

**STATE OF NEW MEXICO
COUNTY OF BERNALILLO
SECOND JUDICIAL DISTRICT COURT**

**FINANCIAL INSTITUTIONS DIVISION,
Petitioner,**

v.

**NO. D-202-CV-2017-03838
HON. NAN NASH**

**DESERT STATE LIFE MANAGEMENT,
PAUL A. DONISTHORPE,
SPECTRUM CAPITAL MARKETS, LLC,
CORAZON CATTLE,
CORAZON-PITCHFORD, LLC,
PAUL A. DONISTHORPE, LLC, AKA PAD, LLC,**

Respondents.

**RECEIVER'S FINAL INVENTORY AND REPORT
(SUBJECT TO ADDENDUM AS MAY BE AUTHORIZED BY THE COURT)**

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 Final Inventory and Report (Subject to Addendum as May be Authorized by the Court), and an update on the Receiver's actions in this matter since the filing of the Receiver's Initial Inventory and report on September 5, 2017.

Despite the Receiver's efforts, along with the efforts of additional staff members of the FID who have been assigned to this matter, the Receiver is unable to provide a truly comprehensive accounting for the business (or individual clients of the business) at this time. The Receiver believes it will be necessary for the Receiver to submit an updated financial accounting for the business and individual trust/client accounts after further investigation has been completed. The Receiver hereby requests the Court approve the filing of an Addendum to

this Final Inventory within ninety (90) days of the date of the filing of the present Final Inventory.

FINAL INVENTORY OF RECEIVERSHIP ESTATE ASSETS

1. Real Estate:

The Receiver has identified funds that appear to have been unlawfully removed from the business accounts of DSLM, client trust investment accounts, and/or trust cash accounts of trusts under the administration of DSLM, and those funds then utilized to pay mortgage payments, tax assessments or penalties, or other bills concerning the following real properties, thereby creating at least a partial ownership interest in these real properties for the Receivership Estate:

A. Office building located at 1011 4th Street NW, Albuquerque, New Mexico, 87102, also known as Tract B and C of Boughs Subdivision, Bernalillo County, New Mexico.

[Note: This property appears to be listed on public records as being owned by “1011 Fourth Street NW LLC.” Per the “Amended Stipulated Marital Settlement Agreement” filed in Sandoval County District Court Case No. D-1329-DM-2017-0187 in the divorce action between Liane E. Kerr and Paul A. Donisthorpe, which was made part of the Court’s “Final Decree of Dissolution of Marriage” in that case on June 19, 2017, it is provided that Paul A. Donisthorpe will waive all rights and interest in the 1011 Fourth Street NW LLC and his interest in the LLC (and therefore his interest in the building at 1011 4th Street NW) will be transferred by Paul A. Donisthorpe to Liane E. Kerr.]

B. House, outbuildings and ten (10) acres of land located at 130 Hidden Lake Circle, Angel Fire, New Mexico, 87710, and set out in Plat Book 9, Page 20, records of Colfax County, New Mexico.

[Note: Per the “Amended Stipulated Marital Settlement Agreement” filed in Sandoval County District Court Case No. D-1329-DM-2017-0187 in the divorce action between Liane E. Kerr and Paul A. Donisthorpe, which was made part of the Court’s “Final Decree of Dissolution of Marriage” on June 19, 2017, it is provided that Liane E. Kerr will waive all rights and interest in the house and property at 130 Hidden Lake Circle and the house and property shall be the sole property of Paul A. Donisthorpe.]

[Note: Lis pendens has been filed by the Receiver with the Colfax County Clerk on this property.]

C. Ranch property, mobile home, barn, corrals and assorted out-buildings located in the area of Athens, Texas, 75752, described as Atwood James B. No. 19, Henderson County, Texas, which under a real estate sales contract in the name of Corazon-Pitchford Cattle Co. LLC.

[Note #1: Per the “Amended Stipulated Marital Settlement Agreement” filed in Sandoval County District Court Case No. D-1329-DM-2017-0187 in the divorce action between Liane E. Kerr and Paul A. Donisthorpe, which was made part of the Court’s “Final Decree of Dissolution of Marriage” on June 19, 2017, it is provided that Liane E. Kerr will waive all rights and interest in Corazon-Pitchford Cattle Co. LLC and this LLC and property owned by the LLC shall be the sole property of Paul A. Donisthorpe.

Note #2: On the date of October 25, 2017, the Receiver, along with legal counsel, conducted a physical inspection of the above-described real estate, livestock and other property located in Athens, Texas. On that date meetings were held with Darrell Pitchford, a minority owner of Corazon-Pitchford LLC, regarding issues surrounding the current debts, assets and value of the property that has been listed as being included within the receivership estate for DSLM. Negotiations towards the achievement of a settlement whereby Mr. Pitchford would provide a lump sum payment of cash to the receivership estate in exchange for a release of claims by the receivership estate against the real property and other assets of Corazon-Pitchford LLC, and against Mr. Pitchford and his wife as minority owners of the company, are ongoing.]

D. House and outbuildings located at 10439 Fourth Street NW, Albuquerque, New Mexico, 87114, also described as Tract C of Martinez Subdivision Bernalillo County.

[Note: Per the “Amended Stipulated Marital Settlement Agreement” filed in Sandoval County District Court Case No. D-1329-DM-2017-0187 in the divorce action between Liane E. Kerr and Paul A. Donisthorpe, which was made part of the Court’s “Final Decree of Dissolution of Marriage” on June 19, 2017, it is provided that Paul A. Donisthorpe will waive all rights and interest in the 10439 Fourth Street NW property and the house and property shall be the sole property of Liane E. Kerr.]

2. Office Equipment:

Office equipment that was found by the Receiver/FID to be located at the former offices of DSLM, located at 1011 4th Street NW, Albuquerque, New Mexico, or within a rented storage unit at the “Justorage” document storage facility located at 720 1st Street NW, Albuquerque, New Mexico, that has now been taken into the physical custody of the Receiver/FID and stored within the offices of the FID of the New Mexico Department of Regulation and Licensing in Albuquerque, New Mexico, include:

- A. Eight (8) personal computer towers;
- B. Five (5) monitor screens for personal computers;
- C. Five (5) desk-top printers for personal computers;
- D. Three (3) “ten-key” electronic office calculator devices;
- E. Twenty-six (26) four-drawer, standard-sized filing cabinets;
- F. One (1) three-drawer, legal-sized, horizontal filing cabinet;
- G. One (1) four-drawer, legal-sized, fire proof filing cabinet;
- H. One (1) vertical, two-door, metal office supply cabinet containing various disposable office supplies.

3. Miscellaneous:

- A. 2012 Dodge Ram truck.

[Note: Per the “Amended Stipulated Marital Settlement Agreement” filed in Sandoval County District Court Case No. D-1329-DM-2017-0187 in the divorce action between Liane E. Kerr and Paul A. Donisthorpe, which was made part of the Court’s “Final Decree of Dissolution of Marriage” on June 19, 2017, it

is provided that this 2012 Dodge Ram truck will be the sole property of Paul A. Donisthorpe.]

B. 2016 Merhow horse trailer with living quarters.

[Note: Per the “Amended Stipulated Marital Settlement Agreement” filed in Sandoval County District Court Case No. D-1329-DM-2017-0187 in the divorce action between Liane E. Kerr and Paul A. Donisthorpe, which was made part of the Court’s “Final Decree of Dissolution of Marriage” on June 19, 2017, it is provided that this trailer will be the sole property of Liane E. Kerr.]

C. Assorted cattle, including inseminated/bred cattle, and bovine genetic materials believed to include bull semen and fertilized bovine embryos held under the ownership of Corazon-Pitchford Cattle Co. LLC in and around the area of Athens, Texas.

[Note #1: The Receiver is still in the process of determining the extent of any assets of Corazon-Pitchford LLC that may be properly included within the receivership estate.

Note #2: Please see the text of the “Note #2” to Section 1, paragraph C, above.]

4. Trusts/Trust Investment Accounts:

A list of individual trusts currently under the trusteeship of DSLM (identified by first initial of first name and first initial of last name) was attached as “Exhibit A” to the Receiver’s Initial Inventory which was filed with the Court on September 5, 2017.

Exhibit A also reflects the following information:

A. Client accounts of DSLM where an associated individual trust investment account exists, along with the name of the financial institution where the account is held.

[Note: The Receiver has not yet completed individual accountings for each of the trusts and/or trust investment accounts listed; individual company and trust account balances are not being included in this report as such account balances could not be verified for accuracy by the Receiver at the time of this report. The Receiver is optimistic that account balances will be able to be provided to trust beneficiaries (or their conservators, guardians or other authorized representatives) within ninety (90) days of the filing of this Final Inventory and Report.]

B. Client accounts for conservatorships where DSLM has been court-ordered as the conservator for an individual.

REPORT OF RECEIVER'S ACTIVITIES - UPDATE

1. File and Computer Security:

A. To the knowledge of the Receiver, all hardcopy (paper) files of DSLM have been taken into the Receiver's physical custody. An electronic copy of records related to the operation of DSLM that were in the possession of the company known as "The Becerra Group" were obtained by the Receiver/FID on the date of October 20, 2017.

B. To the knowledge of the Receiver, all computers owned by DSLM that were located by the Receiver and/or the FID within the former business location of DSLM (1011 4th Street NW, Albuquerque, New Mexico) have been taken into the physical custody of the Receiver.

[Note: The Receiver is aware that certain computerized records of the business operations of DSLM may be contained on computers and/or other electronic storage media (computer hard drives, thumb drives or other data storage media) in the possession of Respondent Paul A. Donisthorpe, or others. Prior to the Court's order appointing Christopher Moya as Receiver in the above-captioned matter, Mr. Moya, in his capacity as Acting Director of the FID, with obtained temporary custody of a personal computer owned by Paul A. Donisthorpe which contained a variety of electronic records related to the operation of DSLM. Mr. Moya was able to have electronic copies made of the relevant records from that computer before the computer was returned to Mr. Donisthorpe via Mr. Scott Kominiak. The Receiver is in possession of the copy of the records copied from Mr. Donisthorpe's personal computer.]

C. The Receiver has obtained access to, and control over, the electronic banking accounts of DSLM held at New Mexico Bank and Trust. All access to those accounts has now been transferred to, and limited to, the Receiver and FID staff members as designated by the Receiver.

D. The Receiver has obtained access to, and control over, the electronic financial accounts of DSLM held with Vanguard. All access to those

accounts has now been transferred to, and limited to, the Receiver and FID staff members as designated by the Receiver.

E. The Receiver continues to work to obtain full access and control over the electronic financial accounts of DSLM held with Charles Schwab. Multiple communications have taken place between the Receiver, assigned staff members from the FID, and representatives of Charles Schwab. As of the date of the filing of this Final Inventory and Report, the Receiver has still not gained full access and control over the accounts held at Charles Schwab, but it is believed that process will be completed within the next thirty (30) days. The Charles Schwab company has assured the Receiver that all access to those accounts has been restricted pending a final transfer of control over those accounts to the Receiver.

2. Contacts with Trust Beneficiaries/Concerned Individuals/Representatives:

A. On or about April 21, 2017, the FID, in advance of the Court's order appointing Christopher Moya as receiver in this matter, sent a first round of correspondence to all identified clients and/or trust beneficiaries (or their representatives) alerting as many affected individuals as possible of the FID's determination of serious irregularities in the accounts and operations of DSLM and recommending all affected individuals consult with legal and/or financial advisors concerning their rights.

B. Following the transmittal of the initial letter to DSLM's clients and other affected individuals in April, 2017, the FID has received contact from

numerous DSLM clients and affected individuals, family members and representatives for such individuals and legal counsel concerning the examination the FID's examination of DSLM, and now concerning the receivership for DSLM.

C. On or about August 9, 2017, following this court's order establishing the receivership for DSLM and appointing Christopher Moya, Acting Director of the FID, as receiver for the company, Mr. Moya caused another round of correspondence to be mailed (and/or electronically transmitted) to all clients and affected parties for whom the FID had collected contact information (addressed to the affected parties directly or to their representatives or counsel, if known.) This letter provided information concerning the court's order of receivership, a brief update on the status of DSLM and its continuing operations, and again recommended that all affected parties seek out personal legal and financial advice regarding their rights and options.

D. In order to assure that individuals affected by the operation of DSLM (and now the receivership of the company) would be able to contact the receiver/FID, Christopher Moya, Acting Director of the FID and Receiver for DSLM, caused to be created a specific email address that is regularly reviewed by staff members of the FID and is for the sole purpose of receiving/transmitting communications related to DSLM issues; the email address is:

DSLM.TrustExams@state.nm.us

E. Likewise, Acting Director/Receiver Moya has set up a telephone number, monitored by staff members from the FID, for the sole purpose of -

receiving/transmitting communications related to DSLM issues; the telephone number is: 505-476-4971.

F. Further, Receiver Moya (through the FID) has opened a U.S. Mail post office box for receiving mailed correspondence and other materials related to the operation of DSLM; the address for the post office box is: P.O. Box 93847, Albuquerque, NM 87199.

3. Funds:

A. The following bank accounts and funds in the name/control of DSLM have been located by the Receiver and the Receiver has taken over control of the accounts (account balances as of October 31, 2017):

DSLM Accounts with New Mexico Bank and Trust:

(1)	“Operations” account:	XXXX190	\$ 0.00
(2)	“Sweep” account:	XXXX041	\$ 0.00
(3)	“Pooled Savings” account:	XXXX119	\$14,985.37
(4)	“Trust Cash” account:	XXXX127	\$55,562.52
(5)	“Recovery” account:	XXXX309	\$13,428.23
(6)	“Trust Checks” account:	XXXX116	\$ 7,663.57

B. Individual Trust Investment Accounts:

Please see the “Exhibit A” that was attached to the Receiver’s Initial Inventory and report for a list of individual trust investment accounts that have been identified by the Receiver.

4. Examination of Records and Accounts:

A. The Receiver has gained operational and legal control over all bank accounts under the name of DSLM that are held at New Mexico Bank and Trust (the primary banking institution utilized by DSLM for operational accounts.)

B. The Receiver is engaged in ongoing contact with the Charles Schwab investment company and the Vanguard investment company where a number of individual trust investment accounts were located. The Receiver has made efforts to insure that no other party may have access to these accounts pending the accounts being put fully under the control of the Receiver.

C. Staff from the FID were assigned to complete an initial organization of the voluminous paper records maintained by DSLM, and now in the possession of the Receiver/FID. As was noted in the Initial Inventory and Report, DSLM was conducting business via an almost entirely paper-based record system which has proven extremely difficult to deal with and many inconsistencies have been identified. Those records continue to be reviewed and organized by the FID staff. As also previously noted, efforts to organize the DSLM corporate records and verify data have led to numerous of determinations that certain vital records appear to be missing from the DSLM files and/or that records containing incorrect (possibly intentionally falsified) records have been created.

The FID's staff working on this project continue to be focused on producing verifiable accountings for each individual trust account and other client accounts that can be provided to the individual trust beneficiaries and/or

conservatorship clients detailing the current balances in their respective accounts and the amount of total loss individually suffered. Providing this documentation to the individuals determined to have suffered losses under the operation of DSLM in recent years should provide the ability for those individuals to file appropriate insurance claims as well as to pursue all appropriate claims through the courts. Another continuing focus of the Receiver/FID has been to make certain that any incoming funds to the accounts of DSLM are properly tracked and credited to the individual trust and/or conservatorship accounts to which those funds properly belong.

5. Summary:

As was included in the Initial Inventory and Report, the Receiver has determined that DSLM, as a business providing trustee and conservator services, cannot be rehabilitated and that liquidation of the company is the only appropriate course forward. Despite the best efforts of the Receiver and the FID staff, while the picture of the current assets and liabilities of DSLM is clearer, accurate accountings of each of the trust accounts under the control of DSLM have not yet been completed. The Receiver is working to have new conservators appointed for all clients of DSLM for whom DSLM has been appointed conservator. The Receiver also continues to work to move all trusts currently under the trusteeship of DSLM over to new and proper trustees. The Receiver has engaged in hands-on efforts to reclaim funds identified as having been unlawfully taken from the company and/or clients of the company and to return those funds to their rightful owners.

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



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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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