedule includes, among other adjustments, those adjustments resulting from payments pursuant to settlement agreements<sup>10</sup> and those adjustments resulting from information received from investors in connection with the bar date process discussed below.

**B. Claims Made By Investors**

As noted above, the Claims Bar Date was July 16, 2012. As detailed in the Preliminary Quantitative Claims Report submitted to the Court on August 16, 2012, 72 investors timely filed claims, in the aggregate amount of \$32,322,440.00. Of the limited partner claimants, only six claimed amounts that differed from the amounts shown in the Exhibit 2 appended to the Receiver's Sixth Report; and the Receiver has revised the capital accounts for two of these investors (Investor No. 1088 and Investor No. 1110) based on information that they supplied in connection with the claims process. The revised capital accounts are shown on the revised version of Exhibit 2 attached hereto.

As reported in the Preliminary Quantitative Claims Report, there were eight limited partners who did not file claims even though the Receiver's accounting indicated that they had lost money in the Ponzi scheme and therefore had a basis upon which to make a claim. Four of those partners have already contacted the Receiver, and three have filed claim forms with the fourth indicating his desire to file a claim. The Receiver is currently awaiting the submission of any additional objections to her Preliminary Quantitative Claims Report, for which the deadline is September 14, 2012.

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<sup>10</sup> For the eleven settling limited partners who have agreed to pay in full the agreed-upon settlement amount, the balance reflected in the Capital Account Balance column on Exhibit 2 is zero (shown by a dash). One settling limited partner has failed to remit the final payment of \$540 and his attorney has indicated payment will be received in September. The amount owed is reflected in the Settlement Amount Due column on Exhibit 2.2.

Pursuant to the Bar Date Order, the Receiver will next evaluate each claimant's state of mind regarding the fraud for the dual purposes of (i) arriving at her qualitative claim determination regarding the extent to which each claimant should receive distributions from the Receivership estate and (ii) determining which limited partners should be subject to clawback claims for returned principal.

**C. Receiver's Claims Against Limited Partners**

**1. Receiver's Preservation of Her Claims Against Limited Partners**

To preserve her right to pursue clawback claims against Limited Partners for net winnings and/or principal in appropriate cases, the Receiver executed tolling agreements with 95 limited partners or their subsequent transferees who did not take for value. There were only two Limited Partners from whom the Receiver sought a tolling agreement who did not ultimately execute a tolling agreement. The Receiver commenced a lawsuit against those Limited Partners, Investors #1102 and 1119, on March 29, 2010. Investor #1119 settled with the Receiver for a return of 100% of her net winnings plus pre-judgment interest; the status of the Receiver's action against Investor #1102 is discussed below. To date, the Receiver has not brought any clawback actions against those Limited Partners and transferees who tolled the Receiver's claims, but has instead focused on gathering information regarding the Limited Partners through discovery and negotiating favorable settlements of her claims. Each settlement that the Receiver has completed with a Limited Partner has resulted in a return of 100% of that Limited Partner's net winnings, with some amount of pre-judgment interest in most cases.

**2. Claims Against Limited Partners Or Their Transferees That Were Resolved and/or Liquidated During This Reporting Period**

During the current reporting period, the Court approved on April 18, 2012, a Consent Order resolving the Receiver's claims against Hill Top Preparatory School in the amount of

\$582,198, of which \$422,206 represented a return of 100% of the “net winnings” received by Hill Top as a limited partner of the Partnership; \$154,992 represented a return of 100% of gifts made to Hill Top by Forte; and \$5000 was a payment of pre-judgment interest. The \$582,198 was paid to the Receiver by Hill Top in May 2012.

### **3. Receiver’s Pending Litigation Against Limited Partners or Their Transferees**

With respect to Investor #1102, a Limited Partner who did not execute a tolling agreement and who was named as a defendant in Civil Action No. 10-1377, the Court granted the Receiver’s Motion for Partial Summary Judgment on June 2, 2011. The Court’s Order awarded \$519,547 in net winnings to the Receivership Estate; the Receiver has conducted a further investigation regarding that defendant’s assets, including by researching public records and serving subpoenas on third parties, in order to evaluate the collectability of the judgment and whether the pursuit of its remaining claims (for principal) against this investor is likely to be cost-effective. That investigation has been complicated by Investor #1102’s unwillingness or inability to complete a Statement of Financial Condition, the completion of which the Receiver has required of others who have claimed an inability to pay amounts due to the Receivership.

The Receiver also sued in this Court the then-anonymous participants in two profit-sharing plans that were limited partners and net winners in the Ponzi scheme. These suits were captioned *Marion Hecht, as Receiver for Joseph Forte, L.P. v. John Does, Skee Ball Profit Sharing Plan Participants, Numbers 1-250*, Civil Action No. 10-1373, and *Marion Hecht, as Receiver for Joseph Forte, L.P. v. John Does, Crawford, Wilson and Ryan Profit Sharing Plan Participants, Numbers 1-250*, Civil Action No. 10-1376. During this period, on May 24, 2012, the Court denied the motions to dismiss the First Amended Complaint that had been filed by all the defendants in each action. The defendants in each action have filed their Answers and the

Receiver is now evaluating the prospects for settlement. If the Receiver is unable to make reasonable progress toward an early amicable resolution of these matters, she will then request that the Court schedule a Rule 16 conference so the cases may move into discovery.

The Receiver also instituted litigation in this Court on March 29, 2010, against charitable transferees of one of the limited partners in *Marion Hecht, as Receiver for Joseph Forte, L.P. v. Abraham Lincoln Foundation of the Union League of Philadelphia, et al.*, Civil Action No. 10-1372. That action has been stayed pursuant to the Court's Order of April 15, 2010.

Accordingly, no activity has taken place in this case during the current period. The Receiver communicates with these transferees when contacted; in particular, during this period the Receiver received and responded to communications from a number of the transferees in connection with the claims bar date and the claims administration process.

**D. The Receiver's Continuing Evaluation of Her Potential Claims Against Limited Partners and the Qualitative Validity of the Limited Partners' Claims**

The Receiver has potential claims against each Limited Partner that received any distributions from the Partnership. Only some of those distributions – the distributions in excess of the amount contributed by the limited partner, or the “net winnings” – can be recovered without a showing regarding the relevant investor's state of mind.

The Receiver currently has unresolved claims against 30 limited partners who received distributions greater than their investments in the Partnership (the “net winners”); those false profits distributions total in the aggregate \$7,017,264. By definition, having received distributions in excess of their contributions to the Partnership, none of the net winners has a valid claim against the Receivership Estate. The Receiver expects that her treatment of these



investors will depend on the extent to which she believes that she has valid clawback claims against any of the investors for return of principal payments

Those limited partners who received distributions from the Partnership that totaled less than their contributions are “net losers.” Such individuals may have claims against the Receivership Estate (for the amount of their lost investment); on the other hand, the Receiver may have clawback claims against them to the extent that they took return-of-principal payments at a time when they did not receive those payments in good faith.

The Receiver believes that resolution of her potential claims against Limited Partners will be facilitated by the Court’s recent resolution, in its Memorandum associated with the approval of the Bar Date Order, of the issues of the Receiver’s standing, the PUFTA statute of limitation, and the meaning of the PUFTA “good faith” defense. During this reporting period, the Receiver has continued her evaluation and resolution of her claims against those limited partners who executed tolling agreements by:

- Conducting settlement negotiations and evaluating certain limited partners’ ability to pay any judgment;
- Reviewing documents produced to the Receiver by limited partners;
- Evaluating discovery relating to limited partners in light of the Court’s opinion dated May 16, 2012; and
- Responding to correspondence from investors’ counsel.

Going forward, the Receiver will evaluate the evidence with respect to each investor’s state of mind in order to evaluate the appropriate treatment of each investor. Based on the results of the state-of-mind evaluation, as well as consideration of such other factors as the amount and percentage of principal withdrawn by the investor, the likely payout to claimants, the likely cost of litigation, and each investor’s financial circumstances, the Receiver expects that limited partners will be divided into five groups:

- (1) Net winners from whom she will seek to clawback net winnings only;
- (2) Net winners from whom she will seek to clawback net winnings and some or all principal;
- (3) Net losers from whom she will seek to clawback some or all principal;
- (4) Net losers from whom she will not seek to clawback any principal but whose claims will be denied in whole or in part; and
- (5) Net losers whose claims will be allowed.

## **VII. RECEIVER'S CLAIMS AGAINST APPRENTICES TO JOSEPH FORTE**

Jacklin Associates employed "apprentices" to Joseph Forte who were to learn the trading system allegedly used by Forte. The first apprentice was put on the payroll in 2000; there were three apprentices by the end of 2008. Two of these apprentices were also limited partners. Over the years, salary payments reflected on the three apprentices' W-2 forms totaled approximately \$2,300,000, all of which was money stolen from the Limited Partners. As reported in previous Receiver's Reports, the Receiver has executed tolling agreements and engaged in discovery with all three apprentices. Settlement discussions have continued with counsel for one apprentice, from whom the Receiver expects to receive updated financial information by September 15, 2012. As to the other apprentices, the Receiver believes that the parties are in a better position to resolve the Receiver's claims now that the Court has, in the Memorandum in support of the approval of the Bar Date Order, ruled on legal issues associated with clawback actions. If the Receiver is unable to negotiate satisfactory settlements, she may then commence litigation if that course of action has the potential to provide a net benefit to the Receivership Estate.

### **VIII. RECEIVER'S CLAIMS AGAINST JOHN IRWIN AND JACKLIN ASSOCIATES**

As discussed in the previous Receiver's Reports, the Receiver has significant claims against John Irwin ("Mr. Irwin"), the original limited partner of, and accountant for, the Partnership; and Jacklin Associates, Inc. ("Jacklin"), a company of which Mr. Irwin was President that provided accounting and other services for the Partnership. Mr. Irwin and Jacklin provided diverse services to the Partnership, including the preparation of the Partnership's tax returns for and reports to the limited partners, as well as payroll and other record-keeping services. Mr. Irwin was also actively involved in the formation of the Partnership; the solicitation of new limited partners and of additional investments from existing partners; and the receipt from, and disbursement to, limited partners of Partnership funds.

As reported in the Third Receiver's Report, the Receiver determined that settlement negotiations with Mr. Irwin and Jacklin would be fruitless and filed a Complaint against Mr. Irwin and Jacklin in this Court on March 29, 2010, captioned *Marion Hecht, as Receiver for Joseph Forte, L.P. v. John N. Irwin and Jacklin Associates*, Civil Action No. 10-1371. That litigation was ongoing when on May 27, 2010, Mr. Irwin and Jacklin each filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Pennsylvania. Mr. Irwin acknowledged that the Receiver's action precipitated the bankruptcies, the filing of which resulted in an automatic stay of the Receiver's suit against these defendants. The Receiver was the largest creditor identified in the schedules to Mr. Irwin and Jacklin's Chapter 11 petitions.

On August 11, 2011, the Bankruptcy Court granted Jacklin's motion to dismiss its Chapter 11 case, a motion that was based in part on Jacklin's contention that it was unable to

reorganize because it had insufficient assets.<sup>11</sup> As noted in the Fifth Receiver's Report, the Receiver has concluded that Jacklin does not now have sufficient assets to warrant restarting active litigation against Jacklin in Civil Action No. 10-cv-1374 that is pending before this Court and had been stayed by the pendency of the bankruptcy. This is particularly so because the SEC now has a consent judgment in place against Jacklin relating to its involvement in the Partnership as part of the SEC's action discussed below.

As reported in earlier Receiver's Reports, the Receiver, as the largest creditor of Irwin and Jacklin, was an active participant in the Irwin and Jacklin bankruptcy proceedings. In those proceedings, the Receiver, among other things: obtained discovery from the debtors, including a substantial production of financial documents from both Mr. Irwin and Jacklin; obtained, over objections, discovery from others associated with the bankruptcy estate; objected to certain of Mr. Irwin's claimed exemptions of property; sought relief from the automatic litigation stay to pursue certain actions to recover Receivership assets; and lodged objections to Mr. Irwin's initial Disclosure Statement and the associated proposed Plan of Reorganization. On January 12, 2012, Mr. Irwin's Second Amended Plan of Reorganization, which had been revised to address the Receiver's objections, was confirmed.

As noted in earlier Receiver's Reports, the Receiver filed claims in bankruptcy against both Mr. Irwin and Jacklin in the amount of approximately \$34 million based upon their transactions with and conduct in connection with the Partnership. The Receiver believes that her claim will ultimately constitute a large proportion of the unsecured claims against Mr. Irwin's estate. Under the confirmed Second Amended Plan of Reorganization, the assets available to the

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<sup>11</sup> The Receiver had withdrawn her objection to the motion to dismiss subject to her stipulation with Jacklin that provided for, among other things, Jacklin's continued cooperation with the Receiver's discovery efforts.

unsecured creditors from Mr. Irwin's estate are primarily comprised of a group of interests in non-public small-cap firms in which Mr. Irwin invested, as well as a group of accounts receivable including loans made by Mr. Irwin to some of these same small-cap firms, as well as to several individuals.

During this reporting period, on March 19, 2012, the Receiver and Mr. Irwin (as the Debtor) filed a Joint Status Report with the Bankruptcy Court reporting the appointment of George L. Miller, CPA, CFE, of the Philadelphia firm of Miller Coffey Tate LLP, as the Liquidating Agent under the Plan. On May 14, 2012, as a part of the efforts to recover assets for the Irwin bankruptcy estate, the Liquidating Agent filed eight adversary actions in Bankruptcy Court against individuals or entities that owe money to Mr. Irwin; the Receiver and her counsel had provided consultation to the Liquidating Agent's counsel in connection with the initiation of those actions. The Receiver remains in communication with the Liquidating Agent's counsel and understands that settlement negotiations are ongoing between the Liquidating Agent and at least one of the defendants to the adversary actions.

The Receiver believes the issues remaining to be resolved in Mr. Irwin's bankruptcy case are the Liquidating Agent's pursuit of any remaining assets available for collection into the estate and the Liquidating Agent's disbursement of estate assets to creditors.

Also significant to the Receiver's claims against Mr. Irwin and Jacklin is the action filed by the Securities and Exchange Commission against both of them on July 11, 2011, alleging violation of federal securities laws in connection with the Partnership, docketed at 11-cv-4429 (E.D. Pa.). On July 12, 2011, this Court entered judgments by consent against Mr. Irwin and Jacklin in that action that require, among other things, that Mr. Irwin and Jacklin disgorge their ill-gotten gains in amounts to be determined upon the SEC's subsequent motion. During the

previous reporting period, the Receiver analyzed financial records of Mr. Irwin and Jacklin to determine the flow of money between Jacklin and Mr. Irwin, on the one hand, and the Receivership Estate entities, on the other, for purposes of quantifying Estate claims against Mr. Irwin, Jacklin, and associated individuals and entities; and of determining the amount of ill-gotten gains received by Mr. Irwin and Jacklin. The Receiver has communicated her conclusions regarding ill-gotten gains to the Commission and the Commission continues to use those conclusions, as updated, in negotiations with Mr. Irwin.

During this reporting period, the Receiver has engaged in extended discussions with Mr. Irwin's counsel, Mr. Irwin's spouse's counsel, and counsel for the SEC regarding the resolution of both the Receiver's claims against the Irwin family and Jacklin and the SEC's judgment for disgorgement from Mr. Irwin and Jacklin. Mr. Irwin and his spouse have made at least two unacceptable settlement offers; however, the parties are continuing the settlement discussions. In the event a settlement is not reached, the Receiver understands that the SEC intends to pursue monetary remedies through the Court.

Also in conjunction with her claims against Mr. Irwin and Jacklin, the Receiver, during this reporting period, continued her negotiations with counsel for some of Mr. Irwin's daughters and with the Irwin Irrevocable Trust regarding the return of Partnership assets transferred to those individuals through Irwin or Jacklin. She has entered into tolling agreements with those individuals, and, in order to promote negotiations, provided several sets of documents to them documenting the asset transfers at issue. If the Receiver is unable to negotiate satisfactory settlements, she may then commence litigation.

**IX. RECEIVER'S CLAIMS AGAINST MF GLOBAL**

As reported in the Fourth Receiver's Report, on December 21, 2010, the Receiver filed a Complaint against MF Global, Inc., the futures commission merchant that held the Forte Partnership account, on the ground that it was negligent in the conduct of its business by ignoring, among other things, the internally inconsistent paperwork in its files relating to Forte's claim of exemption from registration with the CFTC. The Complaint was placed on this Court's docket as matter number 10-cv-7441. As previously reported, during the pendency of settlement discussions, MF Global collapsed and was placed into receivership on October 31, 2011.

On June 1, 2012, the Receiver filed her claim against MF Global with James W. Giddens, the Trustee for the SIPA Liquidation of MF Global, Inc. The Receiver is awaiting the resolution of that claim. The Receiver does not know whether and to what extent such claim will be approved or whether there will be sufficient assets in the MF Global estate for distribution to claimants such as the Receiver.

**X. RECEIVER'S CLAIMS AGAINST KEVIN RYAN, ESQ., ET AL.**

As reported in the Fourth Receiver's Report, on December 21, 2010, the Receiver filed a Complaint against Crawford, Wilson, Ryan & Agulnick, P.C., Crawford, Wilson & Ryan, LLC, and Kevin J. Ryan, Esquire. The Complaint was filed in this Court and is pending as matter number 10-cv-7440. The defendants in the Ryan litigation provided legal services to the Partnership over a period of years, including drafting the Limited Partnership Agreement through which the Partnership was created; preparing the Certificate of Incorporation; drafting an Amended Limited Partnership Agreement; and consulting on the legal requests of investors in the Partnership including the establishment of at least one Trust as an investor account in the Partnership. In addition to the legal work that Mr. Ryan provided to the Partnership, he was an

investor in the Partnership through a corporation he established and a profit sharing plan of which he was trustee. As a result, Mr. Ryan would have received any documentation that the Partnership provided to investors. The Complaint asserts legal malpractice claims under Pennsylvania law seeking to recover damages from defendants for harm they caused the Partnership in violation of their duties to provide competent legal services by, among other things, failing to advise the Partnership of the General Partner's obligations under the Commodities Exchange Act.

In answering the Complaint, Ryan has contended, among other things, that he had no duty to provide advice to the Partnership, that he informed Joseph Forte that his services would not include advice about the securities law requirements of the business of the Partnership, and that Forte informed him that Forte had a source of advice relating to securities law and that he was not relying to Mr. Ryan for such advice.

During this reporting period, the parties have continued to engage in discovery, including the depositions of Mr. Ryan, Ms. Hecht (twice), Mr. Irwin, and Joseph Forte at his place of incarceration in Michigan. The parties have exchanged expert reports and have conducted expert depositions. Mr. Ryan filed a motion for summary judgment under seal on August 10, 2012, to which the Receiver will respond no later than September 28, 2012, pursuant to the Court's Second Modified Scheduling Order entered on August 22, 2012. Trial is scheduled to commence on November 13, 2012.

## **XI. TAX MATTERS**

The Receiver's firm is in the process of preparing tax returns for the Qualified Settlement Fund (QSF) for the year 2011 with the Internal Revenue Service and the DC Government by the due date of September 15, 2012.



The Receiver has provided affidavits concerning the financial affairs of the Partnership to those investors interested in obtaining refunds of state taxes paid on the false profits and income reported to the investors by the Partnership. Investors who have not done so may find that the period to file a refund with the Pennsylvania Department of Revenue has closed.

## **XII. RECEIVER'S PLAN**

Fundamentally, this Receivership Estate has three categories of assets that the Receiver has been seeking to liquidate for the benefit of the Partnership's defrauded limited partners: (1) Joseph Forte's personal and real property, including various investments; (2) the Partnership's tort claims against its accountants, lawyers, and futures commission merchant; and (3) the clawback claims against certain limited partners and other recipients of Partnership assets from Forte:

*Real and personal property.* The Receiver has sold most of those assets and continues active efforts to sell the Boudwin Sea Isle property and the remaining small business investment as soon as practicable.

*Tort Claims.* The Receiver will continue to pursue her claim against Mr. Irwin and Jacklin through the administration of Mr. Irwin's Second Amended Plan of Reorganization, by supporting, to the extent requested, the SEC's civil enforcement action, and by pursuing Jacklin in this Court if it appears economically appropriate to do so. The Receiver will continue to pursue her claims against the Partnership's attorneys in this Court. The Receiver will continue to pursue her claim filed in MF Global's receivership if it appears economically appropriate to do so.

*Clawback Claims.* As discussed above in Section VI, the Receiver believes that the viability and extent of these claims has been clarified by the Court's resolution of the issues

presented in the Receiver's pending Bar Date Motion. She will continue her efforts to evaluate and engage in the most cost effective means of resolving her clawback claims, and will similarly continue her efforts to determine the financial ability of the affected investors to pay any judgment obtained.

Attached as Exhibit 3 is a timeline that reflects the Receiver's current best estimate of appropriate dates for the processing of the Receiver's tort and clawback claims and creditors' claims against the Receivership Estate. Although these dates may change depending on subsequent events, the timeline was developed with the goal of seeking to complete the majority of the activities necessary to wind up the Receivership, other than the trial of the Receiver's clawback and other claims, before the fourth anniversary of the Receiver's appointment. However, the Receiver's success in recovering funds to compensate investors for their losses, and the time required to do so, will inevitably depend on the defenses asserted by those persons from whom she is seeking to recover the assets.

Respectfully submitted,

s/Lawrence T. Hoyle, Jr.

Lawrence T. Hoyle, Jr.

Arlene Fickler

Schnader Harrison Segal & Lewis LLP

1600 Market Street, Suite 3600

Philadelphia, Pennsylvania 19103

Telephone (215) 751-2000

Facsimile (215) 751-2205

Attorneys for Marion A. Hecht, Receiver

Dated: September 4, 2012

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY THAT ON September 4, 2012, I caused a true and correct copy of the foregoing Seventh Report of Marion A. Hecht, Court-Appointed Receiver for Joseph S. Forte and Joseph Forte, L.P. to be filed electronically and made available for viewing and downloading from the ECF system of the United States District Court for the Eastern District of Pennsylvania, which will send notification of such filing to all counsel of record. The Receiver will also post a copy of the report and related documents on the Receivership website, [www.fortereceivership.com](http://www.fortereceivership.com).

The following counsel were also served through electronic mail:

Catherine E. Pappas, Esquire  
United States Securities and Exchange  
Commission  
701 Market Street, Suite 2000  
Philadelphia, PA 19106  
[pappasc@sec.gov](mailto:pappasc@sec.gov)

Timothy M. Kirby, Esquire  
U.S. Commodity Futures Trading  
Commission, Division of Enforcement  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581  
[tkirby@cftc.gov](mailto:tkirby@cftc.gov)

s/George P. Podolin

EXHIBIT 1

## Joseph Forte, LP and Joseph S. Forte Receivership

## Cash Basis Fund Accounting Report

Case Nos: 09-CV-0063 and 0064

Reporting Period: 03/30/2009 to 08/17/2012

| FUND ACCOUNTING  |                     | Changes Since 6th Receiver's Report |
|--|---------------------|-------------------------------------|
| Beginning Balance (As of 03/30/2009):                            |                     | \$ -                                |
| Cash and Securities Transferred to Receiver:                     |                     |                                     |
| Citizens Bank  | 89,140.82           |                                     |
| MF Global  | 6,267.54            |                                     |
|  | <u>95,408.36</u>    |                                     |
| Interest/Dividend Income:  |                     |                                     |
| Eagle Bank interest income                                       | 20,258.75           | 1,572.87                            |
| Presidential Bank Interest                                       | 1,173.94            | 234.19                              |
| Diversified Private Equity Inv II, LP (dividend)                 | 6,516.63            |                                     |
| Diversified Private Equity Inv, LP (dividend)                    | 614.08              |                                     |
| Plenum Capital Management, LP (dividend)                         | 266.17              |                                     |
|  | <u>28,829.57</u>    |                                     |
| Personal Asset Recoveries:                                       |                     |                                     |
| American Funds Forte 401K early distribution                     | 125,619.20          |                                     |
| Augustinian Friars (return of contribution)                      | 5,000.00            |                                     |
| Barry S Slossberg Inc (sale of Forte vehicles)                   | 42,375.00           |                                     |
| Barry S Slossberg Inc (sale of jewelry)                          | 9,378.75            |                                     |
| Barry S Slossberg Inc (sale of personal property)                | 28,935.35           |                                     |
| Charlie Cannon (return of gift)                                  | 2,550.00            | 550.00                              |
| Craig Williams for Congress (return of contribution)             | 6,900.00            |                                     |
| Dana Forte (purchase of household items)                         | 700.00              |                                     |
| Evanfest (return of contribution)                                | 3,500.00            |                                     |
| George Long (return of gift)                                     | 2,000.00            |                                     |
| Gilbert Nassib (return of gift)                                  | 5,000.00            | 2,000.00                            |
| Guardian Life Insurance proceeds                                 | 26,499.49           |                                     |
| Hill top Prep (return of Gift)                                   | 154,992.00          | 154,992.00                          |
| Joe Devlin (return of loan)                                      | 15,019.49           |                                     |
| Lisa Saddler (return of gift)                                    | 4,000.00            |                                     |
| Malvern Prep (return of contribution)                            | 700,000.00          |                                     |
| Marine Corps Scholarship Foundation (return of contribution)     | 10,500.00           |                                     |
| MF Global (mentee Jim Boudwin account)                           | 2,371.53            |                                     |
| PowerLift (return of deposit)                                    | 10,000.00           |                                     |
| Republican National Committee (return of gift)                   | 1,350.00            |                                     |
| Sale of 55th Street house  | 105,253.00          |                                     |
| Sale of Fawn Hill Lane   | 33,581.21           |                                     |
| Sale of Personal Investment (DPEI I & II)                        | 70,000.00           |                                     |
| Sale of Personal Investment (Knight, Nova Plex Plenum, Probaris) | 12,000.00           |                                     |
| Sale of Personal Investment (PPB Advisors)                       | 7,000.00            |                                     |
| Sale of Personal Investment (Yaupon)                             | 55,000.00           |                                     |
|  | <u>1,439,525.02</u> |                                     |
| Forte LP Asset Recoveries  |                     |                                     |
| Investor Recoveries:   |                     |                                     |
| Investor 1029.0 (includes interest of \$5,000)                   | 427,206.00          | 427,206.00                          |
| Investor 1103.0  | 272,433.00          |                                     |
| Investor 1098.0 (includes interest of \$4,000)                   | 203,373.00          |                                     |
| Investor 1080.0  | 200,000.00          |                                     |
| Investor 1073.0  | 122,424.00          |                                     |
| Investor 1026.0  | 95,467.00           |                                     |
| Investor 1119.0 (includes interest of \$4,380)                   | 92,000.00           |                                     |
| Investor R01   | 30,000.00           |                                     |
| Investor 1111.0  | 23,305.00           |                                     |
| Investor 1121.0  | 19,315.00           |                                     |
| Investor 1097.0  | 13,899.00           |                                     |
|  | <u>1,499,422.00</u> |                                     |
|  |                     | <u>586,555.06</u>                   |
| Total Funds Available Before Expenses                            |                     | 3,063,184.95                        |

EXHIBIT 1

Joseph Forte, LP and Joseph S. Forte Receivership  
 Cash Basis Fund Accounting Report  
 Cse Nos: 09-CV-0063 and 0064  
 Reporting Period: 03/30/2009 to 08/17/2012

|  |                     |                   |
|--|---------------------|-------------------|
| <b>Decreases in Fund Balance:</b>                      |                     |                   |
| Disbursements to Receiver and counsel                  | 1,196,576.37        | 264,252.44        |
| Section 754 notices                                    | 2,847.00            |                   |
| Website  | 12,289.00           | 1,796.50          |
| Change of Registered Agent                             | 763.60              |                   |
| Due Diligence Investigator                             | 650.00              |                   |
| Expert Witness Fees                                    | 4,109.50            |                   |
| Publication  | 5,361.73            | 5,361.73          |
| Property Search  | 150.00              | 150.00            |
| Appraiser  | 225.00              | 225.00            |
| Tax Services   | 16,830.00           | 3,230.00          |
|  | 1,239,802.20        |                   |
| Bank Fees  | 151.02              | 20.00             |
| Personal Asset Upkeep and Protection Expenses:         |                     |                   |
| 55th Street  | 2,443.57            |                   |
| Fawn Hill Lane   | 3,175.10            |                   |
| Administrative - regarding insurance recovery          | 78.00               |                   |
|  | 5,696.67            |                   |
| <b>Total Disbursements for Receivership Operations</b> | <b>1,245,649.89</b> | <b>275,035.67</b> |
| <b>Total Funds Disbursed</b>                           | <b>1,245,649.89</b> |                   |
| Ending Balance of Fund - Net Assets (as of 8/17/2012)  | \$ 1,817,535.06     |                   |
| Eagle Bank Balance (as of 8/17/2012)                   | \$ 1,598,273.08     |                   |
| Presidential Bank Balance (as of 7/31/2012)            | \$ 246,173.94       |                   |
|  | \$ 1,844,447.02     |                   |

EXHIBIT 2

| JOSEPH FORTE LP   |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
|---|-------------------------------------|-------------------|-----------------------|-------------------|------------------------|-------------------------|-----------------------------|------------------------|------------------------|-----------------|-----------------------------------|-------------------|
| ALL LIMITED PARTNER ACCOUNTS - As of August 17, 2012                |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
| Draft Schedule - Subject to Revision - Based on Available Documents |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
| Investor ID No.   | Cash Beginning Capital Contribution | Cash Contribution | Intrafund Transfer-In | Cash Distribution | Intrafund Transfer-Out | Total Capital Additions | Total Capital Distributions | Adjustments and New LP | False Profits Returned | Settlements Due | Capital Account Balance 8/17/2012 | Interest Received |
| 1001.0  | -                                   | 3,250,000         | -                     | (7,066)           | -                      | 3,250,000               | (7,066)                     | -                      | -                      | -               | 3,242,934                         | -                 |
| 1002.0  | -                                   | 25,000            | -                     | -                 | -                      | 25,000                  | -                           | -                      | -                      | -               | 25,000                            | -                 |
| 1003.0  | -                                   | 250,000           | -                     | -                 | -                      | 250,000                 | -                           | -                      | -                      | -               | 250,000                           | -                 |
| 1004.0  | -                                   | 1,059,393         | 1,734,133             | (1,083,000)       | (1,278,000)            | 2,793,526               | (2,361,000)                 | -                      | -                      | -               | 432,526                           | -                 |
| 1005.0  | -                                   | 271,091           | 44,000                | (31,281)          | -                      | 315,091                 | (31,281)                    | -                      | -                      | -               | 283,810                           | -                 |
| 1006.0  | -                                   | 581,999           | -                     | (135,500)         | -                      | 581,999                 | (135,500)                   | -                      | -                      | -               | 446,499                           | -                 |
| 1008.0  | -                                   | 50,000            | -                     | -                 | -                      | 50,000                  | -                           | -                      | -                      | -               | 50,000                            | -                 |
| 1009.0  | -                                   | 175,000           | -                     | (3,681)           | (171,319)              | 175,000                 | (175,000)                   | -                      | -                      | -               | -                                 | -                 |
| 1010.0  | -                                   | 1,285,430         | -                     | -                 | -                      | 1,285,430               | -                           | -                      | -                      | -               | 1,285,430                         | -                 |
| 1011.0  | -                                   | 1,680,000         | 171,319               | (1,996)           | -                      | 1,851,319               | (1,996)                     | -                      | -                      | -               | 1,849,323                         | -                 |
| 1012.0  | -                                   | -                 | 120,000               | (58,000)          | -                      | 120,000                 | (58,000)                    | -                      | -                      | -               | 62,000                            | -                 |
| 1014.0  | -                                   | 50,000            | 30,000                | -                 | -                      | 80,000                  | -                           | -                      | -                      | -               | 80,000                            | -                 |
| 1015.0  | -                                   | -                 | 120,000               | (100,000)         | -                      | 120,000                 | (100,000)                   | -                      | -                      | -               | 20,000                            | -                 |
| 1016.0  | -                                   | 100,000           | -                     | -                 | -                      | 100,000                 | -                           | -                      | -                      | -               | 100,000                           | -                 |
| 1017.0  | -                                   | 1,000,000         | -                     | (1,171,497)       | -                      | 1,000,000               | (1,171,497)                 | (3,710)                | -                      | -               | (175,207)                         | -                 |
| 1018.0  | -                                   | 358,000           | 62,108                | (1,212,000)       | -                      | 420,108                 | (1,212,000)                 | -                      | -                      | -               | (791,892)                         | -                 |
| 1019.0  | -                                   | 62,108            | -                     | (288,000)         | (62,108)               | 150,000                 | (288,000)                   | -                      | -                      | -               | (138,000)                         | -                 |
| 1020.0  | -                                   | 150,000           | -                     | -                 | -                      | 150,000                 | -                           | -                      | -                      | -               | 60,000                            | -                 |
| 1021.0  | -                                   | 60,000            | -                     | -                 | -                      | 60,000                  | -                           | -                      | -                      | -               | 60,000                            | -                 |
| 1022.0  | -                                   | 60,000            | -                     | -                 | -                      | 60,000                  | -                           | -                      | -                      | -               | 60,000                            | -                 |
| 1025.0  | 25,000                              | 83,750            | -                     | (304,000)         | -                      | 83,750                  | (304,000)                   | 92,250                 | -                      | -               | (128,000)                         | -                 |
| 1026.0  | -                                   | 335,000           | -                     | (430,467)         | -                      | 335,000                 | (430,467)                   | -                      | 95,467                 | -               | -                                 | -                 |
| 1027.0  | -                                   | 250,000           | -                     | -                 | -                      | 250,000                 | -                           | -                      | -                      | -               | 250,000                           | -                 |
| 1029.0  | -                                   | 977,012           | 540,000               | (1,939,218)       | -                      | 1,517,012               | (1,939,218)                 | -                      | 422,206                | -               | -                                 | 5,000             |
| 1030.0  | -                                   | 850,000           | -                     | -                 | -                      | 850,000                 | -                           | -                      | -                      | -               | 850,000                           | -                 |
| 1031.0  | -                                   | 800,000           | -                     | (165,756)         | -                      | 800,000                 | (165,756)                   | -                      | -                      | -               | 634,244                           | -                 |
| 1032.0  | 25,000                              | 8,172,054         | 4,644,500             | (3,581,771)       | (10,899,282)           | 12,841,554              | (14,481,053)                | -                      | -                      | -               | (1,639,499)                       | -                 |
| 1032.5  | -                                   | 2,552,120         | 1,898,453             | (865,951)         | (3,296,500)            | 4,450,573               | (4,162,451)                 | -                      | -                      | -               | 288,122                           | -                 |
| 1033.0  | -                                   | 330,000           | 1,093,766             | -                 | -                      | 1,423,766               | -                           | -                      | -                      | -               | 1,423,766                         | -                 |
| 1034.0  | -                                   | 666,000           | 1,000,000             | -                 | (1,666,000)            | 1,666,000               | (1,666,000)                 | -                      | -                      | -               | -                                 | -                 |
| 1035.0  | -                                   | 217,175           | -                     | (30,855)          | (186,320)              | 217,175                 | (217,175)                   | -                      | -                      | -               | -                                 | -                 |
| 1036.0  | -                                   | -                 | 291,893               | (5,740)           | (291,893)              | 291,893                 | (297,633)                   | -                      | -                      | -               | (5,740)                           | -                 |
| 1037.0  | -                                   | 1037.0            | 291,893               | (9,430)           | (291,893)              | 291,893                 | (301,323)                   | -                      | -                      | -               | (9,430)                           | -                 |
| 1038.0  | -                                   | -                 | 97,297                | (6,930)           | (97,297)               | 97,297                  | (104,227)                   | -                      | -                      | -               | (6,930)                           | -                 |
| 1039.0  | -                                   | -                 | 291,893               | (7,460)           | (291,893)              | 291,893                 | (299,353)                   | -                      | -                      | -               | (7,460)                           | -                 |
| 1039.5  | -                                   | -                 | 1,691,766             | -                 | -                      | 1,691,766               | -                           | -                      | -                      | -               | 1,691,766                         | -                 |
| 1040.0  | -                                   | -                 | 1,691,766             | -                 | -                      | 1,691,766               | -                           | -                      | -                      | -               | 1,691,766                         | -                 |
| 1041.0  | -                                   | -                 | 1,691,765             | -                 | -                      | 1,691,765               | -                           | -                      | -                      | -               | 1,691,765                         | -                 |
| 1042.0  | -                                   | -                 | -                     | (54,638)          | -                      | -                       | (54,638)                    | -                      | -                      | -               | (54,638)                          | -                 |
| 1043.0  | -                                   | -                 | 185,992               | (97,260)          | (185,992)              | 185,992                 | (283,252)                   | -                      | -                      | -               | (97,260)                          | -                 |
| 1044.0  | -                                   | 18,869,634        | 1,773,983             | (5,419,010)       | (15,140,248)           | 20,643,617              | (20,559,258)                | -                      | -                      | -               | 84,359                            | -                 |
| 1045.0  | -                                   | -                 | 185,992               | (66,660)          | (185,992)              | 185,992                 | (252,652)                   | -                      | -                      | -               | (66,660)                          | -                 |
| 1046.0  | -                                   | 613,444           | 1,712,133             | (1,126,655)       | (1,234,000)            | 2,325,577               | (2,360,655)                 | -                      | -                      | -               | (35,078)                          | -                 |
| 1047.0  | -                                   | 1,000             | 24,000                | (742)             | -                      | 25,000                  | (742)                       | -                      | -                      | -               | 24,258                            | -                 |
| 1048.0  | -                                   | 25,685            | 24,000                | -                 | -                      | 49,685                  | -                           | -                      | -                      | -               | 49,685                            | -                 |
| 1049.0  | -                                   | 24,267            | 24,000                | -                 | -                      | 48,267                  | -                           | -                      | -                      | -               | 48,267                            | -                 |
| 1050.0  | -                                   | 25,300            | 24,000                | (3,138)           | -                      | 49,300                  | (3,138)                     | -                      | -                      | -               | 46,162                            | -                 |
| 1051.0  | -                                   | 3,223,969         | 1,412,133             | (3,267,881)       | (920,000)              | 4,636,102               | (4,187,881)                 | -                      | -                      | -               | 448,221                           | -                 |
| 1052.0  | -                                   | 2,984,242         | 13,638,984            | (13,424,738)      | -                      | 16,623,226              | (13,424,738)                | -                      | -                      | -               | 3,198,488                         | -                 |
| 1054.0  | -                                   | -                 | 185,992               | (110,262)         | (185,992)              | 185,992                 | (296,254)                   | -                      | -                      | -               | (110,262)                         | -                 |
| 1055.0  | -                                   | 150,000           | -                     | -                 | -                      | 150,000                 | -                           | -                      | -                      | -               | 150,000                           | -                 |

EXHIBIT 2

| JOSEPH FORTE LP   |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
|---|-------------------------------------|-------------------|-----------------------|-------------------|------------------------|-------------------------|-----------------------------|------------------------|------------------------|-----------------|-----------------------------------|-------------------|
| ALL LIMITED PARTNER ACCOUNTS - As of August 17, 2012                |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
| Draft Schedule - Subject to Revision - Based on Available Documents |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
| Investor ID No.   | Cash Beginning Capital Contribution | Cash Contribution | Intrafund Transfer-In | Cash Distribution | Intrafund Transfer-Out | Total Capital Additions | Total Capital Distributions | Adjustments and New LP | False Profits Returned | Settlements Due | Capital Account Balance 8/17/2012 | Interest Received |
| 1056.0  | -                                   | 1,020,000         | -                     | -                 | -                      | 1,020,000               | -                           | -                      | -                      | -               | 1,020,000                         | -                 |
| 1057.0  | -                                   | 195,000           | 150,000               | -                 | (43,500)               | 345,000                 | (43,500)                    | -                      | -                      | -               | 301,500                           | -                 |
| 1058.0  | -                                   | 20,000            | -                     | -                 | -                      | 20,000                  | -                           | -                      | -                      | -               | 20,000                            | -                 |
| 1059.0  | -                                   | 300,000           | -                     | -                 | -                      | 300,000                 | -                           | -                      | -                      | -               | 300,000                           | -                 |
| 1059.5  | 45,771                              | 1,275,114         | 1,018,500             | (1,880,000)       | (1,175,000)            | 2,339,385               | (3,055,000)                 | (42,000)               | -                      | -               | (757,615)                         | -                 |
| 1060.0  | -                                   | 25,000            | 900,000               | (90,000)          | (925,000)              | 925,000                 | (1,015,000)                 | -                      | -                      | -               | (90,000)                          | -                 |
| 1061.0  | -                                   | 50,000            | -                     | -                 | (50,000)               | 50,000                  | (50,000)                    | -                      | -                      | -               | -                                 | -                 |
| 1062.0  | -                                   | 585,000           | -                     | (175,000)         | -                      | 585,000                 | (175,000)                   | -                      | -                      | -               | 410,000                           | -                 |
| 1063.0  | -                                   | 283,000           | -                     | (113,000)         | -                      | 283,000                 | (113,000)                   | -                      | -                      | -               | 170,000                           | -                 |
| 1064.0  | -                                   | 216,000           | 11,000                | (345,000)         | -                      | 227,000                 | (345,000)                   | -                      | -                      | -               | (118,000)                         | -                 |
| 1066.0  | -                                   | 300,000           | -                     | (117,000)         | (100,000)              | 300,000                 | (217,000)                   | -                      | -                      | -               | 83,000                            | -                 |
| 1067.0  | -                                   | 870,667           | -                     | (799,346)         | (62,000)               | 870,667                 | (861,346)                   | -                      | -                      | -               | 9,321                             | -                 |
| 1068.0  | -                                   | 131,000           | 11,000                | (77,000)          | -                      | 142,000                 | (77,000)                    | -                      | -                      | -               | 65,000                            | -                 |
| 1069.0  | -                                   | 30,000            | -                     | (65,000)          | -                      | 30,000                  | (65,000)                    | -                      | -                      | -               | (35,000)                          | -                 |
| 1070.0  | -                                   | 265,500           | -                     | (317,000)         | -                      | 265,500                 | (317,000)                   | -                      | -                      | -               | (51,500)                          | -                 |
| 1071.0  | -                                   | 325,000           | -                     | -                 | -                      | 325,000                 | -                           | -                      | -                      | -               | 325,000                           | -                 |
| 1072.0  | -                                   | 50,000            | -                     | -                 | -                      | 50,000                  | -                           | -                      | -                      | -               | 50,000                            | -                 |
| 1073.0  | -                                   | 400,000           | -                     | (522,424)         | (30,000)               | 400,000                 | (552,424)                   | 30,000                 | 122,424                | -               | -                                 | -                 |
| 1074.0  | -                                   | 50,000            | -                     | (2,334)           | -                      | 50,000                  | (2,334)                     | -                      | -                      | -               | 47,666                            | -                 |
| 1075.0  | -                                   | 14,000            | 100,000               | -                 | -                      | 114,000                 | -                           | -                      | -                      | -               | 114,000                           | -                 |
| 1076.0  | -                                   | 483,000           | -                     | (463,000)         | -                      | 483,000                 | (463,000)                   | -                      | -                      | -               | 20,000                            | -                 |
| 1077.0  | -                                   | 900,000           | -                     | (1,300,000)       | -                      | 900,000                 | (1,300,000)                 | -                      | -                      | -               | (400,000)                         | -                 |
| 1078.0  | -                                   | 700,000           | -                     | -                 | -                      | 700,000                 | -                           | -                      | -                      | -               | 700,000                           | -                 |
| 1079.0  | -                                   | 240,999           | 27,000                | (225,000)         | (42,999)               | 267,999                 | (267,999)                   | -                      | -                      | -               | -                                 | -                 |
| 1079.5  | -                                   | 104,262           | 13,000                | (100,000)         | (17,262)               | 117,262                 | (117,262)                   | -                      | -                      | -               | -                                 | -                 |
| 1080.0  | -                                   | 530,881           | -                     | (487,850)         | (243,031)              | 530,881                 | (730,881)                   | -                      | 200,000                | -               | -                                 | -                 |
| 1082.0  | -                                   | 135,000           | -                     | (13,000)          | -                      | 135,000                 | (13,000)                    | -                      | -                      | -               | 122,000                           | -                 |
| 1083.0  | -                                   | 86,600            | -                     | (149,000)         | -                      | 86,600                  | (149,000)                   | -                      | -                      | -               | (62,400)                          | -                 |
| 1084.0  | -                                   | 105,000           | -                     | (100,000)         | -                      | 105,000                 | -                           | -                      | -                      | -               | 105,000                           | -                 |
| 1086.0  | -                                   | 750,000           | -                     | (750,000)         | -                      | 750,000                 | (100,000)                   | -                      | -                      | -               | 650,000                           | -                 |
| 1087.0  | -                                   | 1,052,594         | 1,769,304             | (54,336)          | -                      | 2,821,898               | (54,336)                    | -                      | -                      | -               | 2,767,562                         | -                 |
| 1087.5  | -                                   | 1,709,043         | -                     | (1,709,043)       | -                      | 1,709,043               | (1,709,043)                 | -                      | -                      | -               | -                                 | -                 |
| 1088.0  | -                                   | 295,000           | -                     | (251,474)         | -                      | 295,000                 | (251,474)                   | 530                    | -                      | -               | 44,056                            | -                 |
| 1089.0  | -                                   | 200,000           | -                     | (360,738)         | -                      | 200,000                 | (360,738)                   | -                      | -                      | -               | (160,738)                         | -                 |
| 1090.0  | -                                   | 67,000            | -                     | (266,700)         | -                      | 67,000                  | (266,700)                   | -                      | -                      | -               | (199,700)                         | -                 |
| 1091.0  | -                                   | 250,000           | -                     | -                 | -                      | 250,000                 | -                           | -                      | -                      | -               | 250,000                           | -                 |
| 1092.0  | -                                   | -                 | 30,000                | -                 | -                      | 30,000                  | -                           | -                      | -                      | -               | 30,000                            | -                 |
| 1093.0  | -                                   | 290,000           | -                     | (620,000)         | -                      | 290,000                 | (620,000)                   | -                      | -                      | -               | (330,000)                         | -                 |
| 1094.0  | -                                   | 1,250,000         | -                     | -                 | -                      | 1,250,000               | -                           | -                      | -                      | -               | 1,250,000                         | -                 |
| 1095.0  | -                                   | 135,000           | -                     | (2,000)           | -                      | 135,000                 | (2,000)                     | -                      | -                      | -               | 133,000                           | -                 |
| 1096.0  | -                                   | 1,049,915         | -                     | (108,975)         | -                      | 1,049,915               | (108,975)                   | -                      | -                      | -               | 940,940                           | -                 |
| 1097.0  | -                                   | 58,000            | -                     | (72,439)          | -                      | 58,000                  | (72,439)                    | -                      | -                      | -               | -                                 | -                 |
| 1098.0  | -                                   | -                 | -                     | (199,373)         | -                      | -                       | (199,373)                   | -                      | 13,899                 | 540             | -                                 | -                 |
| 1099.0  | -                                   | 1,516,444         | -                     | (1,787,000)       | (7,149)                | 1,516,444               | (1,794,149)                 | -                      | 199,373                | -               | (277,705)                         | 4,000             |
| 1100.0  | -                                   | 140,000           | -                     | (18,412)          | -                      | 140,000                 | (18,412)                    | -                      | -                      | -               | 121,588                           | -                 |
| 1101.0  | -                                   | 52,089            | 7,149                 | (154,819)         | -                      | 59,238                  | (154,819)                   | -                      | -                      | -               | (95,581)                          | -                 |
| 1102.0  | -                                   | 2,200,000         | -                     | (2,719,547)       | -                      | 2,200,000               | (2,719,547)                 | -                      | -                      | -               | (519,547)                         | -                 |
| 1103.0  | -                                   | 723,903           | -                     | (1,005,336)       | -                      | 723,903                 | (1,005,336)                 | 9,000                  | 272,433                | -               | -                                 | -                 |
| 1104.0  | -                                   | 13,000            | -                     | (2,000)           | -                      | 13,000                  | (2,000)                     | -                      | -                      | -               | 11,000                            | -                 |
| 1105.0  | -                                   | 6,000             | -                     | (10,000)          | -                      | 6,000                   | (10,000)                    | 10,000                 | -                      | -               | 6,000                             | -                 |
| 1106.0  | -                                   | 195,300           | -                     | (21,889)          | -                      | 199,300                 | (21,889)                    | -                      | -                      | -               | 177,411                           | -                 |
| 1107.0  | -                                   | 200,000           | -                     | (24,612)          | -                      | 200,000                 | (24,612)                    | -                      | -                      | -               | 175,388                           | -                 |

EXHIBIT 2

| JOSEPH FORTE LP   |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
|---|-------------------------------------|-------------------|-----------------------|-------------------|------------------------|-------------------------|-----------------------------|------------------------|------------------------|-----------------|-----------------------------------|-------------------|
| ALL LIMITED PARTNER ACCOUNTS - As of August 17, 2012                |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
| Draft Schedule - Subject to Revision - Based on Available Documents |                                     |                   |                       |                   |                        |                         |                             |                        |                        |                 |                                   |                   |
| Investor ID No.   | Cash Beginning Capital Contribution | Cash Contribution | Intrafund Transfer-In | Cash Distribution | Intrafund Transfer-Out | Total Capital Additions | Total Capital Distributions | Adjustments and New LP | False Profits Returned | Settlements Due | Capital Account Balance 8/17/2012 | Interest Received |
| 1108.0  | -                                   | 566,731           | -                     | (165,000)         | -                      | 566,731                 | (165,000)                   | -                      | -                      | -               | 401,731                           | -                 |
| 1110.0  | -                                   | 750,000           | -                     | (264,940)         | -                      | 750,000                 | (264,940)                   | 4,940                  | -                      | -               | 490,000                           | -                 |
| 1111.0  | -                                   | 192,423           | -                     | (215,730)         | -                      | 192,423                 | (215,730)                   | 2                      | 23,305                 | -               | -                                 | -                 |
| 1112.0  | -                                   | 217,000           | 250,000               | (97,000)          | -                      | 467,000                 | (97,000)                    | -                      | -                      | -               | 370,000                           | -                 |
| 1113.0  | -                                   | 816,408           | -                     | (844,890)         | (250,000)              | 816,408                 | (1,094,890)                 | -                      | -                      | -               | (278,482)                         | -                 |
| 1115.0  | -                                   | 130,108           | -                     | -                 | -                      | 130,108                 | -                           | -                      | -                      | -               | 130,108                           | -                 |
| 1116.0  | -                                   | 165,000           | 25,000                | (10,000)          | -                      | 190,000                 | (10,000)                    | -                      | -                      | -               | 180,000                           | -                 |
| 1118.0  | -                                   | -                 | -                     | -                 | -                      | -                       | -                           | -                      | -                      | -               | -                                 | -                 |
| 1119.0  | -                                   | 91,380            | -                     | (179,000)         | -                      | 91,380                  | (179,000)                   | -                      | 87,620                 | -               | -                                 | 4,380             |
| 1120.0  | -                                   | 259,000           | -                     | (587,525)         | -                      | 259,000                 | (587,525)                   | -                      | -                      | -               | (328,525)                         | -                 |
| 1121.0  | -                                   | 280,685           | -                     | (300,000)         | -                      | 280,685                 | (300,000)                   | -                      | 19,315                 | -               | -                                 | -                 |
| 1122.0  | -                                   | 500,000           | -                     | -                 | -                      | 500,000                 | -                           | -                      | -                      | -               | 500,000                           | -                 |
| 1123.0  | -                                   | -                 | 24,000                | -                 | -                      | 24,000                  | -                           | -                      | -                      | -               | 24,000                            | -                 |
| 1124.0  | -                                   | 130,000           | 30,000                | (60,000)          | (24,000)               | 160,000                 | (84,000)                    | -                      | -                      | -               | 76,000                            | -                 |
| 1125.0  | -                                   | 200,000           | -                     | -                 | -                      | 200,000                 | -                           | -                      | -                      | -               | 200,000                           | -                 |
| 1126.0  | -                                   | 100,000           | -                     | -                 | -                      | 100,000                 | -                           | -                      | -                      | -               | 100,000                           | -                 |
| 1127.0  | -                                   | 332,914           | -                     | (12,000)          | -                      | 332,914                 | (12,000)                    | 12,000                 | -                      | -               | 332,914                           | -                 |
| 1128.0  | -                                   | 25,000            | -                     | (10,000)          | -                      | 25,000                  | (10,000)                    | -                      | -                      | -               | 15,000                            | -                 |
| 1129.0  | -                                   | 200,000           | -                     | (70,000)          | -                      | 200,000                 | (70,000)                    | -                      | -                      | -               | 130,000                           | -                 |
| 1130.0  | -                                   | 100,000           | -                     | (60,000)          | -                      | 100,000                 | (60,000)                    | -                      | -                      | -               | 40,000                            | -                 |
| 1131.0  | -                                   | 25,000            | -                     | (71,955)          | -                      | 25,000                  | (71,955)                    | -                      | -                      | -               | (46,955)                          | -                 |
| R01   | 70,771                              | 78,548,633        | 41,063,714            | (52,979,227)      | (41,063,713)           | 119,683,118             | (94,042,940)                | (30,000)               | 30,000                 | 540             | 27,209,772                        | 13,380            |
|   |                                     |                   |                       |                   |                        |                         |                             | 83,012                 | 1,486,042              |                 |                                   |                   |

Notes:

1. Phantom profits have been removed.
2. Intrafund transfer is a debit from a LP account to the extent of cash available at time of transfer with corresponding credit to a transferee LP account.
3. See Exhibit 2.1 for summary of Adjustments to Capital Account Balances.
4. Based on available records, there were 125 LP accounts at various times. Some of the LP accounts have been closed.





EXHIBIT 2.2

| JOSEPH FORTE LP   |                                     |                   |                       |                   |                        |                   |                             |                        |                      |                               |                        |                            |                   |
|---|-------------------------------------|-------------------|-----------------------|-------------------|------------------------|-------------------|-----------------------------|------------------------|----------------------|-------------------------------|------------------------|----------------------------|-------------------|
| LIMITED PARTNER ACCOUNTS NET WINNERS ONLY - as of August 17, 2012 |                                     |                   |                       |                   |                        |                   |                             |                        |                      |                               |                        |                            |                   |
| Draft Schedule Subject to Revision - Based on Available Documents |                                     |                   |                       |                   |                        |                   |                             |                        |                      |                               |                        |                            |                   |
| Investor ID No.   | Cash Beginning Capital Contribution | Cash Contribution | Intrafund Transfer-In | Cash Distribution | Intrafund Transfer-Out | Capital Additions | Total Capital Distributions | Adjustments and New LP | Revised Net Winnings | Net Winnings Payment Received | Settlement Amounts Due | Net Winnings Due 8/17/2012 | Interest Received |
|   |                                     |                   |                       |                   |                        |                   |                             |                        |                      |                               |                        |                            |                   |
| 1017.0  | -                                   | 1,000,000         | -                     | (1,171,497)       | -                      | 1,000,000         | (1,171,497)                 | (3,710)                | (175,207)            | -                             | -                      | (175,207)                  | -                 |
| 1018.0  | -                                   | 338,000           | 62,108                | (1,212,000)       | -                      | 420,108           | (1,212,000)                 | -                      | (791,892)            | -                             | -                      | (791,892)                  | -                 |
| 1020.0  | -                                   | 150,000           | -                     | (288,000)         | -                      | 150,000           | (288,000)                   | -                      | (138,000)            | -                             | -                      | (138,000)                  | -                 |
| 1025.0  | -                                   | 83,750            | -                     | (304,000)         | -                      | 83,750            | (304,000)                   | 92,250                 | (128,000)            | -                             | -                      | (128,000)                  | -                 |
| 1026.0  | -                                   | 335,000           | -                     | (430,467)         | -                      | 335,000           | (430,467)                   | -                      | (95,467)             | 95,467                        | -                      | -                          | -                 |
| 1029.0  | -                                   | 977,012           | 540,000               | (1,939,218)       | -                      | 1,517,012         | (1,939,218)                 | -                      | (422,206)            | 422,206                       | -                      | -                          | 5,000             |
| 1032.0  | 25,000                              | 8,172,054         | 4,644,500             | (3,581,771)       | (10,899,282)           | 12,841,554        | (14,481,053)                | -                      | (1,639,499)          | -                             | -                      | (1,639,499)                | -                 |
| 1036.0  | -                                   | -                 | 291,893               | (5,740)           | (291,893)              | 291,893           | (297,633)                   | -                      | (5,740)              | -                             | -                      | (5,740)                    | -                 |
| 1037.0  | -                                   | -                 | 291,893               | (9,430)           | (291,893)              | 291,893           | (301,323)                   | -                      | (9,430)              | -                             | -                      | (9,430)                    | -                 |
| 1038.0  | -                                   | -                 | 97,297                | (6,930)           | (97,297)               | 97,297            | (104,227)                   | -                      | (6,930)              | -                             | -                      | (6,930)                    | -                 |
| 1039.0  | -                                   | -                 | 291,893               | (7,460)           | (291,893)              | 291,893           | (299,353)                   | -                      | (7,460)              | -                             | -                      | (7,460)                    | -                 |
| 1042.0  | -                                   | -                 | -                     | (54,638)          | -                      | -                 | (54,638)                    | -                      | (54,638)             | -                             | -                      | (54,638)                   | -                 |
| 1043.0  | -                                   | -                 | 185,992               | (97,260)          | (185,992)              | 185,992           | (283,252)                   | -                      | (97,260)             | -                             | -                      | (97,260)                   | -                 |
| 1045.0  | -                                   | -                 | 185,992               | (66,660)          | (185,992)              | 185,992           | (252,652)                   | -                      | (66,660)             | -                             | -                      | (66,660)                   | -                 |
| 1046.0  | -                                   | 613,444           | 1,712,133             | (1,126,655)       | (1,234,000)            | 2,325,577         | (2,360,655)                 | -                      | (35,078)             | -                             | -                      | (35,078)                   | -                 |
| 1054.0  | -                                   | -                 | 185,992               | (110,262)         | (185,992)              | 185,992           | (296,254)                   | -                      | (110,262)            | -                             | -                      | (110,262)                  | -                 |
| 1059.5  | 45,771                              | 1,275,114         | 1,018,500             | (1,880,000)       | (1,175,000)            | 2,339,385         | (3,055,000)                 | (42,000)               | (757,615)            | -                             | -                      | (757,615)                  | -                 |
| 1060.0  | -                                   | 25,000            | 900,000               | (90,000)          | (925,000)              | 925,000           | (1,015,000)                 | -                      | (90,000)             | -                             | -                      | (90,000)                   | -                 |
| 1064.0  | -                                   | 216,000           | 11,000                | (345,000)         | -                      | 227,000           | (345,000)                   | -                      | (118,000)            | -                             | -                      | (118,000)                  | -                 |
| 1069.0  | -                                   | 30,000            | -                     | (65,000)          | -                      | 30,000            | (65,000)                    | -                      | (35,000)             | -                             | -                      | (35,000)                   | -                 |
| 1070.0  | -                                   | 265,500           | -                     | (317,000)         | -                      | 265,500           | (317,000)                   | -                      | (51,500)             | -                             | -                      | (51,500)                   | -                 |
| 1073.0  | -                                   | 400,000           | -                     | (522,424)         | (30,000)               | 400,000           | (552,424)                   | 30,000                 | (122,424)            | 122,424                       | -                      | -                          | -                 |
| 1077.0  | -                                   | 900,000           | -                     | (1,300,000)       | (243,031)              | 900,000           | (1,300,000)                 | -                      | (400,000)            | 200,000                       | -                      | (400,000)                  | -                 |
| 1080.0  | -                                   | 530,881           | -                     | (487,850)         | -                      | 530,881           | (730,881)                   | -                      | (200,000)            | -                             | -                      | (200,000)                  | -                 |
| 1083.0  | -                                   | 86,600            | -                     | (149,000)         | -                      | 86,600            | (149,000)                   | -                      | (62,400)             | -                             | -                      | (62,400)                   | -                 |
| 1089.0  | -                                   | 200,000           | -                     | (360,738)         | -                      | 200,000           | (360,738)                   | -                      | (160,738)            | -                             | -                      | (160,738)                  | -                 |
| 1090.0  | -                                   | 67,000            | -                     | (266,700)         | -                      | 67,000            | (266,700)                   | -                      | (199,700)            | -                             | -                      | (199,700)                  | -                 |
| 1093.0  | -                                   | 290,000           | -                     | (620,000)         | -                      | 290,000           | (620,000)                   | -                      | (330,000)            | -                             | -                      | (330,000)                  | -                 |
| 1097.0  | -                                   | 58,000            | -                     | (72,439)          | -                      | 58,000            | (72,439)                    | -                      | (14,439)             | 13,899                        | 540                    | -                          | -                 |
| 1098.0  | -                                   | -                 | -                     | (199,373)         | -                      | -                 | (199,373)                   | -                      | (199,373)            | 199,373                       | -                      | -                          | 4,000             |
| 1099.0  | -                                   | 1,516,444         | -                     | (1,787,000)       | (7,149)                | 1,516,444         | (1,794,149)                 | -                      | (277,705)            | -                             | -                      | (277,705)                  | -                 |
| 1101.0  | -                                   | 52,089            | 7,149                 | (154,819)         | -                      | 59,238            | (154,819)                   | -                      | (95,581)             | -                             | -                      | (95,581)                   | -                 |
| 1102.0  | -                                   | 2,000,000         | -                     | (2,719,547)       | -                      | 2,000,000         | (2,719,547)                 | -                      | (519,547)            | -                             | -                      | (519,547)                  | -                 |
| 1103.0  | -                                   | 723,903           | -                     | (1,005,336)       | -                      | 723,903           | (1,005,336)                 | 9,000                  | (272,433)            | 272,433                       | -                      | -                          | -                 |
| 1111.0  | -                                   | 192,423           | -                     | (215,730)         | -                      | 192,423           | (215,730)                   | 2                      | (23,305)             | 23,305                        | -                      | -                          | -                 |
| 1115.0  | -                                   | 816,408           | -                     | (844,890)         | (250,000)              | 816,408           | (1,094,890)                 | -                      | (278,482)            | 87,620                        | -                      | (278,482)                  | -                 |
| 1119.0  | -                                   | 91,380            | -                     | (179,000)         | -                      | 91,380            | (179,000)                   | -                      | (87,620)             | -                             | -                      | (87,620)                   | -                 |
| 1120.0  | -                                   | 259,000           | -                     | (587,525)         | -                      | 259,000           | (587,525)                   | -                      | (328,525)            | -                             | -                      | (328,525)                  | -                 |
| 1121.0  | -                                   | 280,685           | -                     | (300,000)         | -                      | 280,685           | (300,000)                   | -                      | (19,315)             | 19,315                        | -                      | -                          | -                 |
| 1131.0  | -                                   | 25,000            | -                     | (71,955)          | -                      | 25,000            | (71,955)                    | -                      | (46,955)             | -                             | -                      | (46,955)                   | -                 |
| R01   | 70,771                              | 22,190,687        | 10,426,342            | (24,953,314)      | (16,294,414)           | 32,687,800        | (41,247,728)                | 55,542                 | (8,504,386)          | 1,486,042                     | 540                    | (7,017,804)                | 13,380            |

Notes:  
 1. Phantom profits have been removed.  
 2. Intrafund transfer is a debit from a LP account to the extent of cash available at time of transfer with corresponding credit to a transferee LP account.  
 3. See Exhibit 2.1 for summary of Adjustments to Capital Account Balances.

**EXHIBIT 3 TO RECEIVER'S SEVENTH REPORT  
RECEIVER'S PROPOSED PLAN FOR RECEIVERSHIP ESTATE ACTIVITIES**

| ANTICIPATED<br>DATE <sup>*</sup> | ACTION ITEM  |
|----------------------------------|--|
| September 14,<br>2012            | Deadline for claimants to file objections to the Receiver's Preliminary Quantitative Claim Report  |
| November 13,<br>2012             | Trial in <i>Hecht v. Ryan et al.</i> , 10-cv-7440 (E.D. Pa.)   |
| December 31,<br>2012             | Receiver communicates her qualitative claim determinations to claimants pursuant to Bar Date Order   |
| February 28,<br>2013             | Receiver institutes clawback litigation against any persons against whom she believes she has viable claims that have not been resolved and who have not demonstrated an inability to pay. |
| March 1, 2013                    | Receiver files Eighth Receiver's Report  |
| April 15, 2013                   | Receiver files proposed claims distribution report. Distribution to occur as directed by the U.S. District Court   |

\* The dates set forth in this Plan reflect the Receiver's current best estimate of a timeline for the processing of both the Receiver's clawback claims and creditors' claims against the Receivership Estate. These dates may need to change depending on subsequent events.