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

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

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

Defendants.

**RECEIVER'S STATUS REPORT
REGARDING OMNIBUS OBJECTIONS
TO PROOFS OF CLAIM**

2:16-cv-00832-JNP

The Honorable Jill N. Parrish

Peggy Hunt, the Court-appointed Receiver (the “Receiver”) for Traffic Monsoon, LLC (“Traffic Monsoon”), and all assets of Charles D. Scoville obtained directly or indirectly from Traffic Monsoon, hereby submits this *Status Report Regarding Omnibus Objections to Proofs of Claim*. This Status Report is posted on receivership website, www.trafficmonsoonreceivership.com.

I. INTRODUCTION

The deadline to submit Proofs of Claim against the Receivership Estate expired on April 10, 2020. Over 23,000 Proofs of Claim were submitted. The Receiver and her professionals analyzed the Proofs of Claim submitted, obtained approval from the Court for a claim objection process, and submitted omnibus claim objections to 6,065 Proofs of Claim in approved processes. This *Status Report* is intended to provide the Court and the parties in interest with a summary of key events and information regarding the omnibus objections made and the results of that process, as well as a brief summary of next steps the Receiver anticipates taking in this case.

II. STATUS REPORT REGARDING OMNIBUS OBJECTIONS

A. The Approved Claims Process

1. On December 20, 2019, the Court entered an order [Dkt. No. 232] (the “Claims Process Order”) approving the *Receiver’s Renewed and Amended Motion Seeking Approval of (1) Claims Process; (2) Setting Claims Bar Date; and (3) Certain Notice Procedures* [Dkt. No. 227] (the “Amended Claims Process Motion”). The Claims Process Order set 11:59 p.m. (Mountain Time) on April 10, 2020, as the deadline for submitting Proofs of Claim against the Receivership Estate (the “Claims Bar Date”).

2. Pursuant to the Claims Process Order, between January and April 2020, the Receiver served notice of the Bar Date and the Claims Process on potential Claimants via email, U.S. Mail, newspaper publication, and Facebook advertisements. *See* Dkt. Nos. 247-253 (*Affidavits of Publication/Service*). The Receiver also began accepting Proofs of Claims through a portal (the “Claims Portal”) set up by Epiq Global, her claims processing agent.

3. Each potential Claimant was sent a validation code for use when submitting their Proof of Claim in the Claims Portal. When a Claimant logged into the Claims Portal, they were provided with the amount of their claim based on the Receiver's review of Traffic Monsoon's books and records (the "Scheduled Claim Amount"). The Claimant was then asked whether they agreed with the Scheduled Claim Amount. If the Claimant agreed with the Scheduled Claim Amount, they did not need to take any further action. If the Claimant disagreed with the Scheduled Claim Amount, they were required to provide the amount of their alleged claim, an explanation of the basis for the claim, and documentation to support the claim.

B. Proofs of Claim Received

4. As detailed in the Receiver's *Claim Status Report* [Dkt. No. 257] and in the Ex Parte *Motion for Approval of Claims Objection Process and Settlement Authority* [Dkt. No. 275], the Receiver received 23,167 Proofs of Claim asserting claims in the total amount of \$100,000,219,218,810. This total amount is skewed significantly by a single Proof of Claim that was submitted in the amount of \$99,999,999,999.99 (the "\$99 Trillion Claim"). Omitting the \$99 Trillion Claim, the total amount of the Proofs of Claim submitted was \$219,218,810. This total includes:

a. 797 Proofs of Claim that were filed after the Claims Bar Date (the "Late-Filed Claims"). The Late-Filed Claims total \$4,209,755.

b. 1,042 Proofs of Claim where the Claimant did not list an amount of his or her claim (the "No Amount Stated Claims"). The Receiver's records indicate that there is a Scheduled Amount for 480 of the No Amount Claims. No supporting documentation was provided for 311 of the No Amount Claims.

c. 674 Proofs of Claim that are duplicative of earlier-filed claims (the “Duplicate Claims”). The Duplicate Claims total \$6,230,554.

d. 2,283 Proofs of Claim that were amended by a later-filed Proof of Claim (the “Amended Claims”). The Amended Claims total \$40,685,384.

e. 110 Proofs of Claim where the Claimants are not known to have invested in Traffic Monsoon (the “Non-Investor Claims”). The Non-Member Claims, excluding a claim submitted by PayPal, Inc. (the “PayPal Claim”), which was not an investor in Traffic Monsoon, total \$432,495.70.¹

f. 2,886 Proofs of Claim where the Claimants asserted a claim in an amount above the Scheduled Amount (the “Contested Claims”). The Contested Claims total \$74,893,512, which is \$67,073,051 more than the total Scheduled Amount for these Contested Claims (the Scheduled Amount for these Contested Claims is \$7,820,462). No supporting documentation was provided for 553 of the Contested Claims.

g. 3,867 Proofs of Claim where the Claimant did not attest to the accuracy of the Scheduled Amount due to either not using or using an improper validation code (the “Did Not Attest Claims”). The Did Not Attest Claims total \$51,964,346.

h. 12,531 Proofs of Claim where the Claimants agreed with the Receiver’s Scheduled Amount (the “Agreed Claims”). The Agreed Claims total \$36,383,808.

¹ This Motion does not concern the PayPal Claim, which will be resolved separately by the Special Counsel to the Receiver. *See* Dkt. No. 258.

C. The Claim Objection Procedure and the Omnibus Objections

5. On October 30, 2020, the Court entered an *Order* [Dkt. No. 277] (the “Objection Process Order”) granting the Receiver’s Ex Parte *Motion for Approval of Claim Objection Process and Settlement Authority* [Dkt. No. 275], approving objection processes, including those for the service of certain omnibus claim objections and the service of serve certain targeted objections, as necessary.

6. Pursuant to the Objection Process Order, the Receiver served the following seven omnibus objections (collectively, the “Objections”) on affected Claimants via email on or about January 8, 2021. *See* Dkt. Nos. 299-305 (*Affidavits of Service of Objections*).² The Objections are summarized as follows:

a. *Objection to Untimely Proofs of Claim* [Dkt. No. 288] (the “Late-Filed Claim Objection”). In the Late-Filed Claim Objection, the Receiver objected to 842 Late-Filed Claims asserting claims totaling \$4,878,902.92.

b. *Objection to Proofs of Claim for Failing to State Amount of Claim* [Dkt. No. 289] (the “No Amount Stated Claim Objection”). In the No Amount Stated Claim Objection, the Receiver objected to 503 No Amount Stated Claims. The Receiver’s records indicate that there is a Scheduled Amount for some of the No Amount Stated Claims. The Receiver informed Claimants that if they agreed with the Scheduled Claim Amount, she would accept the Scheduled Claim Amount as the amount of their Proof of Claim. If a Claimant did not agree with the Scheduled Claim Amount, they were required

² The Receiver plans to file further objections to specific Proofs of Claim, bringing targeted objections that did not fit into one of the omnibus objection categories. See Section III below.

to state the alleged amount of their Proof of Claim and provide documentation to support that amount.

c. *Objection to Duplicate Proofs of Claim* [Dkt. No. 290] (the “Duplicate Claim Objection”). In the Duplicate Claim Objection, the Receiver objected to 684 Duplicate Claims asserting claims totaling \$6,253,760.62.

d. *Objection to Proofs of Claim that Were Superseded by Amended Claims* [Dkt. No. 291] (the “Amended Claim Objection”). In the Amended Claim Objection, the Receiver objected to 2,381 Amended Claims asserting claims totaling \$41,296,715.29.

e. *Objection to Non-Investor Proofs of Claim* [Dkt. No. 292] (the “Non-Investor Claim Objection”). In the Non-Investor Claim Objection, the Receiver objected to 109 Non-Investor Claims asserting claims totaling \$431,659.15. The Receiver demanded that these Claimants provide documentation to show that they had actually invested in Traffic Monsoon.

f. *Objection Contesting Amount of Proofs of Claim* [Dkt. No. 293] (the “Contested Claim Objection”). In the Contested Claim Objection, the Receiver objected to 848 Contested Claims asserting claims totaling \$13,843,209.91. The Receiver informed these Claimants that if they did not respond to the Contested Claim Objection, she would set the amount of their claim at the Scheduled Claim Amount. If they did not agree with the Scheduled Claim Amount, they were required to submit documentation to support the amount of their alleged claim.

g. *Objection Contesting Amount of Proof(s) of Claim (No Validation Code)* [Dkt. No. 294] (the “Did Not Attest Claim Objection”). In the Did Not Attest Claim

Objection, the Receiver objected to 698 Did Not Attest Claims asserting claims totaling \$27,193,625.52. The Receiver informed these Claimants that if they did not respond to the Did Not Attest Claim Objection, she would set the amount of their claim at the Scheduled Claim Amount. If the Claimant did not agree with the Scheduled Claim Amount, they were required to submit documentation to support the amount of their alleged claim.

7. When the Receiver served the Objections via email, each email contained the subject line “OBJECTION TO PROOF OF CLAIM—ACTION REQUIRED BY FEBRUARY 8, 2021” and included boldfaced language explaining the steps the Claimant needed to take if they disagreed with the Objection and a validation code to use in responding to the Objection. The email also contained an individualized summary of all Proofs of Claim submitted by each Claimant, the amount of those claims, and the applicable Objections. *See* Dkt. Nos. 299-305 (*Affidavits of Service of Objections*).

8. In total, the Receiver objected to 6,065 Proofs of Claim on an omnibus basis, involving asserted claims totaling \$93,897,873.41. The following table provides a summary of the Objections served:

Dkt. No.	Omnibus Objection	No. of Claims	Total Claimed Amount	Amount of Claims After Objection
288	Late-Filed Claim Objection	842	\$4,878,902.92	\$0.00
289	No Amount Stated Claim Objection (Should be disallowed because the Scheduled Claim Amount is \$0.00)	91	Not Stated	\$0.00

289	No Amount Stated Claim Objection (Should be allowed in Scheduled Claim Amount)	412	Not Stated	\$1,048,612.84
290	Duplicate Claim Objection	684	\$6,253,760.62	\$0.00
291	Amended Claim Objection	2,381	\$41,296,715.29	\$0.00
292	Non-Investor Claim Objection	109	\$431,659.15	\$0.00
293	Contested Claim Objection (Should be disallowed because Scheduled Claim Amount is \$0.00)	414	\$11,590,497.38	\$0.00
293	Contested Claim Objection (Should be allowed in Scheduled Claim Amount)	434	\$2,252,712.53	\$913,633.30
294	Did Not Attest Claim Objection (Should be disallowed because the Scheduled Claim Amount is \$0.00)	146	\$21,419,870.78	\$0.00
294	Did Not Attest Claim Objection (Should be allowed in Scheduled Claim Amount)	552	\$5,773,754.74	\$1,299,493.34
	Totals	6,065	\$93,897,873.41	\$3,261,769.48

D. Responses to Omnibus Objections

9. Pursuant to the Objection Process Order, the Objections, and the instructions submitted with the Objections, the deadline to respond to the Objections was February 8, 2021.

10. Out of the 6,065 Objections served, the Receiver received a total of 999 responses which applied to 955 Proofs of Claim,³ summarized as follows:

Dkt. No.	Related Omnibus Objection	No. of Responses
288	Late-Filed Claim Objection	227

³ Some Claimants submitted multiple responses related to the same Proof of Claim.

289	No Amount Stated Claim Objection	109
290	Duplicate Claim Objection	40
291	Amended Claim Objection	259
292	Non-Investor Claim Objection	18
293-294	Contested Claim & Did Not Attest Objections	138
288-294	Multiple Objections	208
	Total	999

11. The Receiver's professionals have conducted an initial review of the 999 responses and come to the following initial conclusions related to the Objections that were filed:

a. *Resolved Objections:* In 505 of the responses, involving 493 of the Proofs of Claim, the Claimants agreed with the Objection and thus accepted that their Proofs of Claim should be disallowed or allowed in a reduced amount. These agreeable Responses resolved Objections to claims in a total amount of \$4,321,564.30. Pursuant to the settlement authority granted to the Receiver in the Objection Process Order, the Receiver will file a notice of the resolution of these Proofs of Claim.

b. *Remaining Contested Claims:* 494 of the responses, involving 462 of the Proofs of Claim, require further analysis.

12. The Receiver did not receive a response to Objections involving 5,103 of the Proofs of Claim. Pursuant to the Objection Procedure Order and the express notice in the Objections, if no response was submitted, these Proofs of Claim, asserting claims in the total amount of \$86,318,315.60, are to be either disallowed in their entirety or reduced to the Scheduled Claim Amount. Pursuant to the terms of Objection Process Order, the Receiver will

file a verified motion requesting that the Court resolve these Proofs of Claims by disallowing or allowing them in a modified amount.

13. In total, without conducting a further review of the remaining Responses, the omnibus Objections filed in accordance with the Court's Objection Process Order resolved over \$90,639,880.90 in contested claims.

III. NEXT STEPS

14. As stated above in ¶¶ 11 and 12, the Receiver will be filing papers to obtain Court Orders allowing or disallowing Proofs of Claim in accordance with the Objection Process Order.

15. Also, as discussed in ¶ 11, the Receiver received 494 of the responses to the Objections, involving 462 of the Proofs of Claim, which either provided documentation in support of their asserted claim amount or otherwise require further analysis. The Receiver is in the process of reviewing these responses and will take appropriate action regarding them in the near future.

16. There are approximately 4,500 Proofs of Claim, including the \$99 Trillion Claim, which still require resolution inasmuch as they assert claims that were not appropriately objected to as part of the omnibus Objections.

17. A relatively contained number of these remaining Proofs of Claim—the \$99 Trillion Claim being the prime example—assert large claims that the Receiver plans to object to on a targeted basis. These objections will be filed in the near future.

18. Other remaining contested Proofs of Claim assert claims in amounts that exceed the Scheduled Claim Amount, but the difference between the asserted claim amount and the Scheduled Claim Amount is relatively small in dollar amount. In many cases, the cost of

objecting to these Proofs of Claim would be greater than the difference between the asserted claim amount and the Scheduled Claim Amount. The Receiver is currently analyzing a methodology for resolving issues related to these claims that takes into account issues of fairness for similarly situated investors and costs and benefits of objecting to the Proofs of Claim.

19. Some of the outstanding contested Proofs of Claim will be resolved pursuant to the Receiver's settlement authority set forth in ¶ 3 of the Objection Process Order, which authorizes the Receiver to "[s]tipulate to the allowance of a Claim without approval of this Court so long as the Claim, as allowed, does not exceed an amount that is \$10,000.00 greater than the Scheduled Amount, which is [the] amount of the Claim as calculated by the Receiver."

20. Finally, the Receiver has begun the process of formulating a plan of distribution that she will present to the Court for approval. Through the process described above, the Receiver has been working to obtain disallowance of Proofs of Claim when appropriate and reduce the amount of contested Proofs of Claim. In so doing, the Receiver should be able to propose a plan of distribution that provides a meaningful distribution to those Claimants holding allowed claims, and reserving funds to attend to contested Proofs of Claim in the event they are ultimately allowed.

IV. CONCLUSION

The Objections and other steps the Receiver is taking to resolve and deal with the Proofs of Claim are allowing the Receiver to move closer to proposing a Plan of Distribution to distribute the over \$52 million currently held in the Receivership Estate.

DATED March 19, 2021.

GREENBERG TRAURIG, LLP

/s/ John J. Wiest

Peggy Hunt

John J. Wiest

Attorneys for Receiver Peggy Hunt

CERTIFICATE OF SERVICE

I hereby certify that on March 19, 2021, 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.

/s/ John J. Wiest