

STATE OF NEW MEXICO
COUNTY OF BERNALILLO
SECOND JUDICIAL DISTRICT COURT

FINANCIAL INSTITUTIONS DIVISION,
Petitioner,

v.

NO. D-202-CV-2017-03838

DESERT STATE LIFE MANAGEMENT, *et al.*,

Respondents

RECEIVER'S JANUARY, 2019, MONTHLY REPORT

COMES NOW, Christopher Moya, court-appointed Receiver for Desert State Life Management (DSLML) and Acting Director of the Financial Institutions Division (FID) of the New Mexico Regulation and Licensing Department, by and through the FID's attorney of record, Kevin A. Graham, and provides the Court with the following Receiver's January 2019, Monthly Report.

CONTINUING ACTIVITIES OF THE RECEIVERSHIP

1. **Funds:** The Receiver is in control of the following bank accounts and funds in the name of DSLML and account balances as November 5, 2018, stood at the following amounts:

DSLML Accounts with New Mexico Bank and Trust:

(1)	"Operations" account:	XXXX190	\$0.00
(2)	"Sweep" account:	XXXX041	\$0.00
(3)	"Pooled Savings" account:	XXXX119	\$177,924.03
(4)	"Trust Cash" account:	XXXX127	\$44,379.84
(5)	"Recovery" account:	XXXX309	\$13,428.23
(6)	"Trust Checks" account:	XXXX116	\$8,707.07

2. Examination of Records and Accounts:

Progress continues to be made towards the completion of scanning all client records taken into custody by the Receiver. Approximately seventy-five percent of the total bulk of paper-based client records have been electronically scanned, with the scanning of all currently active client files completed. The revised goal for completion of all client file scanning is the end of March 2019. As noted in prior monthly reports, the FID/Receiver's efforts to organize the DSLM corporate records and verify data have led to numerous determinations that certain vital records are missing from the DSLM files and/or that records containing incorrect and intentionally falsified records were created.

3. Progress Toward the Appointment of Successor Trustees:

The Receiver continues to work toward locating appropriate successor trustees and preparing to have DSLM client trust accounts transferred to permanent successor trustees. The Receiver believes it will be necessary to obtain orders from this court regarding specific client trusts in order to transfer the majority of remaining trust clients to permanent successor trustees. Upon obtaining such court orders, the Receiver believes it will be possible to transfer the majority of the remaining trust accounts to a recently certified New Mexico non-profit trust company to take over trustee duties for those trusts that qualify as "special needs" trusts under relevant federal Medicaid and Social Security laws. The Receiver is working towards transferring trust accounts to the non-profit trust company in a series of steps, with a few of the most active trust accounts being

transferred first, and then additional trust accounts being transferred over a period of the next few months.

NOTE: The Receiver's intention is to file a series of motions in the above-captioned case to obtain the necessary court orders to have these trusts transferred to successor trustees. The Receiver will endeavor to assure notice is provided to all required/interested parties concerning the proposed transfer of the trust accounts to successor trustees. The Receiver further anticipates at least one court hearing (perhaps more than one) will be necessary in order to afford all such required/interested parties an opportunity to be heard concerning the proposed transfers.

4. Insurance Policies/Coverage for DSLM: The Receiver continues to encourage all clients of DSLM to consult with their personal legal advisors and counsel regarding their legal rights and any claims they may have against the insurance coverage for DSLM. Those insurance companies, and contact information for the companies are as follows:

“Directors and Officers Policy” # AZP349837/BCN-0007591

Agent: Western Assurance Co.

P.O. Box 96400

Albuquerque, NM 87199-4600;

Or

3701 Paseo Del Norte Ne Ste 200

Albuquerque, NM 87113-1578

Telephone: 505-265-8481

Fax: 505-266-3500

Email: receptionist@westernassurance.com

Agency Number: 30-001

Policy No. BCN-0007591

Company Issuing Policy: The Cincinnati Insurance Companies

P. O. Box 145496
Cincinnati, OH 45250-5496
Telephone: 513-870-2000
Policy Number: 05BCN0007591
Policy No.: BCN0007591
Notice Date: 03/28/2017
Claim Number: 2864999
Adjuster: andrew_eminger@cinfin.com

“Employee Dishonesty Policy” # AZP-340134

“E & O/GL policy”

Agent: Western Assurance Co.

P.O. Box 96400
Albuquerque, NM 87199-4600

Company Issuing Policy: Evanston Insurance Company ADCO General
Policy # EO865156
Billing/Payment Company: IPFS Corporation
P.O. Box 412086
Kansas City, MO 64141-2086
Phone: 866-412-1793
FAX 919-234-2760
Account Number: AZP-340134

“Other”

The Travelers; Policy Number 105818345

Travelers
385 Washington Street
St. Paul, MN 55102
Phone: (651) 301-8986
Account Number: T1704210
Directed to refer to matter number 086-FA1-T1704210-NR on all communications.
Jessica Tabrizi
Claim Counsel
Bond & Specialty Insurance Claim
Phone: (909) 612-3650
Fax: (866) 842-9195
Email: JTABRIZI@travelers.com

5. Class Action Case Filed:

From detail included on the New Mexico Courts online case look-up website, a proposed class action lawsuit was filed on June 20, 2018, in the New Mexico Second Judicial District,

Case No. D-202-CV-2018-04655, captioned: Andrew Graham v. Desert State Life Management, *et al.* The case has been assigned to the docket of the Hon. Judge Shannon C. Bacon. While the Receiver has not been served in regards to this matter, it appears from the website that the same list of defendants have been listed in that case as are included as defendants in the above-captioned matter. The Receiver is of the belief that, should the class action be certified by the court, this class action civil suit may constitute a means whereby the individual trusts and/or individual trust beneficiaries that suffered losses due to the conduct of the former chief executive officer of DSLM may benefit from any judgment obtained on behalf of the proposed class. The Receiver intends to follow the progression of this new civil suit and will endeavor to keep the Court apprised of any developments in that lawsuit that may impact the receivership.

6. Federal Criminal Prosecution: The Receiver continues to work in coordination with the United States Attorney's Office for the District of New Mexico to obtain restitution orders in the federal criminal case against Paul A. Donisthorpe. As of the date of filing of this Report, the sentencing date for Case No. 2017-3311 JB, United States of America v. Paul A. Donisthorpe, still has not been set.

DSLMS clients and their representatives are encouraged to contact the United States Attorney's Office regarding their rights to submit statements or appear at the sentencing of Paul Donisthorpe by contacting:

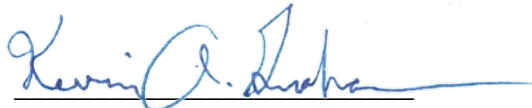
Alyssa Skrepcinski
Victim Advocate
Office of the United States Attorney for the District of New Mexico
(505) 224-1427
201 Third St. NW, Suite 900, Albuquerque NM 87102.

7. Civil Action Filed in Federal Court by Evanston Insurance Company: A civil action was filed in the United States District Court for the District of New Mexico by Evanston Insurance Company [Evanston Insurance Company v. Desert State Life Management, *et al.*, 1:18-cv-00654-LF-KK, filed July 10, 2018], whereby the company is seeking declaratory judgment that the company will not be liable for the payment of any claims brought against DSLM that might have been subject to coverage under the “Errors and Omissions/Employee Dishonesty” policy [Policy # EO865156] purchased by DSLM. Evanston previously contacted the Receiver proposing to return premium payments (just over \$9,000) that had been received from DSLM on the policy, in exchange for a stipulation from the Receiver that Evanston would not be liable for any claims brought under the policy. The Receiver declined to accept Evanston’s offer. In the Second Amended Complaint filed by Evanston in the case, Evanston has now named the Receiver as a party-defendant to the case. The Receiver has filed a motion to dismiss the Second Amended Petition and has joined in the Motion to Dismiss filed by counsel representing the victims of Paul Donisthorpe/DSLM in the proposed state class action case.

8. Civil Action Filed in Federal Court by The Cincinnati Insurance Companies: A civil action was filed in the United States District Court for the District of New Mexico by the Cincinnati Insurance Companies [Cincinnati Insurance Company v. Desert State Life Management, *et al.*, 1:18-cv-00981-LF-SCY, filed October 22, 2018], whereby the insurance company is seeking a declaratory judgment from the court that the company will not be liable for the payment of any claims brought against DSLM that might have been subject to coverage under the “Directors and Officers” policy [Policy # AZP349837/BCN-0007591] purchased by DSLM. The Receiver has been named as a defendant in this action in his capacity as the

receiver for DLM. The Receiver filed an answer to the petition on January 31, 2018, as well as joining in the Motion to Dismiss filed by counsel representing the victims of Paul Donisthorpe/DSLML in the proposed state class action case.

On behalf of the Receiver, Christopher Moya, the foregoing is respectfully submitted by:



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1/3/2019

Date

CERTIFICATE OF SERVICE:

The undersigned hereby certifies that a true and correct copy of the foregoing pleading was delivered by electronic mail and/or U.S. Mail, postage prepaid, addressed to each of the following:

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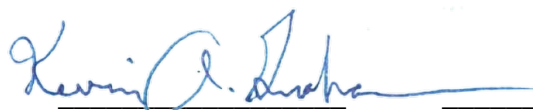
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Kevin A. Graham 1/3/2019
Date