

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NORTH DAKOTA
NORTHWESTERN DIVISION**

United States Securities and Exchange
Commission,

Court File No. 4:15-cv-053

Plaintiff,

vs.

North Dakota Developments, LLC, Robert L.
Gavin, and Daniel Hogan,

Defendants,

and

North Dakota Developments Property
Management LLC, Great American Lodge
LLC, NDD Holdings 1 LLC, NDD Holdings 2
LLC, NDD Modular LLC, Augusta
Exploration, LLC, and Ames Engineering &
Development Services LLC,

Relief Defendants.

FIRST STATUS REPORT OF RECEIVER GARY HANSEN

Gary Hansen, the Court-Appointed Receiver for Defendant North Dakota Developments, LLC (“NDD”) and the Relief Defendants in this case, submits this First Status Report summarizing major activities undertaken since his appointment as Receiver on May 18, 2015.

I. Receivership Activities

The Court’s Order Granting Plaintiff’s Motion for Preliminary Injunction and Appointment of Receiver, Asset Freeze, and Other Equitable Relief, dated May 18, 2015, (“Receiver Order”) [Dkt No. 20] sets forth the duties and obligations of the Receiver. Since

being appointed, the Receiver has spent most of his time locating and preserving the assets of NDD and the Relief Defendants.

The Order Granting Plaintiff's Motion for Temporary Restraining Order, dated May 5, 2015, ("TRO Order") [Dkt. No. 5] required Defendants and the Relief Defendants to file with the Court a sworn accounting of:

- A. All funds raised in any securities offerings;
- B. All persons who received a commission, finder's fee, or any other payment relating to any securities offered or sold;
- C. All investments, securities, funds, real estate, and other assets held in the names of Defendants and/or Relief Defendants;
- D. Each account maintained in the names of Defendants or the Relief Defendants; and
- E. Every transaction in which the ownership, direction and control of any funds or other assets of any kind have been transferred since May 1, 2012, to or from Defendants or the Relief Defendants.¹

While both Defendant Robert Gavin and Daniel Hogan filed responses with the Court, they did not provide the vast majority of the information ordered by the Court. The information that was provided was of minimal value. The Receiver has, therefore, spent substantial time working to identify the receivership assets and reviewing documents regarding NDD's and the Relief Defendant's various business dealings. The Receiver has also spent a substantial amount of time identifying creditors and investors, and communicating with them.

¹ The TRO Order at Section V. sets forth the exact requirements. (Dkt. No. 5 at 7-9.)

II. Receivership Properties

NDD sold investments in four projects: Great American Lodge – Watford City West; Great American Lodge – Culbertson, Montana; Transhudson – Parshall, ND; and Great American Lodge – Watford City East.

Great American Lodge – Watford City West. This site was operational prior to the Complaint being filed. It has a completed amenities building, with services such as food services and laundry, and over 430 individual housing units that were being rented or available to be rented. There were also approximately 70 units that were still under construction and not occupied. Electric service to the site was shut off on or about May 7, 2015 for non-payment of bills. In addition, because of an issue with the water/water lines at the site, water was being trucked onto the site every few days at a considerable cost.

Great American Lodge – Culbertson, Montana. This site was not operational. There are approximately 132 individual housing units on site, but no amenities building. Construction of these housing units was not complete, however. NDD attempted to obtain a certificate of occupancy for 44 of the units in the spring of 2015, but failed the required inspection.

Transhudson – Parshall, ND. This site is in the ground-leveling phase only. There are no buildings on site; only two construction trailers. The site has been inactive for an extended period of time.

Great American Lodge – Watford City East. Governmental officials never approved this project and no construction activities have occurred on the proposed site.

The Receiver understands that NDD also promoted a site known as “Bakken Base Camp – Alexander.” Based on currently available information, the Receiver does not believe NDD purchased or invested any funds in this site. The site is not currently a part of the receivership assets.

A representative of the Receiver visited the Watford City West and Culbertson, Montana sites in early June to gain a better understanding of these properties and the NDD operations. The Receiver has arranged for persons familiar with the properties to patrol the Watford City West and Culbertson sites on a daily basis.

At this time, the Receiver does not believe it is financially feasible to attempt to reopen the Watford City West site. The costs to re-open the site are substantial. In addition, to date, the Receiver has received claims and outstanding invoices primarily associated with NDD and the Watford City West site totaling over \$900,000. The Receiver has not evaluated these claims, but currently believes that the vast majority of these claims are valid. In addition, the Receiver does not believe that he has received all outstanding claims against the Receivership entities.

Before the Receiver can sell any of the Receivership property, he is required by law to obtain an independent appraisal. The Receiver has engaged an appraiser who is familiar with man camps in the Bakken region to conduct an appraisal of the Watford City West and Culbertson, Montana sites.

III. Cash in Receivership Accounts

This Court's Receiver Order froze all assets, funds, or other property of the Defendants and the Relief Defendants which derive, directly or indirectly, from any investor funds obtained by or on behalf of Defendants or the Relief Defendants in connection with the scheme alleged in the SEC's Complaint [Dkt. No. 20.] Based upon the review of NDD's business records, the SEC identified eight potential banks or other financial institutions at which NDD or the Relief Defendants may have deposited funds. The SEC sent these financial institutions copies of the Court's TRO Order, notifying them of the asset freeze. When the Receiver was appointed, he sent each of these entities a copy of the Receiver Order and requested information regarding the accounts they were holding in the names of NDD and the Relief Defendants. In addition, the

Receiver identified one additional financial institution holding assets of one of the Relief Defendants. The Receiver has received a response from all of these entities indicating that the funds currently on deposit with them have been frozen. To date, the Receiver has located only approximately \$125,000 in cash.

The Receiver has also received and deposited checks, primarily for rental payments, into the receivership account. These checks total approximately \$54,000. At this point, then, the total of the identified liquid assets is approximately \$175,000. This is an additional reason the Receiver has concluded it is not currently feasible for him to operate or continue construction on any of the NDD man camps.

The Receiver is aware of several outstanding accounts receivable of NDD and/or Relief Defendant Great American Lodge LLC. The Receiver will be pursuing the collection of these outstanding amounts, as appropriate.

IV. Additional Receivership Properties and Assets

In addition to the four investor sites mentioned above, the Receiver is aware of several additional properties or investments made by NDD with investor funds. It is uncertain whether any of these properties or investments will result in additional receivership funds. For example, Defendants used \$1.65 million for the purchase of approximately 19 acres of land near Williston, North Dakota and \$1.395 million for the purchase of approximately 2.3 acres of land in Williston, North Dakota. Both of these properties were pledged as security for a \$2.9 million loan in March 2015. Likewise, Defendants used approximately \$500,000 of investor funds to enter into a contract for deed for the purchase of real estate in Central City, Nebraska in the name of Relief Defendant NDD Modular, LLC. NDD Modular, LLC, however, appears to be in default under the contract and a tenant is attempting to exercise its right to purchase the real

estate. The Receiver continues to investigate these and other investments in an attempt to locate additional funds and assets for the receivership.

The Receiver has developed or received leads on a number of additional properties or assets that may have been obtained with receivership funds. The Receiver is actively following up on these leads but, at this time, does not anticipate finding significant, additional receivership assets.

V. Other Legal Proceedings

The Receiver is evaluating claims the receivership entities may have against third-parties to recover funds for the receivership. At this time, the Receiver is gathering information and analyzing potential claims. He has not initiated any lawsuits. The Receiver is aware, however, of a class action lawsuit instituted against an NDD escrow agent, Pearce & Durick, on behalf of NDD investors. That action is captioned *Aleem, et al. v. Pearce & Durick, et al.*, 1:15-cv-00085-DLH-CSM (D.N.D.). A copy of the complaint is available on the Receiver website.

VI. Receiver Website

The Receiver has established a website to provide relevant information from the Receiver to investors and other interested parties. The website also provides a means for investors to contact the Receiver and submit investment information. The website address is: <http://northdakotadevelopmentsreceiver.weebly.com>.

CONCLUSION

The Receiver will update this Report on a periodic basis to summarize his ongoing activities.

Respectfully submitted this 26th day of June, 2015.

OPPENHEIMER WOLFF & DONNELLY LLP

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 26th day of June 2015, the foregoing First Status Report of Receiver Gary Hansen was served upon the persons listed below for filing same electronically with the Court, thereby causing service by ECF.

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s/ Gary Hansen
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