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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff.

v.

TRAFFIC MONSOON, LLC, a Utah Limited
Liability Company, and CHARLES DAVID
SCOVILLE, an individual,

Defendants.

**MOTION SEEKING ACCOUNTING
AND TURNOVER OF MANCHESTER
FLAT SALE PROCEEDS**

2:16-cv-00832-JNP

The Honorable Jill N. Parrish

Peggy Hunt, as the Court-appointed Receiver in the above-captioned case (the “Receiver”), by and through counsel, hereby requests that the Court enter an Order compelling defendant Charles D. Scoville (“Scoville”) to account for and turnover to the Receiver any and all proceeds from the sale of the Manchester Flat and Parking Space (defined below). This Motion is supported by the *Declaration of Peggy Hunt, Receiver* (the “Declaration”), filed contemporaneously herewith. In further support hereof, the Receiver states as follows:

I. RELEVANT FACTS

A. Creation of the Receivership Estate

1. On July 26, 2016, the Securities and Exchange Commission filed a *Complaint* [Docket No. 2] against Traffic Monsoon, LLC and Scoville (the “Defendants”), thus commencing the above-captioned case.

2. That same day, the Court entered a *Temporary Restraining Order and Order Freezing Assets* [Docket No. 8], freezing the Defendants’ assets.

3. On July 27, 2016, the Court also entered an *Order* [Docket No. 11] placing all of the Defendants’ assets into a “Receivership Estate” and appointing the Receiver to take control of the Defendants’ assets.

4. On March 30, 2017, the Court issued a *Preliminary Injunction* [Docket No. 80] in this case, thereby taking “exclusive jurisdiction and possession of the assets, of whatever kind and wherever situated, of Traffic Monsoon, LLC and of Charles D. Scoville that were obtained directly or indirectly from Traffic Monsoon, LLC (Defendants’ Assets).” *Id.* at 2.

5. The Preliminary Injunction states the “Defendants’ Assets are frozen until further order of this Court” and the Defendants “are hereby restrained and enjoined from directly or indirectly transferring, . . . selling, . . . liquidating or otherwise disposing of . . . such assets.” *Id.*

6. Further, the Preliminary Injunction also expressly preserves the Court’s “jurisdiction over this action for the purposes of implementing and carrying out all terms of all orders and decrees that may be entered herein and to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.” *Id.* at 3.

7. On March 28, 2017, the Court issued its *Amended Order Appointing Receiver* [Docket No. 81], later revised in the *Second Amended Order Appointing Receiver* [Docket No. 120]¹ (the “Receivership Order”).

8. The Receivership Order places the Receiver in charge of the Receivership Estate. Specifically, the Receivership Order states:

- a. The Receiver is appointed “for the purpose of marshaling and preserving all assets of Traffic Monsoon, LLC and all assets of Charles D. Scoville (Scoville) that were obtained directly or indirectly from Traffic Monsoon (Receivership Assets).” *Id.* at ¶ 1.²
- b. “The Receiver shall assume control of the Receivership assets. . . .” *Id.* at ¶ 4.
- c. “The Receiver is authorized to take immediate possession of all assets . . . relating to . . . the Receivership Assets.” *Id.* at ¶ 8.
- d. “The Receivership Defendants . . . having possession of Receivership Assets . . . are hereby directed to deliver the same to the Receiver, her agents and/or employees.” *Id.* at ¶ 9.

9. The Preliminary Injunction and Receivership Order (together, the “Orders”) have been appealed to the Court of Appeals for the Tenth Circuit. *See Notice of Interlocutory Appeal* [Docket No. 85] and *Notice of Interlocutory Appeal* [Docket No. 124]. No stay pending appeal has been entered.

¹ Because both the *Amended Order Appointing Receiver* and the *Second Amended Order Appointing Receiver* include the language quoted herein, the Receiver draws no distinction between them for purposes of this Motion.

² Citations are to the paragraph numbering of the *Second Amended Order Appointing Receiver*.

B. The Property

10. Shortly after her appointment, the Receiver requested that Scoville agree to meet with her to discuss the whereabouts of all assets, and he agreed to do so. Scoville represented to the Receiver that he was located in London and, therefore, Scoville and the Receiver agreed to conduct this business by telephone. Declaration ¶ 4.

11. During a telephone call on July 29, 2016,, Scoville stated that he owned a flat in Manchester, England (the “Flat”), which he purchased for £290,000 cash in or about July 2015. *Id.* at ¶ 5.

12. The Flat’s address is Apartment 27, N V Building 90, the Quays, Salford, M50 3BB, United Kingdom. A true and correct *Official Copy of Register of Title* that the Reciever obtained shortly after her appointment is attached to the Declaration as Exhibit A. *Id.* at ¶ 6.

13. During the phone call, Scoville further stated that he had to rent a parking space (the “Parking Space”) associated with the Flat (the Flat and the Parking Space are hereinafter the “Property”). Based on the information set forth below, the Receiver believes Scoville actually owned the Parking Space. *Id.* at ¶ 7.

14. Not long after her appointment, the Receiver secured keys for the Property from Scoville’s spouse (who, at the time this case was commenced, was living in London), and attempted to file a notice of receivership against the Property with Her Majesty’s Land Registry³ (the “Land Registry”) where the Property is located. The Land Registry, however, refused to record the Receiver’s notice on the basis that the Receivership Order is not directly enforceable

³ HM Land Registry is the British government department which “register[s] the ownership of land and property in England and Wales.” HM Registry: About Us, *Gov.uk* (March 13, 2018, 2:54 PM), <https://www.gov.uk/government/organisations/land-registry/about#who-we-are>.

in the United Kingdom. Accordingly, the Receiver determined that she could not change the locks on the Property or give notice of an interest in the Property, but that she would have to monitor the Property from time to time, which she has been doing through her firm's London office. The Receiver was not overly concerned about the Property being transferred because Scoville was the only person who could transfer it and he was enjoined by this Court from doing so. *Id.* at ¶ 8.

15. Since the creation of the Receivership Estate, the Receiver has been paying all taxes and fees associated with the Property. In fact, in August 2017, Scoville's counsel sent a tax notice to the Receiver and indicated that Scoville was anxious to know that these taxes were being paid by the receivership estate. *Id.* at ¶ 9.

16. The Property is property of the Receivership Estate. It was purchased by Scoville in 2015 with money he obtained from Traffic Monsoon. *Id.* at ¶ 10.

17. Scoville has never informed the Receiver or the Court that he contests the fact that the Property belongs to the Receivership Estate and is subject to the Preliminary Injunction and Receivership Order. *Id.* at ¶ 11.

C. Scoville Sells the Property of the Receivership Estate in Violation of Court Orders

18. The Receiver has recently learned that Scoville sold the Property in violation of the Preliminary Injunction and the Receivership Order. *Id.* at ¶ 13.

19. The Receiver has obtained the following documents from the Land Registry:

- a. A "Transfer of whole of registered title(s)" report relating to the Property (the "Transfer Report"), a true and correct copy of which is attached to the Declaration as Exhibit B;

- b. An “Official copy of register of title” for the Flat (the “Flat Title”), a true and correct copy of which is attached to the Declaration as Exhibit C; and
- c. An “Official copy of register of title” for the Parking Space, (the “Parking Space Title”), a true and correct copy of which is attached to the Declaration as Exhibit D.

Id. at ¶ 16.

20. According to the Transfer Report, Scoville sold the Property on November 28, 2017, for £280,000, to John Jarvis Hitchen. *Id.* at Ex. B (Transfer Report).

21. Both the Flat Title and the Parking Space Title show Mr. Hitchen as the title owner as of January 2, 2018. Declaration Ex. C (Flat Title) and Ex. D (Parking Space Title).

22. By selling the Property, Scoville has violated the Preliminary Injunction and the Receivership Order. Declaration ¶ 15.

23. Pursuant to the Receivership Order, the proceeds (“Proceeds”) of the sale of the Property are assets of the receivership estate which must be turned over to the Receiver. *Id.* at ¶ 16.

24. As soon as the Receiver learned of the sale of the Property, on March 12, 2018, the Receiver, through her counsel, demanded that Scoville immediately provide an accounting of the sale and the Proceeds, and to turnover the Proceeds. A copy of this demand is attached as Exhibit E to the Declaration. *Id.* at ¶ 17 and Ex. E.

25. Having received no response to her counsel’s March 12th email, on March 14, 2018, the Receiver called Scoville’s counsel and orally informed him that Scoville had sold the

Property. After this call, the Receiver sent counsel another demand email, which is also included in Exhibit E to the Declaration. Declaration ¶ 19 and Ex. E.

26. Scoville has not responded to the Receiver's demands to date. Declaration ¶ 19.

II. ARGUMENT

A. Scoville Must Account for and Turn Over the Proceeds

The Preliminary Injunction clearly prohibits Scoville from “directly or indirectly transferring, . . . selling, . . . liquidating or otherwise disposing of” assets of the Receivership Estate, including the Property. Yet, this is precisely what Scoville has done—sold the Property without the notice to and consent from the Receiver and the Court. Inasmuch as the Property was property of the Receivership Estate before it was sold, the Proceeds of that sale are now property of the Receivership Estate. To comply with the Receivership Order's requirement that Scoville “deliver” all Receivership Assets in his possession to the Receiver, Scoville must provide an accounting of the sale and the Proceeds, and turnover the Proceeds to the Receiver immediately.

CONCLUSION

For the reasons set for above, the Receiver requests that the Court enter an Order compelling Scoville to provide an accounting of the sale of the Property and turnover the Proceeds to the Receiver immediately.

DATED this 16th day of March, 2018.

DORSEY & WHITNEY LLP

/s/ Michael F. Thomson
Peggy Hunt
Michael F. Thomson
John J. Wiest
Attorneys for Receiver, Peggy Hunt

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of March, 2018, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of the filing to all counsel of record in this case.

I further certify that on this 16th day of March, 2018, I served the foregoing via email on the addresses set forth below:

D. Loren Washburn
lwashburn@smithcorrell.com

/s/ John J. Wiest