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In re:	:	UNITED STATES BANKRUPTCY COURT
	:	FOR THE DISTRICT OF NEW JERSEY
	:	HONORABLE CHRISTINE M. GRAVELLE
ZUCKER GOLDBERG & ACKERMAN,	:	CASE NO. 15-24585 (CMG)
LLC,	:	
	:	Chapter 11
Debtor.	:	

**REPORT OF DONALD H. STECKROTH, COURT-APPOINTED
EXAMINER OF ZUCKER GOLDBERG & ACKERMAN, LLC**

Dated: November 8, 2016

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I. PROCEDURAL BACKGROUND AND NATURE OF THE AUTHORIZED INVESTIGATION

A. Commencement of the Bankruptcy Case

On August 3, 2015 (the “Petition Date”), Zucker, Goldberg & Ackerman, LLC (“ZGA” or the “Debtor”),¹ filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of New Jersey (the “Court”). On August 26, 2015, the Court entered an Order authorizing the retention of Wasserman, Jurista & Stolz, P.C. (“WJ&S”) as counsel to the Debtor [Docket No. 113].

On August 17, 2015, the Office of the United States Trustee for Region Three (the “U.S. Trustee”) appointed the Official Committee of Unsecured Creditors (the “Committee”),² pursuant to section 1102 of the Bankruptcy Code. On October 15, 2015, the Court entered an Order authorizing the retention of McCarter & English, LLP as counsel to the Committee [Docket No. 190].

B. Examiner Motion, Order, Appointment and Mandate

On January 15, 2016, the Committee filed its *Motion of the Official Committee of Unsecured Creditors for an Order (I) Directing the Appointment of Examiner Pursuant to 11 U.S.C. § 1104(c); or (II) Appointing a Chapter 11 Trustee Pursuant to 11 U.S.C. § 1104(a)* [Docket No. 356] (the “Examiner Motion”). On February 3, 2016, the Court entered a Consent Order granting the Examiner Motion [Docket No. 418] (the “Examiner Order”). The U.S. Trustee subsequently appointed Donald H. Steckroth as examiner (the “Examiner”),³ which appointment became effective upon the Court’s approval thereof [Docket No. 433].

The Examiner Order authorized the Examiner to investigate any and all claims of the Debtor’s estate against insiders (as defined in section 101(31) of the Bankruptcy Code) and related third parties and any matters determined to be appropriate by the Examiner (the “Authorized Investigation”). See Examiner Order, ¶ 2. The Examiner Order further directed the Examiner to prepare and file a written report of his findings with respect to the Authorized Investigation (this “Report”). See *id.*, ¶ 7.

The Examiner Order also directed the Examiner, before commencing the Authorized Investigation, to meet and confer with the Debtor, the Committee, the U.S. Trustee and any other party in interest in the Examiner’s discretion. See Examiner Order, ¶ 3. On February 4, 2016, and February 5, 2016, the Examiner and the U.S. Trustee participated in teleconferences regarding the Authorized Investigation. On February 8, 2016, the Examiner met in person with

¹ As used hereinafter, “Debtor” refers to the Debtor and its counsel, both individually and collectively.

² As used hereinafter, “Committee” refers to the Committee and its counsel, both individually and collectively.

³ As used hereinafter, “Examiner” refers to the Examiner, his counsel and his accountants, individually and collectively.

WJ&S, Michael Ackerman, the Debtor's managing member, James McGovern, Michael Ackerman's personal counsel, Lisa Klein ("Klein"), the Debtor's former chief financial officer, and Daniel Eliades and Salvatore Alfano, counsel to 4S Technologies, LLC ("4S"), at WJ&S's office in Basking Ridge, New Jersey regarding the Debtor's interpretation of the scope of the Authorized Investigation, the history of the Debtor and related entities, including 4S, the Debtor's past and current financial circumstances and potential causes of action belonging to the Debtor's estate. On February 9, 2016, the Examiner met with counsel for the Committee at the offices of Cole Schotz P.C. ("Cole Schotz") regarding the Committee's interpretation of the Authorized Investigation, potential causes of action, proposed accountants for the Examiner and the Committee's investigative findings and research to date.

C. Retention of Examiner's Professionals

On February 18, 2016, the Court entered an Order authorizing the retention of Cole Schotz as counsel to the Examiner [Docket No. 443]. On March 2, 2016, the Court entered an Order authorizing the retention of Development Specialists, Inc. ("DSI") as accountants for the Examiner [Docket No. 468].

II. AUTHORIZED INVESTIGATION AND PREPARATION OF REPORT

A. Development of Examiner's Work Plan

The Examiner Order directed the Examiner to formulate a work and expenses plan (the "Work and Expenses Plan") that included a good faith estimate of the fees and expenses of the Examiner and the Examiner's proposed professionals for conducting the Authorized Investigation. See Examiner Order, ¶ 4. As such, as described above, shortly after his appointment, the Examiner began to formulate a work plan and met with representatives of the Debtor and the Committee to: (i) ascertain and review the nature and form of available accounting and documentary information; and (ii) determine the parties' understanding of the scope and focus of the Authorized Investigation. The Examiner and his professionals also formulated initial document requests believed to be relevant to the Authorized Investigation and reviewed responsive material. On February 22, 2016, the Examiner submitted the Work and Expenses Plan to the Debtor, the Committee and the U.S. Trustee.

B. Document Collection and Review; Stored Records

Shortly after the Examiner's meeting with the Committee, the Committee provided the Examiner with (i) a transcript of the Bankruptcy Code section 341 meeting; and (ii) the production made by the Debtor to the Committee in response to a subpoena pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure (the "2004 Production").

On December 18, 2015, before the Examiner's appointment, the Court entered an Order Approving Abandonment of Records [Docket No. 302] (the "First Abandonment Order"), approving the abandonment of certain of the Debtor's stored documents (the "Stored Documents") located at a storage facility operated by Access Information Management of Wisconsin, LLC ("Access"). Pursuant to the First Abandonment Order, Access was permitted to destroy the Stored Documents on January 31, 2016 (the "Destruction Date"). On December 23,

2015, the Court entered an Order Approving Abandonment of Records [Docket No. 315] (the “Second Abandonment Order,” and together with the First Abandonment Order, the “Abandonment Orders”), confirming the Destruction Date. Pursuant to Paragraph 8 of the Examiner Order, however, the Destruction Date was extended to February 29, 2016, without prejudice to the right of the Examiner to seek additional time if needed. See Examiner Order, ¶ 8.

After his appointment and in consultation with the Committee, the Examiner determined that certain of the Stored Documents may be relevant to his Authorized Investigation and sought a one-month extension of the Destruction Date to March 31, 2016. On March 1, 2016, the Examiner filed a Stipulation and Consent Order Extending the Date on Which the Debtor’s Stored Documents May Be Destroyed Pursuant to Local Rule 9021-1 and an application in support thereof (the “Stored Documents Consent Order”). Access objected to the Stored Documents Consent Order. On March 10, 2016, the Court conducted a telephonic hearing regarding the Stored Documents Consent Order. The Court directed the Examiner to identify documents that he still needed from the Debtor. On March 15, 2016, the Examiner requested certain documents be produced by the Debtor. At that time, the Debtor confirmed that there was no need for the Debtor to consult the Stored Documents in order to comply with the Examiner’s document demand. Accordingly, the Examiner consented to the immediate destruction of the Stored Documents and advised the Court of such consent at a telephonic hearing held on March 18, 2016.

On various dates throughout March and April 2016, the Debtor produced the requested documents to the Examiner’s court-approved accountant (the “Initial Informal Production”).

On March 15, 2016, the Examiner’s counsel served a subpoena on counsel to 4S (the “Subpoena”), service of which was accepted on March 16, 2016. On each of April 1st, 5th, 14th and 19th of 2016, 4S produced documents to the Examiner in response to the Subpoena.

C. Witness Interviews

On April 27, 2016, after the informal meetings had taken place, the Examiner conducted interviews under oath of Klein and WC Taylor III (“Taylor”), a twenty five percent (25%) member in 4S, at the offices of WJ&S. On May 25, 2016, the Examiner formally interviewed Michael Ackerman under oath at the offices of WJ&S.

Subsequent to the witness interviews, the Debtor and 4S produced additional documents in response to requests made during the interviews (together with the Initial Information Production, the “Informal Productions”).

D. Additional Presentations by and Meetings with Interested Parties

During the course of the Authorized Investigation, the Examiner and his professionals regularly communicated formally and informally with the professionals representing the Debtor, the Committee and other key parties with regard to the transactions and issues under investigation. After forming his preliminary conclusions, the Examiner also met and spoke with the key constituents to apprise them of his preliminary views and to provide them with an opportunity to discuss and respond in support of their respective positions and in response to the

preliminary views expressed by the Examiner. Specifically, pursuant to the Examiner Order, a draft of this report (“Draft Report”) was shared with ZGA, Michael Ackerman and 4S. Michael Ackerman and 4S each submitted extensive comments and objections to the Draft Report. The Draft Report was edited and modified after consideration of the comments. Among the comments made was that the report should not be (i) considered admissible in any further legal proceedings, (ii) treated as an admission or a declaration against interests, and (iii) protected by the New Jersey and Federal Rules of Evidence. The objections emphasized that they were not exhaustive and that the parties reserved all rights and defenses to any causes of action suggested in the Draft Report. All parties and their professionals were responsive to requests for information and at all times cooperative with the Examiner’s Authorized Investigation.

III. STATEMENT OF BACKGROUND AND FACTS⁴

A. ZGA’s Corporate History

The history of ZGA is well known. It opened its doors in 1923 as a professional law firm that was a general partnership between Maurice Zucker and Louis Goldberg. It continued in that form until it developed a specialty in the niche area of representing creditors in residential bankruptcy and foreclosure proceedings in New Jersey and Pennsylvania. The partners of the firm were Leonard Zucker, Michael Ackerman and Joel Ackerman. In 2002 ZGA was transformed from a general partnership into a limited liability company. The same three men were also the members of the limited liability company (“LLC”). At the time of the LLC’s formation the partners contributed their respective interests in ZGA’s general partnership assets. In 2002 and for the next decade Leonard Zucker and Michael Ackerman owned equal percentage interests in ZGA, Joel Ackerman owned a lesser percentage interest. See ZGA000005. Its principal address was 200 Sheffield Street, Suite 301, Mountainside, New Jersey 07092, see ZGA000006, and its primary presence was in New Jersey and Pennsylvania. See ZGA001793. ZGA operated pursuant to an Operating Agreement, dated January 2, 2007, by and among Joel Ackerman, Lenny Zucker and Michael Ackerman (as amended, the “ZGA Operating Agreement”). See ZGA000010-32. Michael Ackerman was ZGA’s Managing Member. Id. The ZGA Operating Agreement was last amended on February 10, 2012 and January 2, 2015 to reflect Michael Ackerman’s seventy-eight percent (78%) membership interest in ZGA and Joel Ackerman’s twenty-two percent (22%) membership interest in ZGA. See ZGA000001-4; Ackerman Transcript, 4:22-5:3.

⁴ Citations in this section refer to the following documents: (i) documents from the 2004 Production, identified by the relevant bates-stamped pages as “ZGA_____”; (ii) documents produced in response to the 4S Subpoena, identified as “4S Production” with no page or document reference because the production was not bates-stamped; (iii) documents filed with the Court in the Debtor’s chapter 11 case, identified by the electronic case filing docket number or claim number; (iv) the transcript of the Examiner’s interview of Michael Ackerman conducted on May 25, 2016, identified by the relevant page and line references as “Ackerman Transcript”; (v) the transcript of the Examiner’s interview of Taylor conducted on April 27, 2016, identified by the relevant page and line references as “Taylor Transcript”; (vi) the transcript of the Examiner’s interview of Lisa Klein conducted on April 27, 2016, identified by the relevant page and line references as “Klein Transcript”; and (vii) documents produced during the Informal Productions, identified by the name, or a description, of the document.

B. ZGA's Business

ZGA's legal services included the representation of mortgage servicers, banks and investors in all aspects of defaulted residential loans, including foreclosures, bankruptcies, loss mitigation, evictions, real estate owned ("REO") closings and litigation. See ZGA001793. The majority of ZGA's business was derived from foreclosure services in New Jersey which, in addition to Pennsylvania, follows a judicial process. Id.

ZGA's operations were conducted through three operating divisions. See ZGA001793. Two of the operating divisions were law offices, located in New Jersey and Pennsylvania respectively, which primarily handled default and resolution, including foreclosure services, bankruptcy, REO closings and related services. Id. The third division related to title search services, wherein Yankee Title, a "D/B/A" or "trade name" for ZGA, performed title searches for ZGA and third parties. Id.; see also Ackerman Transcript, 15:18-16:14. Although certain ZGA employees were assigned to perform work for Yankee Title, those employees operated under the ZGA umbrella, were paid by ZGA and received the same employment benefits as all ZGA employees. See id. ZGA had no other D/B/As. Id. at 16:15-16.

C. ZGA's Affiliates and Relevant Relationships

- 4S Technologies, LLC. As described in detail below, 4S, a technology services provider, is affiliated with ZGA through common ownership. See ZGA001793.
- Bill Taylor. Taylor enjoyed a lengthy history with ZGA. He was eventually retained as a consultant for ZGA in 2005 and became an employee in January of 2009. See Taylor Transcript, 4:16-18. He was retained to perform a feasibility analysis for development of the firm's office based automation system. Id., 4:24-5:1. He became ZGA's chief administrative officer in 2009 and was employed by ZGA when 4S was created and started in 2007 and 2008. Id., 5:18-6:1. Taylor became a twenty-five percent (25%) equity owner of 4S in January of 2012 and is responsible for the design of an unpatented method to manage the interrelation between 4S's various components and products to create an efficient delivery system. Id., 7:3-16.⁵
- The National Firm, LLC. ZGA also was a partner in The National Firm, LLC ("The National Firm"), which operates pursuant to a Limited Liability Company Agreement, effective as of May 27, 2008, by and among Steven J. Baum, P.C., McCarthy & Holthus, LLP, Manley Deas & Kochalski LLC and ZGA. See ZGA012085-12111. E-mails between ZGA and The National Firm show that the two entities intended to use 4S as a catalyst for business development. See 4S Production.
- Scott Diettrick. ZGA's foreclosure services in Pennsylvania were governed by a Joint Venture Agreement (the "JV Agreement"), effective as of July 1, 2006, by and between ZGA and Scott Diettrick. See JV Agreement; see also Ackerman

⁵ On multiple occasions the Examiner requested Taylor's salary from 4S. Such information was never provided to the Examiner.

Transcript, 40:10-40:24. Dietterick's compensation was based on a formula set forth in the JV Agreement.⁶ Id.; see also ZGA001793; Klein Transcript, 37:4-37:19. According to the Debtor's general ledger, as of July 31, 2015 Diettrick was owed approximately \$2.8 million by ZGA. See Debtor's General Ledger. On November 19, 2015, Dietterick filed a proof of claim against the Debtor in the amount of \$2,820,173.75 for services rendered. See Claim No. 82. Although Dietterick was not listed on the Debtor's Schedules of Assets and Liabilities [Docket No. 149] (the "Schedules"), the Debtor admits that "a decent amount of money" is due and owing to him as a result of the JV Agreement. See Ackerman Transcript, 41:7-42:7.

- The Ackerman Family. At various times from 2007 through 2015, Michael Ackerman's wife, Barbara Ackerman, his oldest daughter, Allison Ackerman, his youngest daughter, Jamie Ackerman and his son-in-law, Brian Nichols, were employed by ZGA in various capacities. See Ackerman Transcript, 5:10-7:1. These family members received various benefits from ZGA during their employment, including in the cases of Joel Ackerman, Barbara Ackerman and Brian Nichols, cars leased by ZGA on their behalf. Ackerman Transcript, 7:8-8:2. Michael Ackerman also had a two cars leased by ZGA on his behalf. Id.

D. ZGA's Decline

Beginning in or around 2010 through the present, ZGA incurred significant and ongoing losses. See Ackerman Transcript, 42:8-42:11; see also Zucker, Goldberg & Ackerman, LLC, Summary of Historical Financial Statements, attached hereto as Exhibit A ("ZGA Financial Summary").⁷ Specifically, ZGA went from having approximately \$28 million in assets and approximately \$19.5 million in liabilities in 2009 to having approximately \$9.3 million in assets and approximately \$54.2 million in liabilities in 2015. See generally Debtor's Audited Financial Statements; see also ZGA Financial Summary; Ackerman Transcript, 12:12-15:17. Based on the Debtor's audited financial statements, the Examiner presumes that the Debtor was insolvent beginning in or around 2010 and continuing through the Petition Date. See id.

The losses that ZGA experienced beginning in 2010 stem largely from an exponential increase in the timeline of a mortgage foreclosure proceeding and the fee structures, policies and regulations lender clients began imposing on mortgage foreclosure law firms. See Ackerman Transcript, 14:7-15:17 ("[F]rom the fall of 2010 there was essentially a moratorium in New Jersey . . . for a residential foreclosure . . ."); Certification of Michael S. Akerman, Esq. in Support of First Day Motions [Docket No. 14-1] (the "Ackerman Certification"), ¶¶ 11-13. Specifically, the mortgage foreclosure process in New Jersey from complaint filing to sheriff sale went from approximately 200 days in 2008 to well over 1000 days in 2010. See Ackerman Transcript, 14:7-15:17. Because ZGA's receipt of revenue and thus profits were tied directly to each milestone in the mortgage foreclosure process, the expanded timeline restricted ZGA's

⁶ The Examiner never received accounting support for the calculation of payments made to Diettrick.

⁷ The demonstrative exhibits attached to this Report were prepared by the Examiner and his professionals based on various documents received and reviewed during the course of the Authorized Investigation.

ability to remain profitable. Id. In other words, ZGA was “stuck with an inventory of files where the clients still required [ZGA] to work those files and [ZGA] could not get to the next milestone to bill. So, [ZGA was] essentially running the law firm with no fee revenue coming in.” Id. 15:7-15:17.

In 2013, before bad debt expenses of \$1,722,709, ZGA showed a profit of approximately \$900,000 due to, among other things, the speed at which ZGA was administering mortgage files. See Debtor’s Audited Financial Statements; Ackerman Transcript, 43:4-45:24; ZGA Financial Summary. According to Michael Ackerman, ZGA completed foreclosures approximately 100 days faster than its competitors. Id. at 44:14-44:22. Despite this brief period of profitability, however, ZGA’s larger clients refused to give them additional work due to files from 2006 and 2007 that had yet to be closed. See id. 47:4-48:22; see also Ackerman Certification, ¶ 11-18. Specifically, by virtue of ZGA appearing on those clients’ “aged inventory reports,” the clients refused to send ZGA any new mortgage files. See Ackerman Transcript, 43:4-45:24; see also generally Ackerman Certification. As a result of these issues, ZGA profits continued to decline through the Petition Date. See Ackerman Transcript, 43:4-45:24; see also Ackerman Certification at ¶ 24 (“Notwithstanding ZGA’s assistance to its clients, many clients have ceased paying fees due.”).

E. 4S Technologies, LLC

4S is a technology services provider for financial institutions that was formed by Michael Ackerman as Managing Member on December 18, 2007. See ZGA011963; Taylor Transcript, 6:7-16. Its Registered Office and Business Address is 200 Sheffield, Street, Suite 301, Mountainside, New Jersey 07902 – the same address as that of ZGA. See ZGA011963. 4S is governed by an Operating Agreement, dated as of January 2, 2008, as amended on February 10, 2012 (as amended, the “4S Operating Agreement”). See ZGA011961-62. The initial membership interests and capital contributions of 4S were as follows: Michael Ackerman (95%, \$95); Joel Ackerman (5%, \$5). See 4S Production; Ackerman Transcript, 16:17-17:4. These membership interests and capital contributions were subsequently modified as follows: Michael Ackerman (65%, \$65); Barbara Mueller-Ackerman (5%, \$5); Taylor (25%, \$25); Joel Ackerman (5%, \$5). See ZGA011961-62. Taylor also contends to have contributed certain intellectual property interests to 4S. See Taylor Transcript, 6:25-7:7; 18-10-18:17.

Initially, 4S had no employees, property or equipment of its own and was principally funded by intercompany loans from ZGA. 4S’s primary services relate to the financial services industry and include data file exchange, data warehousing and data mining related to debt collection. See ZGA001814. 4S’s revenue is derived principally from the use of its software products to extract, store and mine data. The products include:

- Copperfield: A technology based functionary that redacts and removes undesirable information from documents. See Taylor Transcript, 8:3-9.
- Gold Digger: A method to interact with a database which has an electronic interface capability that retrieves data and presents it in a legible format. See id., 8:24-10:1.

- Replacer: A law firm product built on Microsoft Outlook that identifies incoming electronic case filing notices and categorizes the information contained therein. See id., 10:3-11.
- Help Me Rhonda: An application that uses source data to identify the component parts of bulk checks to create a worklist of the entries contained thereon. See id., 10:13-11:10.
- Stripes: A marketing name for a technology component called Prospector, the function of which is to pull sources of data from machine interfaces and transcribe that information. See id., 11:12-11:25.
- Pizza Boy: An electronic system that automates the use and collection of data for the purposes of, among other things, filing notices with a bankruptcy court. See id., 12:4-13:20.

Of these software products, 4S owns patents on Pizza Boy and Replacer. See id., 25:6-16. Replacer originated at ZGA and was subsequently assigned to 4S. Id., 35:8-11. Patents on several other of the products are pending. See id., 34:21-35:11. All of the patents are critical to 4S and its technology.

At one time or another, 4S's clients included the following entities: ZGA and Bank of America, Chase, Citibank, Claims Recovery Financial Services, LLC; Fannie Mae, FAY (BAM), Homeward Residential, KML Law Group, Lender Business Process Services, LPS, MDK, MGC, Nationstar Mortgage, Orleans Group, Paul, Weiss, Quantum, Regions Mortgage, Saxon/Morgan Stanley, SPS, SPSI, and Wells Fargo. See 4S Production. Many of these current or former clients also were clients of ZGA. See Ackerman Transcript, 18:11-18:18; Ackerman Certification at ¶ 11 ("Among the largest clients of ZGA are Wells Fargo, Bank of America, Chase Home Mortgage . . . and Nationstar.").

Four S Systems, L.L.C. ("4S Systems") is an affiliate company of 4S that provides consulting and strategic marketing services to 4S. See 4S Production. 4S Systems was formed on May 24, 2004 by Michael Ackerman who still owns an interest. See ZGA011976; Klein Transcript, 39:22-40:8. Upon information and belief, 4S Systems is paid approximately \$10,000 each month by 4S under a Consulting Agreement, effective as of May 1, 2013, between 4S and 4S Systems. See 4S Production.

F. Relationship between ZGA and 4S

ZGA and 4S are "affiliates," whose operations and finances are, in many respects, one in the same. See generally Debtor's Audited Financial Statements; see also Taylor Transcript; 21:22-21:25 ("Zucker Goldberg needed help and they were our, you know, sister company, brother company, whatever you wanted to call them, you know, affiliate, whatever you wanted to call them . . ."); Klein Transcript; 11:23-12:11 (agreeing with statement that before 2015 "the great majority of activity in 4S were intercompany activities between itself and the debtor"). Michael Ackerman, the Managing Member of ZGA and 4S, holds the largest membership interest in 4S and, at all relevant times, appears to have been the controlling person behind ZGA

and 4S. At most times during 4S's existence 4S had none of its own employees; instead individuals performing work for 4S were ZGA employees. See Taylor Transcript, 17:11-18:7; Ackerman Transcript, 17:20-18:7. In addition, 4S utilized ZGA's rental facility and equipment purchased or leased by ZGA.

The Debtor and 4S are parties to several agreements governing their relationship:

- A Collaborative Development and Usage Agreement, dated as of January 2, 2008, pursuant to which the parties agreed to work cooperatively on, among other things, the development and testing of the Pizza Boy Automated Court Filing Products and Services. See ZGA012185-93.
- A Letter of Intent, dated as of December 31, 2014, pursuant to which, among other things, the parties instated a comprehensive written Intercompany Operating and Services Agreement addressing the activities, responsibilities and payment for services between the parties. See ZGA012141-42.
- An Agreement for Services, effective as of August 1, 2015, setting forth the terms under which 4S would provide and bill the Debtor for services upon the Debtor's cessation of operations. See ZGA012546-48.

Other than Michael and Joel Ackerman's \$100 initial capital contribution, 4S was funded entirely with intercompany loans from ZGA. See Taylor Transcript, 17:5-17:7 (Q: "Were you involved at all in the decision to capitalize 4S with funds from the law firm?" A: "I was aware of it, I wasn't involved in it."). Thereafter, "[a]s 4S needed money it would -- it would be really out of [Michael Ackerman's] share of Zucker Goldberg's excess revenues." Ackerman Transcript 18:22-19:7; see also id. at 21:17-21:25 (Q: "Well, but in truth the law firm was supporting 4S for several years?"; A: "Monetarily, yes, absolutely."). The advances were recorded as loans on ZGA's and 4S's books and records. Id. 19:5-19:17. Over 2011 and into 2012, as 4S became profitable, 4S paid back its debt to ZGA with interest and thereafter began lending money to ZGA through the Petition Date. See Ackerman Transcript, 19:23-20:6; Taylor Transcript, 21:12-22:6. The purported rationale for these transactions was described by Taylor as follows:

- Q: Were you an owner, part owner of 4S at the time that 4S started to lend money to Zucker Goldberg?
- A. Yes.
- Q. What was your rationale for doing that?
- A. Well, essentially we -- we paid off the debt, the last portion of the debt, it was basically paid off before -- over 2011 and into 2012, we had basically offered financing by Zucker, Goldberg & Ackerman and we had relied on that for at that point three years, over three full years and Zucker Goldberg needed help . . . and so we felt that it was -- it was a good, right, ethical thing to do at that point.
- Q. And you continued doing that?
- A. Yes, sir.
- Q. Right up to the filing of bankruptcy?
- A. Yes, sir.

Id.

The Debtor's and 4S's finances are intricately intertwined, the examples of which are numerous:

- In 2010 and 2011 the financial statements of 4S and ZGA were consolidated. See ZGA001807-45. As noted therein, as of 2011 ZGA had provided interest-bearing advances to 4S to fund its operations in excess of \$4 million; however, “[a]ll significant intercompany transactions and balances [were] eliminated in consolidation.” Id.; see also 4S Technologies, LLC, Summary of Historical Financial Statements, attached hereto as Exhibit B (“4S Financial Summary”); Schedule of Intercompany Transfers, attached hereto as Exhibit C (“Schedule of Intercompany Transfers”).
- Schedules of amounts due to/from 4S for the years ended 2014 and 2015 show that, at least during those two years, the Debtor was paying virtually all of 4S's expenses, including, among other things, employee wages and benefits, professional fees and other expenses totaling approximately \$5.7 million in 2014 and approximately \$1.3 million in 2015. See ZGA012143-44; ZGA012213; ZGA012227-39; ZGA012213-26; see also 4S Financial Summary; Schedule of Intercompany Transfers.
- As of December 12, 2011, ZGA had purchased equipment on behalf of 4S in an amount totaling approximately \$290,118, and then transferred the ownership interests therein to 4S. See 4S Production. Consideration for the transfers was recorded through an interest bearing intercompany account and ZGA provided a guaranty of payment. Id. Moreover, as of December 31, 2011, ZGA had leased other equipment totaling \$678,901.65 and then subleased that equipment to 4S. Id. The equipment was eventually available for purchase by 4S for \$1. Id.
- 4S guaranteed ZGA's borrowing under a \$4 million line of credit from Chase Bank, N.A. (the “Chase Loan”). See Exhibit 3 to Deposition of Michael Ackerman conducted by the Committee on May 25, 2016. In connection with the Chase Loan, (i) 4S's receivables were included in ZGA's borrowing base, see id. Exhibit 5, (ii) 4S served as a guarantor, see id. Exhibit 1, and (iii) 4S granted Chase a security interest in substantially all of its assets. See id. Exhibit 2. As of July 28, 2015, the Chase Loan had a balance of approximately \$2.8 million. See Schedule D, Docket No. 149. As of December 31, 2015, the Chase Loan had a balance of approximately \$617,476. See ZGA Financial Summary.
- An e-mail between Richard Greenwood (ZGA) and Taylor discussing a reduction of the intercompany balance between ZGA and 4S states: “we are showing that 4S constantly need[s] to keep borrowing back money.” See 4S Production. In another e-mail, Cezar Domingo (ZGA) asks Michael Ackerman for “approval to move \$100k form [sic] 4S tech to [ZGA] business account to fund our \$178K payroll taxes which will be debited tomorrow.” Id.

- In each instance where ZGA was performing mortgage foreclosure services for a client and 4S performed the related noticing or information technology services for that client, any fees collected from that client would be earned by ZGA, not 4S. See Klein Transcript 43:8-43:24.

The intercompany loans between ZGA and 4S are well documented. Indeed, a document entitled “4 S Technologies, LLC – Zucker, Goldberg & Ackerman, LLC Intercompany Loans” shows the following transactions from 2009 through 2014:⁸

Intercompany Loans	4S Owes ZGA	ZGA Owed 4S	4S Revenue
Balance at 12/31/2009	\$1,955,195	N/A	\$197,358
Balance at 12/31/2010	\$3,329,991	N/A	\$1,383,843
Balance at 12/31/2011	\$3,687,836	N/A	\$5,921,590
Balance at 12/31/2012	N/A	\$910,841	\$12,099,822
Balance at 12/31/2013	N/A	\$6,491,547	\$12,230,809
Balance at 12/30/2014	N/A	\$9,100,847	\$9,437,137 ⁹
Balance at 12/31/2014	N/A	\$2,609,390	\$9,437,137

See 4S Production. The document notes that “\$6,491,947 of total receivables from ZGA sold 12/31/2014 to Michael Ackerman; remaining \$2,609,390 written down as impaired, possibly unrecoverable.” Id. In essence, Michael Ackerman received a distribution from 4S in the form of a claim for a receivable from ZGA. See Taylor Transcript, 22:7-16; Klein Transcript, 30:8-30:11 (“Correct, it was not a cash distribution, it was -- it was distribution of a receivable. So, ZGA owed 4S. Instead of Mike receiving cash, he received that debt and the rights to collect it.”). The distribution was both negotiated and authorized by Taylor. See Taylor Transcript, 22:7-22:16. In July of 2015, one month before the Petition Date, the Debtor also made a payment of \$129,114.78 to 4S. See ZGA012144; Klein Transcript 41:5-43:6.

4S is listed in the Debtor’s Schedules as holding an undisputed general unsecured claim in the amount of \$4,426,317. See Schedule F.

IV. POTENTIAL CAUSES OF ACTION

After reviewing the various documents produced to the Examiner, conducting the formal and informal interviews described above and participating in follow-up meetings with parties in interest, the Examiner and his professionals discussed, and to the extent necessary researched, potential estate causes of action against insiders and related third parties. The Examiner’s conclusions regarding potential causes of action are set forth below, which the Examiner understands may be subject to applicable defenses.

⁸ It should be noted that the chart contained in the document does not match the financial statements and records of ZGA and 4S.

⁹ This row does not appear in the document. Rather, the row was added by the Examiner to demonstrate the amount owed by ZGA to 4S immediately before the \$6,491,547 distribution to Michael Ackerman.

A. Piercing of the Corporate Veil/Alter Ego

New Jersey law adheres to “the fundamental propositions that a corporation is a separate entity from its shareholders, and that a primary reason for incorporation is the insulation of shareholders from the liabilities of the corporate enterprise.” N. Am. Steel Connection v. Watson Metal Prods. Co., 515 Fed. Appx. 176, 179 (3d Cir. 2013) (quoting Richard A. Pulaski Constr. Co. v. Air Frame Hangars, Inc., 950 A.2d 868, 877 (N.J. 2008)). Nevertheless, the “purpose of the doctrine of piercing the corporate veil is to prevent an independent corporation from being used to defeat the ends of justice, to perpetrate fraud, to accomplish a crime, or otherwise evade the law.” Shotmeyer v. N.J. Realty Title Ins. Co., 948 A.2d 600, 608 (N.J. 2008) (quoting State, Dep’t of Env’tl. Protection v. Ventron Corp., 468 A.2d 150, 164 (N.J. 1983)). If that purpose would be served, “courts may pierce the corporate veil by finding that a subsidiary was a mere instrumentality of the parent corporation.” Shotmeyer, 948 A.2d at 608 (quoting Ventron, 468 F.2d at 164).

In order for a court to pierce the corporate veil the plaintiff must establish the existence of two conditions: (i) “there must be such unity of interest and ownership that the separate personalities of the corporation and the individual no longer exist”; and (ii) “adherence to the fiction of separate corporate existence would sanction a fraud or promote injustice.” N. Am. Steel, 515 Fed. Appx. at 179 (quoting State Capital Title & Abstract Co. v. Pappas Bus. Servs., LLC, 646 F. Supp. 2d 668, 679 (D.N.J. 2009)); see also Port Drivers Fed’n 18, Inc. v. Fortunato, No. L-2683-12, 2015 WL 3495574, at *2 (N.J. Super. Ct. App. Div. June 4, 2015) (reciting factors). In that regard, the corporation must be the “alter ego” of the shareholder, such that the corporate form is effectively a legal fiction, and enforcing that legal fiction must result in some fundamental unfairness. N. Am. Steel, 515 F. Appx. at 180. The party seeking to pierce the veil bears the burden of proving that those circumstances are present, a burden that “is notoriously difficult for plaintiffs to meet.” N. Am. Steel, 515 F. Appx. at 180 (quoting Pearson v. Component Tech. Corp., 247 F.3d 471, 485 (3d Cir. 2001)).

In the case of Craig v. Lake Asbestos of Quebec, Ltd., 843 F.2d 145 (3d Cir. 1988), the Third Circuit discussed at length the factors New Jersey courts use to determine whether corporate separateness is effectively an “alter ego” or a “legal fiction.” Id. at 150. Simply being a majority stockholder or having “the potential to exercise control” is insufficient, however, and the first prong of the veil-piercing analysis requires “complete domination, not only of finances but of policy and business practice,” such that the corporate entity has “no separate mind, will or existence of its own.” Id. (internal quotation marks omitted). The Third Circuit described the following factors as examples of the level of dominance required:

gross undercapitalization ... failure to observe corporate formalities, non-payment of dividends, the insolvency of the debtor corporation at the time, siphoning of funds of the corporation by the dominant stockholder, non-functioning of other officers or directors, absence of corporate records, and the fact that the corporation is merely a facade for the operations of the dominant stockholder or stockholders.

Id. (quoting Am. Bell Inc. v. Fed. of Tel. Workers of Pa., 736 F.2d 879, 886 (3d. Cir. 1984)). The veil-piercing inquiry, therefore, is focused not simply on an individual shareholder's level of personal involvement with a corporation, but rather on whether the corporate form itself is a sham. See N. Am. Steel, 515 F. Appx. at 180.

A "majority of the cases where courts have pierced the corporate veil concern fraud or injustice in the transaction between the injured party and the corporation." Erickson v. Leonard, No. L-47-02, 2008 WL 706278, *6 (N.J. Super. Ct. App. Div. Mar. 18, 2008). For instance, where a corporation was operated more like a partnership, with two 50% shareholders, and one shareholder exercised significant control over the corporation's affairs, the court pierced the veil to permit insurance companies which had insured the corporation to deny coverage for a fire set by the controlling shareholder. Miller & Dobrin Furniture Co. v. Camden Fire Ins. Co. Ass'n, 150 A.2d 276 (N.J. Super. Ct. Law Div. 1959). Where a corporation doing business as a cosmetics company operated a pyramid scheme (whereby it paid participants commission not on the basis of actual product sales, but merely on the basis of bringing in other investors) the court pierced the veil to permit liability against the corporation's sole shareholder, who ran the business. Kugler v. Koscot Interplanetary, Inc., 293 A.2d 682, 704 (N.J. Super. Ct. Ch. Div. 1972) ("All who get gain by fraud must bear the legal consequences of the wrong they do. When a fraud is committed in the name, and under cover of a corporation, by persons having the right to speak for it, for their personal gain and benefit, they are bound to answer personally for their wrongful acts. Their tongues uttered the false words and their purses should pay the damages.") (quoting Vreeland v. N.J. Stone Co., 29 N.J. Eq. 188, 195 (Ch. 1878)).

"[S]ince equitable remedies will not be imposed where there is an adequate remedy at law, disregard of the corporate entity may be refused, [however] where the court determines that the complaining party can be adequately compensated with money damages." 1 Fletcher Cyc. Corp. § 41.25 (2015). Indeed, New Jersey courts have recognized that piercing the corporate veil is "not technically a mechanism for imposing 'legal' liability, but for remedying the 'fundamental unfairness [that] will result from a failure to disregard the corporate form.'" DiMisa v. Acquaviva, R.E., 947 A.2d 168, 174 (App. Div. 2008) (alteration in original) (citing Verni ex rel. Burstein v. Harry M. Stevens, Inc., 903 A.2d 475, 498 (N.J. Super. Ct. App. Div. 2006)).

Michael Ackerman argues that his ownership of a majority interest in both 4S and ZGA while the companies shared some employees and resources, and had common clients, does not make the companies alter egos. 4S further points out that corporate "affiliates" routinely have some owners in common and share employees and other resources, and thereafter allocate the costs of the resources between or among them. Mr. Ackerman argues further that ZGA and 4S operated as separate and distinct entities and that none of the creditors challenged or objected to that procedure. He points to the fact that other than Chase, the secured lender, no creditor of ZGA or 4S sought a guarantee or other assurance from ZGA that 4S fund and repay ZGA's creditor debt.

The above arguments are not persuasive in light of the totality of the circumstances and the control maintained by Michael Ackerman over both entities. It is factual that 4S was started by and principally funded by ZGA loans when ZGA owed substantial sums to creditors and had few, if any, employees of its own. Moreover, it is not accurate that no creditor, other than Chase

requiring the guarantee of 4S, sought assurance from ZGA that 4S would repay ZGA's debt. See Declaration of James Ward in Support of the Motion of the Official Committee of Unsecured Creditors For an Order Seeking the Appointment of an Examiner and Other Relief [Docket No. 365-3] (stating that "Mr. Ackerman also mentioned some [4S] opportunities as a potential revenue source to ultimately address the outstanding amounts owed to ProVest" and that during a conversation between the founder of Provest LLC, Scott Strady, and Mr. Ackerman, "Strady expressly asked Mr. Ackerman if the revenues from 4S would be used to pay amounts owed to ProVest. Mr. Ackerman affirmatively indicated revenue collected by 4S would be used to pay ProVests's claim.").

Specifically, the "unity of interest and ownership" between ZGA and 4S is indisputable, ranging from the same majority and controlling member to myriad examples of overlapping finances and operations and control. For example, Michael Ackerman holds a seventy-eight percent (78%) membership interest in ZGA and a sixty-five percent (65%) interest in 4S. Moreover, Chase, Wells Fargo and Bank of America all were, or are, some of the largest clients of both ZGA and 4S. The two companies shared employees, equipment and were located at the same exact address.¹⁰ Additionally, as noted above, where 4S performed work for a ZGA client, all fees collected from that client would be allocated to ZGA. Additionally, 4S guaranteed ZGA's \$4 million line of credit and 4S's receivables were included in ZGA's borrowing base. Clearly, Chase considered these entities one and the same. Simply put, any corporate separateness that would be expected of two distinct entities was for the most part nonexistent as between ZGA and 4S.

With respect to the second prong of the inquiry, if the corporate veil were not pierced, ZGA's creditors would be subjected to fundamental unfairness. Simply put, but for the funding of, and control over, 4S by ZGA and Michael Ackerman, ZGA's creditors might very well have a larger pool of assets from which to satisfy their claims. The support of 4S stripped value from ZGA at its beginning, enriching the insiders at the expense of ZGA creditors. The "loans" to 4S represent capital invested that could have been paid to ZGA creditors to reduce their debt. A failure to pierce the corporate veil would sanction such a scheme and promote injustice to creditors. Accordingly, the Examiner believes that there is a strong cause of action for the estate to pierce the corporate veil and that 4S is the alter ego of ZGA.

B. Substantive Consolidation

The Bankruptcy Code provides no statutory authority for substantive consolidation other than section 105(a). See Dominion Fin. Corp. v. Morfesis (In re Morfesis), 270 B.R. 28, 31(Bankr. D.N.J. 2001). While the remedy of substantive consolidation is more widely accepted to consolidate two debtors already in bankruptcy, its scope has been extended to non-debtor entities under the appropriate circumstances. Morfesis, 270 B.R. at 31. In function, substantive consolidation "treats separate legal entities as if they were merged into a single survivor left with all cumulative assets and liabilities (save for inter-entity liabilities, which are erased). The result is that claims of creditors against separate debtors morph to claims against the consolidated

¹⁰ In truth, 4S had few if any employees, equipment or rental space of its own. At all times it utilized ZGA assets and resources with accounting adjustments made on the respective books and records.

survivor.” In re Owens Corning, 419 F.3d 195, 205 (3d Cir. 2005) (quoting Genesis Health Ventures, Inc. v. Stapleton (In re Genesis Health Ventures, Inc.), 402 F.3d 416, 423 (3d Cir. 2005)).

In the Third Circuit, the party requesting substantive consolidation must show that: (1) prepetition they disregarded separateness so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity or (2) postpetition their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors. Owens Corning, 419 F.3d at 211; accord In re Lisanti Foods Inc., 241 Fed. Appx. 1, 2 (3d Cir. 2007) (emphasis added).

In cases where courts have found the substantive consolidation of a non-debtor appropriate, elements of fraud, injustice or fundamental unfairness were apparent. See, e.g. Bracaglia v. Mazo (In re United Stairs Corp.), 176 B.R. 359, 369-70 (Bankr. D.N.J. 1995) (holding that a non-debtor may be consolidated with a debtor where the debtor used non-debtor entities as instrumentalities of fraud); Simon v. New Ctr. Hosp. (In re New Ctr. Hosp.), 187 B.R. 560, 568-69 (E.D. Mich. 1995) (finding that debtor and non-debtor corporations were alter egos); In re Baker & Getty Fin. Servs. Inc., 78 B.R. 139, 142 (Bankr. N.D. Ohio 1987) (consolidating three non-debtor individuals who formed a Ponzi scheme).

Here, ZGA, Michael Ackerman and 4S “disregarded separateness” prepetition in many fundamental ways. The Authorized Investigation, however, did not uncover definitive instances of where creditors may have treated the two entities as one. Moreover, although the finances and operations of ZGA and 4S were interrelated, post-petition the assets and liabilities of the two entities do not appear to have been “scrambled.” For example, since the chapter 11 filing ZGA and 4S appear to have kept separate records and operated independently. Accordingly, the Examiner believes that although a claim for substantive consolidation may exist, any such claim would require substantially more discovery, particularly of non-Debtor third parties.

C. Corporate Opportunity Doctrine

The corporate opportunity doctrine is an aspect of the general rule that “a fiduciary’s loyalties may not be divided.” Valle v. N. Jersey Auto. Club, 359 A.2d 504, 506 (N.J. Super. Ct. App. Div. 1976). Pursuant to New Jersey law, in order to state a claim for corporate opportunity a plaintiff must prove each of the following elements: (1) that there is presented to a corporate officer a business opportunity; (2) that the corporation is financially able to undertake that opportunity; (3) that the opportunity is, by its nature, in the line of the corporation’s business and is of practical advantage to it; (4) that the opportunity is one in which the corporation has an interest or a reasonable expectancy; and (5) that by embracing the opportunity, the self-interests of the officer will be brought into conflict with the interests of the corporation. Allied Mgmt., Inc. v. Maybaum, No. L-1139-03, 2006 WL 538757, at *2 (N.J. Super. Ct. App. Div. Mar. 7, 2006) (citing Valle, 359 A.2d at 507); see also Torsiello v. Strobeck, 955 F. Supp. 2d 300, 311-12 (D.N.J. 2013) (reciting factors).

In addition to the five factors delineated above, there is one important rule/factor that courts will consider in determining whether a claim for corporate opportunity exists. The rule is that a director or officer cannot use corporate assets to acquire, finance or develop his own

individual business project or venture and insist that either the venture or the profits thereof are his own property. Solimine v. Hollander, 128 N.J. Eq. 228, 252 (N.J. Ch. 1940). When such diversion or misappropriation of corporate assets is established, the aggrieved principal may elect either to recover the diverted assets or enforce a constructive trust with respect to the venture and its resulting profits. Id. Thus, although a business opportunity may not constitute a corporate opportunity under the conventional tests, a corporate representative will be estopped from denying that the business opportunity was a corporate opportunity if the representative wrongfully embarked the corporation's assets in the development of acquisition of the business opportunity. Rapistan Corp. v. Michaels, 511 N.W.2d 918, 925 (Mich. Ct. App. 1994).

Michael Ackerman contends that the corporate opportunity cause of action is procedurally inadequate because only the company itself or an owner of the company that was allegedly harmed due to the violation of the doctrine has the standing required to pursue this claim. Similarly, he contends the cause of action is procedurally timed barred by the statute of limitations, because 4S was formed in 2007 and loans were received for only a few years thereafter.

The argument based on standing ignores the fact that the cause of action belongs to the debtor in a Chapter 11 proceeding and, if the debtor will not pursue the cause of action, the creditors committee may be granted standing. See Official Comm. of Unsecured Creditors of Cybergenics Corp. v. Chinery, 330 F.3d 548, 579-80 (3d Cir. 2003) (finding that a bankruptcy court can authorize a creditors' committee to sue derivatively for the benefit of the estate).

The statute of limitations for a corporate opportunity claim is six years. See Wolfson v. Bonello, 637 A.2d 173, 182 n.12 (N.J. Super. Ct. App. Div. 1994) ("The alleged torts committed by Bonello included . . . misappropriation of corporate opportunity . . ."); N.J. Stat. Ann. § 2A:14-1 ("Every action at law for . . . any tortuous injury to real or personal property . . . shall be commenced within 6 years next after the cause of any such action shall have accrued."); Swift v. Pandey, No. 13-650 (JLL), 2014 WL 1745040, at *5 (D.N.J. Apr. 30, 2014) ("[T]he statute of limitations for bringing tort claims in New Jersey is six years from the date of accrual . . ."). The cause of action accrues upon discovery. Otherwise, the fiduciary would be protected if not discovered within six years of the illegal act. Such is not the law. See, e.g., Grunwald v. Bronkesh, 621 A.2d 459, 463 (N.J. 1993) ("Under special circumstances and in the interest of justice, [New Jersey has] adopted the discovery rule to postpone the accrual of a cause of action when a plaintiff does not and cannot know the facts that constitute an actionable claim."); Baird v. Am. Med. Optics, 713 A.2d 1019, 1025 (N.J. 1998) ("The discovery rule delays the accrual of a cause of action until 'the injured party discovers, or by an exercise of reasonable diligence and intelligence should have discovered that he may have a basis for an actionable claim.'") (quoting Lopez v. Swyer, 300 A.2d 563, 565 (N.J. 1973)); Worthy v. Kennedy Health Sys., 140 A.3d 584, 592-93 (N.J. Super. Ct. App. Div. 2016) (reciting rules from Wolfson and Swift).

Here, ZGA, through Michael Ackerman's control, had the opportunity to participate in the business and development of 4S. In fact, as discussed in detail above, ZGA did develop, fund, and lend its full resources, both labor and client contact, to 4S; however, ZGA received limited or no benefits from such activities. Specifically, 4S was capitalized from the outset almost entirely with ZGA's funds. Thereafter, through in or around 2011 or 2012, whenever 4S needed capital, ZGA would transfer its revenues to 4S to support the related affiliate's business.

This was during a time when ZGA owed substantial sums to its creditors who were looking to be paid. Moreover, it can be argued the business of 4S “is in the line of [ZGA’s] business and is of practical advantage to [ZGA].” See Allied, 2006 WL 538757, at *2. By way of comparison, Yankee Title performed real estate search services that were beneficial to ZGA’s business, but instead of a new entity being formed by ZGA’s members, Yankee Title simply operated as a D/B/A of ZGA. Additionally, “by embracing in the opportunity, the self-interests of” Michael Ackerman were “brought into conflict with the interests of” ZGA. See id. Finally, Michael Ackerman used ZGA’s corporate assets to capitalize, finance and develop 4S and then took a portion of 4S’s profits as his own. For example, as described above, at the end of 2014 Michael Ackerman received a distribution from 4S in the form of a receivable from ZGA. While this distribution may appear to be of no value, it did have advantageous tax benefits to Michael Ackerman. Rather than providing ZGA (and its creditors) with the opportunity to benefit from the successful growth of 4S’s business, Michael Ackerman engineered a scheme or series of deals that harmed ZGA and its creditors when he formed 4S for himself at the expense of ZGA’s creditors. Accordingly, the Examiner believes there is a strong likelihood a claim exists against Michael Ackerman under the corporate opportunity doctrine.

D. Corporate Waste

Corporate waste requires “an exchange of corporate assets for consideration so disproportionately small as to lie beyond the range at which any reasonable person might be willing to trade. Most often the claim is associated with a transfer of corporate assets that serves no corporate purpose; or for which no consideration at all is received.” Torsiello, 955 F. Supp. 2d at 311 (quoting Seidman v. Clifton Savs. Bank, S.L.A., 14 A.3d 36, 43 (N.J. 2011)). A plaintiff must generally show that the board “irrationally squandered” corporate assets, such as where the challenged transaction served no corporate purpose or where the corporation received no consideration at all. White v. Panic, 783 A.2d 543, 554 (Del. 2001). More specifically, to succeed in proving waste, a plaintiff must plead facts showing “an exchange that is so one sided that no business person of ordinary sound judgment could conclude that the corporation has received adequate consideration.” Brehm v. Eisner, 746 A.2d 244, 263 (Del. 2000) (quoting In re The Walt Disney Co. Derivative Litig., 731 A.2d 342, 362 (Del. Ch. 1998)). The statute of limitations for a corporate waste claim is six years. See Wolfson, 637 A.2d at 182 n.12 (“The alleged torts committed by Bonello included . . . waste of corporate assets . . .”); see also N.J. Stat. Ann. § 2A:14–1; Swift, 2014 WL 1745040, at *5.

Mr. Ackerman contends that a corporate waste cause of action is procedurally inadequate for the same reasons mention regarding the corporate opportunity claim; lack of standing and expiration of the statute of limitations. He argues that the loans advanced to 4S were an approved use of the law firm’s funds from which the law firm expected to and did benefit far beyond the interest it received after 4S repaid the loans in full in 2012. He argues further that there never was any negative impact on creditors by the extension of credit to 4S.

The standing and statutes of limitation arguments are subject to the same defenses as mentioned above. As to the loans made by ZGA, the facts reveal that certain assets of ZGA were transferred at the outset to 4S for what appears to be limited to little consideration. Rather than investing its revenues into developing the business for the benefit of ZGA or paying ZGA’s creditors, Michael Ackerman capitalized and developed 4S for his personal benefit. Even if the

money transfers are properly characterized as a loan to 4S, such transfers were not a legitimate business purpose for ZGA. The Examiner was unable to uncover any benefit that 4S provided to ZGA other than to “lend” money back to ZGA when the firm was suffering enormous losses. Instead, ZGA fully funded and developed a corporate venture for the benefit of 4S shareholders at the expense of ZGA’s creditor body. Accordingly, the Examiner believes that there is a strong likelihood that a cause of action exists against ZGA, 4S and Michael Ackerman for corporate waste.

E. Preferential Transfers

Pursuant to section 547 of the Bankruptcy Code, certain transfers made to creditors in the period leading up to the bankruptcy filing may be avoided and recovered for the benefit of the bankruptcy estate. See 11 U.S.C. § 547. Specifically, payments made to creditors within the 90 days prior to the bankruptcy filing are subject to avoidance. Id. § 547(b)(4)(A). This 90-day look-back period is extended to one year for payments made to insiders. Id. § 547(b)(4)(A). In order to establish a preference claim, the trustee must establish that there was:

- 1) a transfer of an interest of the debtor in property;
- 2) to or for the benefit of a creditor;
- 3) for or on account of an antecedent debt owed by the debtor before such transfer was made;
- 4) made while the debtor was insolvent;
- 5) made on or within 90 days before the date of the filing of the petition, within 1 year before the date of the filing of the petition, if the creditor was an insider at the time of the transfer; and
- 6) that enables such creditor to receive more than it would receive in a chapter 7 case.

Id. § 547(b). The trustee bears the burden of proving the elements of section 547(b) of the Bankruptcy Code by a preponderance of the evidence. Liscinski v. Marasek (In re Marasek), No. 08-30919, 2013 WL 5423222, at *4 (Bankr. D.N.J. Sept. 30, 2013).

Here, the following two tables set forth a summary of the aggregate cash payments made to insiders and related third parties by ZGA from its operating account and made directly to the indicated payee within the one year prior to the Petition Date:¹¹

Summary of Aggregate Cash Payments from 8/3/14 through 12/31/14

Payee	# of Payments	Amount
Michael Ackerman	0	\$0
Joel Ackerman	8	\$7,510

¹¹ Payments for salaries and other benefits are not listed in the summary tables because such payments appear in the Debtor’s Statement of Financial Affairs [Docket No. 149]. An itemization of each transfer listed in the two tables is attached hereto as Exhibit D.

Leonard Zucker	11	\$51,700 ¹²
The National Firm	3	\$60,796
Scott Dietterick	13	\$182,000
4S	0	\$0
WC Taylor III	0	\$0

Summary of Aggregate Cash Payments from 1/1/15 through 7/31/15

Payee	# of Payments	Amount
Michael Ackerman	0	\$0
Joel Ackerman	15	\$15,727
Leonard Zucker	9	\$47,000
The National Firm	0	\$0
Scott Dietterick	25	\$228,000 ¹³
4S	2	\$129,114.78 ¹⁴
WC Taylor III	1	\$5,854

Accordingly, the Examiner believes that causes of action for preferential transfers may exist against certain of the payees listed above. The Examiner understands, however, that certain of these transfers may not be avoided by the estate due to the preference defenses set forth in section 547(c) of the Bankruptcy Code, including but not limited to contemporaneous exchange for new value given to the Debtor. See 11 U.S.C. § 547(c).

V. CONCLUSION

The Authorized Investigation resulted in the Examiner concluding that the estate has actionable legal claims against related third parties. The claims are of varying strength and subject to potential defenses and findings of fact. They principally consist of causes of action concerning the estate's and Michael Ackerman's interests in and relationship to 4S. The value of the claims is related to the assets, including patents, of 4S and that entity's going concern value. Potential recoveries are also available through preference actions under section 547 of the Bankruptcy Code.

Respectfully submitted,

Date: November 8, 2016

/s/ Donald H. Steckroth
Donald H. Steckroth

¹² Includes debit to cash of \$4,700 on August 19, 2014.

¹³ Includes debit to cash of \$42,000 on June 3, 2015.

¹⁴ Although the Debtor's general ledger indicates that this amount, consisting of two separate transfers, was disbursed from the Debtor's operating account, the transfers may have been non-cash transactions. See Klein Transcript, 41:5-43:6; see also Exhibit D hereto.

EXHIBIT A

ZGA FINANCIAL SUMMARY

Zucker, Goldberg & Ackerman, LLC
Summary of Historical Financial Statements

	Unaudited-Internal FS		Per EisnerAmper Audits				Unaudited-Internal FS	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cash	306,589	48,802	343,225	386,625	2,576,826	1,481,525	426,252	172,821
AR	5,560,712	24,348,229	17,074,008	9,607,071	11,297,458	12,860,689	11,396,258	4,641,866
Work in Progress	3,903,559							
Due from Affiliate	-	1,955,194	-		-			
PPE	889,601	1,202,164	1,112,040	1,723,625	1,339,198	2,048,031	1,251,064	444,873
Capitalized Software (4S)		-	839,582	845,524	404,046	176,276	24,222	-
Investment in National Firm, LLC	47,597	68,381	85,129	91,388	131,766	134,199	75,543	-
Other	<u>278,787</u>	<u>385,939</u>	<u>251,449</u>	<u>325,793</u>	<u>598,523</u>	<u>480,309</u>	<u>391,994</u>	<u>267,223</u>
Total Assets	<u>10,986,845</u>	<u>28,008,709</u>	<u>19,705,433</u>	<u>12,980,026</u>	<u>16,347,817</u>	<u>17,181,029</u>	<u>13,565,333</u>	<u>5,526,784</u>
LOC	484,782	3,699,179	2,642,000	4,500,000	4,500,000	4,000,000	3,200,000	617,476
Capital Lease Obligations		215,095	448,539	1,048,605	895,742	942,693	423,781	256,859
Equipment Loans		-		165,446	205,656	66,704	-	
Promissory Note (Provest)						1,329,433	769,731	429,639
AP	8,148,815	10,412,372	13,971,100	17,494,022	23,502,517	20,464,694	23,173,325	23,806,750
Accrued Exp	11,107	4,083,546	3,085,160	1,861,989	5,635,046	5,674,510	6,176,179	5,773,199
Due Clients	-	892,583	1,718,138	2,063,559	7,120,691	6,052,719	7,771,601	8,901,213
Due to related party affiliate	-	-	-	1,092,657	910,841	6,491,547	2,941,041	3,298,789
Due to Members and Affiliates	-	-	-	-	1,130,859	1,013,236	7,469,903	8,128,935
Other	<u>-</u>	<u>184,737</u>	<u>208,518</u>	<u>368,233</u>	<u>243,758</u>	<u>230,791</u>	<u>196,774</u>	<u>127,914</u>
Total Liabilities	8,644,704	19,487,512	22,073,455	28,594,511	44,145,110	46,266,327	52,122,334	51,340,773
Equity(Deficit)	<u>2,342,141</u>	<u>8,521,197</u>	<u>(2,368,022)</u>	<u>(15,614,485)</u>	<u>(27,797,293)</u>	<u>(29,085,298)</u>	<u>(38,557,001)</u>	<u>(45,813,989)</u>
Total Liab & Equity	<u>10,986,845</u>	<u>28,008,709</u>	<u>19,705,433</u>	<u>12,980,026</u>	<u>16,347,817</u>	<u>17,181,029</u>	<u>13,565,333</u>	<u>5,526,784</u>
Revenue	22,121,843	29,186,301	27,503,396	24,735,344	22,568,612	34,469,685	31,545,006	15,699,514
Cost of Servicing	<u>-</u>	<u>(19,708,157)</u>	<u>(21,404,379)</u>	<u>(22,323,008)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Margin	22,121,843	9,478,144	6,099,017	2,412,336	22,568,612	34,469,685	31,545,006	15,699,514
SGA	(7,952,104)	(9,125,757)	(12,953,002)	(15,745,094)	(5,757,719)	(5,858,309)	(6,226,298)	(5,059,168)
Payroll	(9,228,138)				(18,621,889)	(21,643,806)	(26,139,024)	(16,040,181)
Prof Fees	(110,864)				(2,047,071)	(1,265,175)	(1,752,452)	(1,226,707)
Title Seach Fees	-				(2,808,176)	(2,668,782)	(2,075,208)	(809,866)
Data Base Access Fees	-				(1,470,149)	(1,221,863)	(1,365,394)	(891,889)
Referral Fees	-				(1,332,478)	(425,324)	(453,784)	965
Bad Debts & Unbilled Cost Adjusts	(1,287,258)				(3,034,451)	(1,722,709)	(1,987,798)	1,470,301
Interest	-	(49,487)	(153,516)	(213,130)	(387,665)	(832,700)	(905,052)	(614,118)
UST Fees								(20,150)
Net Loss(Gain) 4S	-		908,358	(1,005,019)	??			
Other	19,452	<u>(18,308)</u>	<u>16,748</u>	<u>6,259</u>	<u>40,378</u>	<u>344,423</u>	<u>16,344</u>	<u>26,380</u>
Net Inc(Loss) Attributable to Control	3,562,931	284,592	(6,082,395)	(14,544,648)	(12,850,608)	(824,560)	(9,343,660)	(7,464,920)
	<u>-</u>	<u>-</u>	<u>(908,358)</u>	<u>1,005,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Consolidated Income(Loss)	3,562,931	284,592	(6,990,753)	(13,539,629)	(12,850,608)	(824,560)	(9,343,660)	(7,464,920)
<i>Net Inc(Loss) as % of Revenue</i>			<i>-25.4%</i>	<i>-54.7%</i>	<i>-56.9%</i>	<i>-2.4%</i>	<i>-29.6%</i>	<i>-47.5%</i>
Priod Period Adjustment		7,934,941	(960,185)	-	-			
4S Deconsolidation Adjustment					863,524	-		
Contributions by Members				1,099,941	19,104	-	86,644	207,933
Distribution to Members		(1,126,599)	(2,938,281)	(806,775)	(214,828)	(463,445)	(214,687)	
Member Capital Acct-Beginning		<u>1,428,263</u>	<u>8,521,197</u>	<u>(2,368,022)</u>	<u>(15,614,486)</u>	<u>(27,797,294)</u>	<u>(29,085,299)</u>	<u>(38,557,003)</u>
Member Capital Acct-Ending		<u>8,521,197</u>	<u>(2,368,022)</u>	<u>(15,614,486)</u>	<u>(27,797,294)</u>	<u>(29,085,299)</u>	<u>(38,557,003)</u>	<u>(45,813,991)</u>

Notes:

For 2010 and 2011, 4S financials were consolidated with ZGA as a "Variable Interest Entity".

EXHIBIT B

4S FINANCIAL SUMMARY

4S Technologies, LLC
Summary of Historical Financial Statements

	Per Tax Returns			Per EisnerAmper Audits					Unaudited Internal
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>3/31/2006</u>
Cash	49,245	48,262	145,323	163,617	387,994	35,603	199,471	823,270	122,313
AR	29,465	165,578	706,175	1,961,593	3,016,553	3,057,213	1,474,122	1,177,611	1,307,884
Prepays			4,182	17,339	12,818	137,847	100,569	157,343	181,141
Due from Affiliate					910,841	6,491,547	1,479,198	1,479,198	
Bad Debt Allowance for Affiliate							(1,479,198)	(1,479,198)	
PPE, net		114,577	216,170	658,979	406,588	160,901	161,618	123,968	177,642
Intangibles, net	220,751	686,595	839,582	845,523	1,065,794	1,138,299	1,116,548	960,481	945,156
Other	-	-	-	-	-	-	-	2,015	10,525
Total Assets	<u>299,461</u>	<u>1,015,012</u>	<u>1,911,432</u>	<u>3,647,051</u>	<u>5,800,588</u>	<u>11,021,410</u>	<u>3,052,328</u>	<u>3,244,688</u>	<u>2,744,661</u>
Accounts Payable/Accrued Exp		20,000	56,775	219,414	268,392	238,066	368,953	478,574	268,596
Capital Lease Obligation-Related				603,325	404,046	176,276	24,222	-	-
Due to related party affiliate	452,681	1,955,196	3,723,109	3,687,836	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	20,478
Total Liabilities	452,681	1,975,196	3,779,884	4,510,575	672,438	414,342	393,175	478,574	289,074
Equity(Deficit)	(153,220)	(960,184)	(1,868,543)	(863,524)	5,128,150	10,607,068	2,659,153	2,766,204	2,455,590
Total Liab & Equity	<u>299,461</u>	<u>1,015,012</u>	<u>1,911,341</u>	<u>3,647,051</u>	<u>5,800,588</u>	<u>11,021,410</u>	<u>3,052,328</u>	<u>3,244,778</u>	<u>2,744,664</u>
Revenue	140,522	197,358	1,330,395	5,852,009	12,099,822	12,230,809	9,437,137	8,382,990	1,698,623
Payroll	(141,493)	(1,053,743)	(1,234,132)	(2,021,913)	(1,085,312)	(1,525,393)	(1,560,271)	(2,499,150)	(984,750)
Payroll/Costs Capitalized		864,329	787,722	-					
Guaranteed Payments to Partners		(18,190)							
Employee Benefit Programs		(148,845)	(128,722)	(189,529)					
Postage			(136,766)	(461,801)	(1,232,041)	(1,210,605)	(917,115)	(1,302,274)	(129,380)
Amortization-Software	(110,375)	(398,484)	(665,404)	(818,779)	(907,417)	(998,928)	(1,091,773)	(828,913)	(154,356)
Depreciation & Tradename Amort		(27,369)	(73,442)	(224,788)	(362,976)	(359,653)	(234,483)	(101,995)	(22,712)
Selling			(18,827)	(26,152)	(755,252)	(743,121)	(546,604)	(372,401)	(81,492)
Prof Fees	(500)	(20,000)	(2,500)	(420,848)	(218,326)	(328,239)	(151,628)	(630,748)	(75,428)
Title Seach Fees									
Data Base Access Fees		(22,035)	(124,888)		(712,873)	(593,409)	(468,112)	(417,674)	(119,946)
System Access and Maintenance		(5,800)	(110,904)	(61,525)	(294,759)	(391,549)	(523,205)	(890,886)	(235,462)
Equipment Rent			(13,953)		(188,002)	(305,318)	(420,024)	(261,285)	(7,100)
Travel and Promotion		(46,882)	(126,485)	(205,932)	(113,788)	(231,778)	(421,375)	(323,588)	(78,162)
Office Remt	(22,247)	(74,733)	(82,212)	(148,450)	(92,700)	(102,578)	(106,427)	(115,578)	(55,985)
Bad Debts & Unbilled Cost Adjusts				(30,868)			(1,533,615)		-
Interest (Expense)Income	(11,297)	(38,623)	(162,161)	(209,925)	(55,634)	133,566	-	(6,196)	-
Other	(7,830)	(13,947)	(146,080)	(26,480)	(89,068)	(94,886)	(141,508)	(194,474)	(55,294)
Net Income	(153,220)	(806,964)	(908,359)	1,005,019	5,991,674	5,478,918	1,320,997	437,828	(301,444)
<i>Net Income as % of Revenue</i>				<i>17.2%</i>	<i>49.5%</i>	<i>44.8%</i>	<i>14.0%</i>	<i>5.2%</i>	<i>-17.7%</i>
Membership Interest Rollforward:									
Prior Period Adjustment	-	-	-	-	-	-	(6,491,547)		-
Unreconciled Change									(9,171)
Distribution to Member	-	-	-	-	-	-	(167,975)	(96,000)	-
Writeoff of Advances to Affiliate	-	-	-	-	-	-	(2,609,390)	(234,777)	-
Membership Interest, Beginning	-	(153,220)	(960,184)	(1,868,543)	(863,524)	5,128,150	10,607,068	2,659,153	2,766,204
Membership Interest, Ending	<u>(153,220)</u>	<u>(960,184)</u>	<u>(1,868,543)</u>	<u>(863,524)</u>	<u>5,128,150</u>	<u>10,607,068</u>	<u>2,659,153</u>	<u>2,766,204</u>	<u>2,455,589</u>

EXHIBIT C

SCHEDULE OF INTERCOMPANY TRANSFERS

ZGA	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Totals
Schedule of Monthly Amounts Due To / From 4 S Technologies For the Year Ended 12/31/10													
4 S Acct #													
Beginning balance - Due to ZGA (w/o interest)	1,905,275.52	2,053,909.65	2,183,690.18	2,327,830.11	2,443,922.93	2,644,407.84	2,793,248.53	2,937,900.22	3,006,424.03	3,153,226.03	3,315,263.10	3,466,292.21	1,905,275.52
4S expenses paid by ZGA													
5501 T1 Expense	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	1,352.24	16,226.88
5502 Internet Telephone Lines	209.16	209.16	209.16	209.16	209.16	209.16	209.16	209.16	209.16	209.16	209.16	209.16	2,509.93
5510 Database Access Fees (LPS)	1,750.00	1,750.00	6,091.94	30,170.49	12,531.23	8,825.90	7,068.52	9,792.34	9,672.58	16,189.88	10,199.52	10,845.39	124,887.79
6001 Wages	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	89,843.19	1,078,118.25
6095 Employee Benefits	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	10,446.62	125,359.48
6171 Employee Relations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90.95	0.00	32.08	0.00	435.50	558.53
6182 Seminars and CPE	1,990.00	0.00	995.00	959.08	0.00	872.50	856.50	3,452.09	1,373.00	0.00	0.00	0.00	10,498.17
6201 Gas, Tolls and Parking	0.00	198.00	147.00	94.00	10.83	66.00	0.00	185.00	0.00	33.00	10.00	203.45	927.28
6202 Business Travel	1,809.40	5,717.46	11,220.07	8,373.61	10,939.90	18,960.67	5,445.63	11,033.15	6,329.70	19,502.40	3,496.52	3,004.19	105,632.70
6205 Business Meals and Entertainment	245.09	89.99	280.70	811.11	1,246.34	129.90	14.50	196.27	34.52	1,219.23	100.80	10,633.22	15,001.67
6261 Marketing & Promotion	0.00	8,007.83	950.00	840.38	5,658.64	125.11	134.78	0.00	0.00	2,230.57	4,020.97	2,060.32	24,058.60
6271 Professional Fees	2,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00
6301 Charitable Contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	545.94	0.00	0.00	0.00	0.00	545.94
6311 Dues & Subscriptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	550.00	0.00	0.00	0.00	0.00	550.00
6441 Computer Services-Freelance	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	13,525.08	162,301.00
6445 Computer Colocation Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6451 Computer Supplies & Services	116.02	131.28	174.95	3,906.03	934.70	419.56	1,694.53	270.51	174.99	1,206.72	199.00	990.75	7,277.02
6501 Postage and Delivery	0.00	0.00	0.00	0.00	0.00	26.63	0.00	0.00	0.00	0.00	0.00	136,738.97	136,738.97
6551 Rent	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	6,851.00	82,212.00
6571 Telephone	19.99	614.16	43.94	39.98	57.50	39.98	39.98	159.88	43.47	44.97	0.00	8,169.03	9,272.90
6701 Office Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	128.98	0.00	0.00	128.98
6801 Misc Other Expenses	0.00	0.00	0.00	0.00	50.93	0.00	0.00	0.00	0.00	0.00	65.00	0.00	124,969.19
6871 Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	115.93
4S balance sheet items paid by ZGA													
1352 Prepaid Business Insurance	0.00	0.00	0.00	0.00	0.00	0.00	7,169.95	0.00	0.00	0.00	0.00	0.00	7,169.95
1561 Computer Equipment Capitalized	7,887.60		4,433.27						6,946.44			77,427.89	89,748.76
1571 Computer Software Capitalized					54,717.84			21,429.96	0.00				83,084.24
1700 Capitalized Software Development Costs	12,740.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,710.00	12,627.80	38,077.80
1800 Trademarks	2,891.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,891.25
Rounding difference													0.00
Total 4S expenses paid by ZGA	153,978.65	138,736.04	146,564.17	167,421.98	208,375.21	151,693.55	144,651.69	169,913.39	146,802.00	162,815.13	151,029.10	517,670.01	2,259,650.88
4S cash receipts deposited in ZGA's account	5,344.52	955.50	2,424.24	16,329.15	7,890.30	2,852.85		1,389.57		778.05		3,240.51	41,204.69
4S repayments to ZGA		8,000.00		35,000.00				100,000.00				450,000.00	593,000.00
4S Wells Fargo / Pizza Boy billings to ZGA												19,692.78	
Ending balance - Due to ZGA (w/o interest)	2,053,909.65	2,183,690.18	2,327,830.11	2,443,922.93	2,644,407.84	2,793,248.53	2,937,900.22	3,006,424.03	3,153,226.03	3,315,263.10	3,466,292.21	3,550,414.49	3,511,028.93
Simple Average Balance For Month	1,247,647.13	2,118,799.91	2,255,760.14	2,385,876.52	2,544,165.38	2,718,828.18	2,865,574.37	2,972,162.12	3,079,825.03	3,234,244.56	3,390,777.65	3,508,353.35	
Simple Average Prime Rate During Month	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
Monthly Prime Factor	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	
Interest Due ZGA	3,379.04	5,738.42	6,109.35	6,461.75	6,890.45	7,363.49	7,760.93	8,049.61	8,341.19	8,759.41	9,183.36	84,123.79	162,160.79

[illegible]

ZGA		Schedule of Monthly Amounts Due To / From 4 S Technologies For the Year Ended 12/31/11												Totals	
	4 S Acct #	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11		
Simple Average Balance For Month		2,112,947.37	3,906,184.92	4,100,314.65	4,249,602.17	4,346,853.66	4,521,016.95	4,517,950.58	4,197,621.60	4,012,544.83	4,070,493.98	3,856,265.52	3,813,228.82		
Simple Average Prime Rate During Month		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%		
Monthly Prime Factor		0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%	0.271%		
Interest Due ZGA		5,722.57	10,579.25	11,105.02	11,509.34	11,772.73	12,244.42	12,236.12	11,368.56	10,867.31	11,024.25	10,444.05	10,327.49		129,201.11
Tie-in to General Ledger acct 1511-00-00															
Beginning balance per G/L with interest		3,723,108.83	3,784,510.15	4,027,859.76	4,172,769.59	4,326,434.81	4,367,272.57	4,674,761.39	4,361,139.84	4,034,103.42	3,990,986.29	4,150,001.73	3,562,529.38		
Add: 4 S expenses paid by ZGA		373,482.04	243,349.62	497,024.58	277,223.42	322,288.52	428,965.15	307,558.08	277,371.37	406,896.63	462,130.74	295,133.29	996,048.98		4,889,472.38
Add: 2011 intercompany interest charged to 4 S													129,201.11		
Add: 2011 ZGA to 4 S Cash Payments / Transfers		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	154,166.00	0.00	4,166.00	88,207.00		246,539.00
Less: 4 S Cash receipts Deposited in ZGA's Account		0.00	0.00	635.54	258.65		6,385.20	12,762.74	3,380.57	4,515.51	4,301.26	7.39	2,899.20		35,146.06
Less: Repayments from 4 S credited to acct 1511		297,000.00	0.00	300,000.00	122,000.00	265,010.66	88,026.00	588,154.77	588,200.00	586,166.00	285,000.00	877,166.00	533,875.00		4,530,598.43
Less: 4 S Wells Fargo / Pizza Boy billing to ZGA		15,080.72	0.00	51,479.21	1,298.55	16,440.09	27,065.13	20,262.12	12,827.21	13,498.25	13,814.04	9,598.24	48,082.84		229,447.40
Ending balance per G/L with interest		3,784,510.15	4,027,859.76	4,172,769.59	4,326,434.81	4,367,272.57	4,674,761.39	4,361,139.84	4,034,103.42	3,990,986.29	4,150,001.73	3,562,529.38	4,193,129.43		

ZGA		Schedule of Monthly Amounts Due To / From 4 S Technologies												Totals	
For the Year Ended 12/31/12		= Traced to 4 S 2012 WTB													
		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12		
Beginning balance - Due to ZGA (w/o interest)		3,869,147.03	3,150,512.36	2,891,480.30	2,569,974.59	2,156,161.09	1,717,907.68	1,776,256.24	1,459,505.50	1,326,601.54	1,148,675.56	601,208.92	301,214.10		
4S expenses paid by ZGA															
	T1 Expense														
	Internet Telephone Lines	3,734.39	1,789.17	3,737.91	0.00	7,463.92	0.00	3,718.54	7,329.40	3,664.70	3,718.54	3,718.54	3,718.54	42,593.65	
	Database Access Fees (LPS)	338.10	485.28	338.01	677.51	220.75	569.85	509.81	513.23	328.26	690.32	459.86	656.37	5,797.35	
	Software Development	57,911.74	47,964.99	47,997.04	47,317.38	66,101.65	65,881.23	64,761.61	54,228.38	59,604.97	61,086.71	50,483.13	71,608.51	696,949.34	
	COS Wages	8,650.00	8,250.00	7,950.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,050.00	
	COS Employee Benefits	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	2,893.33	34,600.01	
	SGA Wages	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	49,673.23	596,078.79	
	SGA Employee Benefits	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	13,492.29	161,907.50	
	Employee Relations	0.00	0.00	0.00	0.00	75.00	414.00	727.00	264.00	29.00	0.00	0.00	29.00	1,538.00	
	Seminars and CPE	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	11,512.49	
	Gas, Tolls and Parking	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Business Travel - BT	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	10,279.01	123,348.10	
	Business Travel - MSA	5,725.95	1,637.88	2,642.19	4,461.92	4,965.25	1,092.28	2,504.08	3,980.62	4,821.89	1,875.16	2,612.82	2,120.78	38,440.82	
	Business Meals and Entertainment - BT	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	5,000.00	
	Business Meals and Entertainment - MSA	4,192.10	3,017.29	4,343.65	436.16	2,055.79	1,333.22	222.08	2,281.85	1,000.56	2,322.53	1,244.88	2,245.18	24,695.29	
	Marketing & Promotion	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	1,507.59	18,091.05	
	Professional Fees - Accounting	21,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,000.00	5,250.00	0.00	0.00	35,250.00	
	Professional Fees - Other	16,277.27	10,135.84	9,541.10	8,889.82	7,412.53	10,857.20	14,307.50	11,305.41	10,208.98	8,697.57	5,055.89	6,326.28	119,015.40	
	Charitable Contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Dues & Subscriptions	3,250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,250.00	
	Business Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Computer Services-Freelance	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	19,033.57	228,402.80	
	Computer Colocation Expenses	6,560.00	0.00	3,280.00	3,280.00	3,280.00	3,280.00	3,280.00	5,768.68	3,922.50	3,922.50	3,922.50	3,922.50	44,418.68	
	Computer Supplies & Services	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	959.37	11,512.49	
	Computer Software Subscriptions	6452	0.00	0.00	0.00	1,595.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,595.00	
	Postage Processing Fees	14,356.20	70,602.41	125,094.88	48,630.78	33,643.90	49,293.66	48,324.72	41,492.03	59,405.60	68,067.10	81,686.78	44,541.95	685,140.01	
	Postage Costs - USPS	12,872.09	46,288.30	65,700.95	36,427.35	37,962.90	54,424.85	49,986.55	38,655.65	49,427.00	49,259.10	69,198.40	36,697.60	546,900.74	
	Rent	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	7,725.00	92,700.00	
	Telephone	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	10,000.00	
	Office Supplies	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	10,000.00	
	Office Expense	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	10,000.00	
	Federal and State Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Rental Income - Computer Equipment	6430												74,971.42	
	Rental Income - Computer Software	6930												170,053.16	
	Rental Expense - Computer Equipment	6925												(33,470.34)	
	Rental Expense - Computer Software	6935												(23,552.04)	
4S balance sheet items paid by ZGA															
	Exchanges (primarily pending cc charges)														
	Exchange Account Reallocations	1310	7,569.13	18,987.17	11,351.37	3,776.47	7,622.33	4,743.40	13,532.74	30,004.07	12,125.96	18,244.71	21,629.84	164,464.13	
	Prepaid Business Insurance	1310	(7,569.13)	(18,987.17)	(11,351.37)	(3,776.47)	(7,622.33)	(4,743.40)	(13,532.74)	(30,004.07)	(12,125.96)	(18,244.71)	(21,629.84)	(164,464.13)	
	Cash - PNC Bank	1352	0.00	0.00	0.00	0.00	0.00	21,973.94	0.00	0.00	0.00	0.00	0.00	21,973.94	
	Computer Equipment Capitalized	1561	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Computer Software Capitalized	1571	17,600.00	0.00	0.00	0.00	3,301.43	0.00	0.00	0.00	0.00	44,380.00	0.00	17,533.68	
	Capitalized Software Dev Costs - Wages	1400	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	78,942.11	
	Capitalized Software Dev Costs - Contr & Vendors	1400	16,658.93	(6,713.57)	6,361.43	16,411.43	23,621.43	15,506.43	3,511.43	(5,751.80)	35,331.43	1,351.43	(4,383.57)	917,305.30	
	Trademarks	1800	2,022.00	0.00	3,930.50	0.00	0.00	0.00	0.00	0.00	0.00	855.00	0.00	6,807.50	
	Rounding													0.78	
	Total expenses allocated to 4 S		401,114.13	396,232.95	493,683.02	376,307.71	425,231.07	438,587.62	382,096.04	408,427.02	452,988.31	477,734.58	568,251.48	3,869,147.03	
														5,247,488.42	

[illegible]

[illegible]

ZGA	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Totals
Schedule of Monthly Amounts Due To / From 4 S Technologies For the Year Ended 12/31/13													
4 S													
Acct #													
1501	(19,906.59)	(3,441.00)	(55,745.92)	(7,501.54)	(4,213.80)	(3,322.40)	(3,127.40)	(3,283.20)	(3,190.80)	(2,966.40)	(3,834.60)	(2,771.60)	(113,335.25)
Less: 4S cash receipts deposited in ZGA's account													
1501	(1,270,000.00)	(760,000.00)	(1,185,000.00)	(1,021,000.00)	(895,000.00)	(625,000.00)	(1,100,000.00)	(1,015,000.00)	(1,030,000.00)	(700,000.00)	(700,000.00)	(1,230,000.00)	(11,531,000.00)
Less: 4S advances to ZGA													
1501													25,000.00
Add: ZGA advances to 4 S								25,000.00					
Less: 4 S Transfers (from) Trust Account to ZGA			(200,000.00)	(200,000.00)	(500,000.00)		(250,000.00)				(100,000.00)	(250,000.00)	(1,500,000.00)
Add: ZGA Transfers to Trust Account						50,000.00	250,000.00	175,000.00			250,000.00	205,000.00	930,000.00
Ending balance - Due to ZGA (w/o interest)	(1,855,945.90)	(1,897,079.38)	(2,846,825.67)	(3,582,718.84)	(4,338,941.90)	(4,301,194.98)	(4,720,774.40)	(5,027,389.32)	(5,578,958.57)	(5,767,386.42)	(5,863,563.02)	(6,659,109.63)	(6,659,109.63)
Net change	(672,514.69)	(240,129.48)	(949,746.29)	(735,893.17)	(756,223.06)	37,746.92	(419,579.42)	(306,614.92)	(551,569.26)	(188,427.85)	(96,176.60)	(795,546.62)	(5,674,674.42)
Simple Average Balance For Month	(1,320,692.55)	(1,777,014.64)	(2,371,962.52)	(3,214,772.25)	(3,960,830.37)	(4,320,068.44)	(4,510,984.69)	(4,874,081.86)	(5,303,173.94)	(5,673,172.50)	(5,815,474.72)	(6,261,336.33)	
Simple Average Prime Rate During Month	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	
Monthly Prime Factor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Interest Due (to) from 4 S	(3,576.88)	(4,812.75)	(6,424.04)	(8,706.67)	(10,727.25)	(11,700.19)	(12,217.25)	(13,200.64)	(14,362.76)	(15,364.84)	(15,750.24)	(16,957.79)	(133,801.29)
Tie-in to General Ledger acct 1511-00-00													
Beginning balance per G/L with interest of \$477,639.51	(506,795.70)	(1,182,887.26)	(1,427,829.49)	(2,383,998.82)	(3,128,599.67)	(3,895,549.97)	(3,889,503.24)	(4,301,299.91)	(4,621,115.47)	(5,187,047.49)	(5,390,840.18)	(5,502,767.02)	(506,795.70)
Add: 4 S expenses booked by ZGA	617,391.90	523,311.52	490,999.63	492,608.37	642,990.74	616,069.32	683,547.98	511,668.28	481,621.54	514,568.55	457,658.00	482,224.98	6,514,660.83
Add: 2013 intercompany interest charged (by) to 4 S	(3,576.88)	(4,812.75)	(6,424.04)	(8,706.67)	(10,727.25)	(11,700.19)	(12,217.25)	(13,200.64)	(14,362.76)	(15,364.84)	(15,750.24)	(16,957.79)	(133,801.29)
Less: 2013 4 S A/R cash received by ZGA	(19,906.59)	(3,441.00)	(55,745.92)	(7,501.54)	(4,213.80)	(3,322.40)	(3,127.40)	(3,283.20)	(3,190.80)	(2,996.40)	(3,834.60)	(2,771.60)	(113,335.25)
Less: 2013 4 S advances to ZGA	(1,270,000.00)	(760,000.00)	(1,185,000.00)	(1,021,000.00)	(895,000.00)	(625,000.00)	(1,100,000.00)	(1,015,000.00)	(1,030,000.00)	(700,000.00)	(700,000.00)	(1,230,000.00)	(11,531,000.00)
Add: ZGA advances to 4 S	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00	0.00	0.00	0.00	0.00	25,000.00
Less: 4 S Transfers from Trust Account to ZGA	0.00	0.00	(200,000.00)	(200,000.00)	(500,000.00)	0.00	(250,000.00)	0.00	0.00	0.00	(100,000.00)	(250,000.00)	(1,500,000.00)
Add: ZGA Transfers to Trust Account	0.00	0.00	0.00	0.00	0.00	50,000.00	250,000.00	175,000.00	0.00	0.00	250,000.00	205,000.00	930,000.00
Less: 4 S Payment to LPS on behalf of ZGA													0.00
Ending balance per G/L with interest	(1,182,887.26)	(1,427,829.49)	(2,383,998.82)	(3,128,599.67)	(3,895,549.97)	(3,889,503.24)	(4,301,299.91)	(4,621,115.47)	(5,187,047.49)	(5,390,840.18)	(5,502,767.02)	(6,315,271.42)	(6,315,271.42)

ZGA		Schedule of Monthly Amounts Due To / From 4 S Technologies For the Year Ended 12/31/14												4 S Acct #		Totals	
Beginning balance - Due to ZGA (w/o interest)																	
4S expenses paid by ZGA																	
5501	T1 Expense	7,547.08	7,547.08	7,547.08	7,559.96	7,559.96	7,571.11	7,614.28	7,502.22	7,615.10	7,638.86	7,438.74	7,643.67				
5502	Internet Telephone Lines	696.09	471.65	472.00	1,190.18	551.25	1,200.74	1,096.13	1,194.07	998.40	951.60	1,584.21	1,563.77				
5510	Database Access Fees (LPS)	27,208.78	38,379.47	30,303.86	29,584.87	28,489.50	32,394.98	28,921.53	28,732.84	32,289.27	27,901.00	27,729.91	24,500.57				
5601	Software Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
5400	Wages Allocated - COS	101,384.04	101,384.04	101,384.04	101,384.04	101,384.04	101,384.04	82,194.90	82,194.90	82,194.90	94,368.52	94,368.52	94,368.52				
5410	Employee Benefits Allocated - COS	17,647.35	17,647.35	17,647.35	17,647.35	17,647.35	17,647.35	5,788.42	5,788.42	5,788.42	2,890.74	2,890.74	2,890.74				
6001	Wages Allocated - SGA	69,621.26	69,621.26	69,621.26	69,621.26	69,621.26	69,621.26	86,785.24	86,785.24	86,785.24	92,239.02	92,239.02	92,239.02				
6095	Employee Benefits Allocated - SGA	17,109.64	17,109.64	17,109.64	17,109.64	17,109.64	17,109.64	16,304.15	16,304.15	16,304.15	6,501.35	6,501.35	6,501.35				
6111	Insurance-Partner Life	0.00	0.00	725.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6171	Employee Relations	0.00	0.00	0.00	0.00	116.00	964.00	58.00	0.00	0.00	0.00	0.00	0.00				
6182	Seminars and CPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6201	Gas, Tolls and Parking	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6202	Business Travel	0.00	0.00	3,000.99	0.00	0.00	55.68	19.45	32,862.35	0.00	0.00	0.00	0.00				
6205	Business Meals and Entertainment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6210	Approved Expense Reimbursement	1,789.89	3,465.65	10,933.88	9,461.26	2,349.51	6,552.61	7,292.92	1,711.34	3,133.89	5,173.25	9,052.06	6,920.01				
6261	Marketing & Promotion	0.00	10,000.00	0.00	20,000.00	3,000.00	0.00	5,250.00	0.00	0.00	0.00	0.00	0.00				
6271	Professional Fees - Accounting	0.00	0.00	46,050.00	21,000.00	41,350.00	0.00	0.00	8,460.00	0.00	0.00	50,175.00	21,000.00				
6273	Professional Fees-Legal	0.00	0.00	0.00	0.00	0.00	1,785.89	4,110.00	3,967.50	3,190.21	1,267.50	9,459.84	(1,130.97)				
6274	Professional Fees - Other	3,689.22	5,037.99	7,892.82	2,189.19	0.00	885.50	667.00	889.75	694.20	368.00	2,432.13	1,527.38				
6301	Charitable Contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6311	Dues & Subscriptions	2,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6351	Business Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6410	Software Licensing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6441	Computer Services-Freelance	6,725.00	0.00	10,012.50	6,012.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6442	Computer Services-Other	5,945.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50	6,062.50				
6445	Computer Colocation Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6451	Computer Supplies & Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6452	Computer Software Subscriptions	24,913.38	39,722.10	46,768.70	40,015.39	56,296.02	48,732.69	38,314.51	44,129.63	38,401.06	14,661.63	40,212.18	(8,671.80)				
6501	Postage Processing Fees (Service Fees)	30,777.59	33,937.56	34,094.20	39,024.52	42,152.93	41,265.18	37,774.36	39,698.28	38,791.43	38,955.79	26,226.10	9,685.63				
6502	Postage Costs - USPS and Other Delivery Costs	8,476.84	8,476.84	8,476.84	8,476.84	8,476.84	8,476.84	8,730.55	8,730.55	11,704.13	8,776.93	8,789.77	106,426.65				
6551	Rent	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33				
6571	Telephone	0.00	0.00	1,832.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6642	Automobile Insurance	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33				
6701	Office Supplies	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33				
6751	Office Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6801	Misc Other Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6850	Federal and State Taxes	0.00	0.00	900.00	1,200.00	0.00	0.00	0.00	0.00	0.00	800.00	0.00	0.00				
6851	Tax-Related Interest and Penalties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6871	Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
6430	Rental Income - Computer Equipment	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91	13,156.91				
6930	Rental Income - Computer Software	16,506.62	16,796.60	18,715.03	20,346.17	23,323.07	23,323.07	23,323.07	23,323.07	24,120.57	24,120.57	24,120.57	24,120.57				
6925	Rental Expense - Computer Equipment	(1,999.26)	(1,999.26)	(1,999.26)	(2,083.77)	(2,083.77)	(2,083.77)	(2,083.77)	(2,083.77)	(2,083.77)	(2,083.77)	(2,083.77)	(2,083.77)				
6935	Rental Expense - Computer Software	(1,353.11)	(1,353.11)	(1,353.11)	(1,353.11)	(1,715.50)	(1,715.50)	(3,201.17)	(3,201.17)	(3,201.17)	(3,201.17)	(3,262.88)	(3,262.88)				
4S balance sheet items paid by ZGA																	
1310	Exchanges (primarily cc charges) BT	73,854.18	31,106.40	49,319.05	27,896.68	33,358.55	24,256.33	11,308.10	(13,656.12)	5,908.22	46,497.05	39,087.52	25,560.44				
1310M	Exchanges (primarily cc charges) MA	5,089.64	8,157.09	8,936.00	2,895.90	4,362.47	7,965.54	6,411.94	3,749.74	17,890.10	11,796.52	7,407.16	7,461.22				
1332	Prepaid Business Insurance	48,057.59	2,272.59	2,282.53	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1561	Computer Equipment Capitalized	0.00	0.00	8,691.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1571	Computer Software Capitalized	0.00	0.00	0.00	0.00	12,425.00	29,826.46	48,021.75	48,021.75	48,021.75	54,369.10	64,000.00	0.00				
1400	Capitalized Software Dev Costs - Contr & Vendors	42,456.27	45,679.27	48,140.27	57,751.27	34,456.27	24,942.27	34,534.27	24,760.27	36,898.27	31,535.27	32,708.99	29,741.31				
1800	Trademarks	0.00	0.00	0.00	436.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
ZGA balance sheet items to be paid by 4 S																	
2125	Accrued payroll												(167,492.48)				
	Rounding difference												0.00				

ZGA	Schedule of Monthly Amounts Due To / From 4 S Technologies For the Year Ended 12/31/14	4 S Acct #	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Totals
	Total 4S expenses paid by ZGA		524,260.50	475,379.63	569,125.87	519,101.56	521,951.81	483,881.33	476,205.04	471,584.42	477,163.79	487,237.17	562,796.56	202,930.20	5,771,617.87
	Less: 4S cash receipts deposited in ZGA's account	1501	(2,623.60)	0.00	(6,031.60)	(3,087.20)	(3,313.80)	(4,185.40)	(3,658.00)	0.00	(7,587.60)	(3,624.40)	0.00	(3,857.80)	(37,969.40)
	Less: 4S cash advances to ZGA	1501	(957,500.00)	(820,000.00)	(625,500.00)	(440,000.00)	(1,000,000.00)	(905,000.00)	(550,000.00)	(780,000.00)	(350,000.00)	(530,000.00)	(675,000.00)	(950,000.00)	(8,583,000.00)
	Add: ZGA advances to 4 S	1501						25,000.00							25,000.00
	Less: 4 S Transfers (from) Trust Account to ZGA	1501													0.00
	Less: 4 S credit cards prnts made on behalf of ZGA	1501					(1,685.94)								(1,685.94)
	Ending balance - Due to ZGA (w/o interest)		(7,094,972.80)	(7,439,593.17)	(7,501,998.90)	(7,427,670.49)	(7,909,032.48)	(8,309,336.55)	(8,396,789.51)	(8,695,205.09)	(8,575,628.90)	(8,622,016.14)	(8,734,219.58)	(9,485,147.17)	(9,485,147.17)
	Simple Average Balance For Month	Net change	(435,863.10)	(344,620.37)	(62,405.73)	74,326.42	(481,361.99)	(400,304.07)	(77,452.96)	(308,415.58)	119,576.19	(46,387.23)	(112,203.44)	(750,927.60)	(2,826,037.47)
	Simple Average Prime Rate During Month		(3,326,794.09)	(7,287,282.99)	(7,470,796.04)	(7,464,834.69)	(7,668,351.49)	(8,109,184.52)	(8,348,063.03)	(8,540,997.30)	(8,635,417.00)	(8,598,822.52)	(8,678,117.86)	(9,109,683.37)	
	Monthly Prime Factor		3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	
	Interest Due to (from) ZGA		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Tie-in to General Ledger acct 1511-00-00		(9,010.07)	(19,682.22)	(20,233.41)	(20,217.26)	(20,768.45)	(21,962.37)	(22,609.34)	(23,131.87)	(23,387.59)	(23,288.48)	(23,503.24)	(24,672.06)	(252,466.35)
	Beginning balance per G/L with net interest rec of \$343,838.22		(6,315,271.48)	(6,760,144.65)	(7,124,447.24)	(7,207,086.38)	(7,152,975.22)	(7,555,105.67)	(8,077,372.12)	(8,177,434.42)	(8,508,981.86)	(8,412,793.26)	(8,482,468.97)	(8,618,175.65)	(6,315,271.48)
	Add: 4 S expenses booked by ZGA		524,260.50	475,379.63	569,125.87	519,101.56	521,951.81	483,881.33	476,205.04	471,584.42	477,163.79	487,237.17	562,796.56	202,930.20	5,771,617.87
	Add: 2014 intercompany interest charged (by) to 4 S (Acct 6906-00-60)		(9,010.07)	(19,682.22)	(20,233.41)	(20,217.26)	(20,768.45)	(21,962.37)	(22,609.34)	(23,131.87)	(23,387.59)	(23,288.48)	(23,503.24)	(24,672.06)	(252,466.35)
	Less: 2014 4 S A/R cash received by ZGA		(2,623.60)	0.00	(6,031.60)	(3,087.20)	(3,313.80)	(4,185.40)	(3,658.00)	0.00	(7,587.60)	(3,624.40)	0.00	(3,857.80)	(37,969.40)
	Less: 2014 4 S advances to ZGA		(957,500.00)	(820,000.00)	(625,500.00)	(440,000.00)	(1,000,000.00)	(905,000.00)	(550,000.00)	(780,000.00)	(350,000.00)	(530,000.00)	(675,000.00)	(950,000.00)	(8,583,000.00)
	Add: 2014 ZGA advances to 4 S		0.00	0.00	0.00	0.00	0.00	25,000.00	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00
	Less: 4 S credit cards prnts made on behalf of ZGA		0.00	0.00	0.00	(1,685.94)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1,685.94)
	Less: Unallocable difference													11,669.32	11,669.32
	Less: Assignment of 4 S interco receivable from ZGA to MSA on 12/31/14													6,315,271.48	6,315,271.48
	Ending balance per G/L with interest		(6,760,144.65)	(7,124,447.24)	(7,207,086.38)	(7,152,975.22)	(7,555,105.67)	(8,077,372.12)	(8,177,434.42)	(8,508,981.86)	(8,412,793.26)	(8,482,468.97)	(8,618,175.65)	(3,066,834.50)	(3,066,834.50)

Tie-in to 4 S Interco Balance
As at 12/31/14

Total due to 4 S on ZGA's books as at 12/31/14	3,066,834.50
Write-off of advances to ZGA on 4 S's books	2,785,664.06
Net allowance on due from ZGA on 4 S's books	305,390.48
Rounding	<u>1.77</u>
Total due to ZGA on 4 S's books as at 12/31/14	<u><u>(24,221.81)</u></u>

4 S
Acct #

Beginning balance - Due to ZGA (two interest)

4S expenses paid by ZGA

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
5501 T1 Expense	81.56	81.56	0.00	81.60	81.60	81.60	0.00	0.00	101.12	0.00	0.00	0.00	509.04
5502 Internet Telephone Lines	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5510 Database Access Fees (Black Knight)	18,560.12	19,381.47	19,576.95	21,711.62	19,034.28	19,243.96	16,677.35	0.00	16,620.87	0.00	33,128.65	12,308.62	196,843.08
5601 Software Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5601 Wages Allocated - COS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5410 Employee Benefits Allocated - COS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6001 Wages Allocated - SGA	31,178.35	27,042.20	28,358.96	30,395.74	33,910.23	35,287.14	34,435.61	35,218.22	35,218.22	22,449.78	24,763.11	27,189.86	365,457.42
6030 EE Medical Insurance	1,376.49	2,328.12	2,335.43	2,335.43	2,244.99	2,479.39	2,358.51	2,442.03	2,442.03	2,061.79	1,148.62	2,070.59	25,623.42
6035 EE Dental Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6040 EE Vision Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6081 Payroll Processing Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6081 Employee Benefits Allocated - SGA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6095 Insurance-Partner Life	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6111 Insurance-Partner Life	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6171 Employee Relations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6182 Seminars and CPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6201 Gas, Tolls and Parking	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6202 Business Travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6205 Business Meals and Entertainment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6210 Approved Expense Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6261 Marketing & Promotion	395.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	395.00
6271 Professional Fees - Accounting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6273 Professional Fees - Legal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6274 Professional Fees - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6301 Charitable Contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6311 Dues & Subscriptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6351 Business Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6410 Software Licensing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6441 Computer Services-Freelance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6442 Computer Services-Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6445 Computer Colocation Expenses	4,312.50	4,312.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,625.00
6451 Computer Supplies & Services	481.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	703.50
6452 Computer Software Subscriptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6501 Postage Processing Fees (Service Fees)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6502 Postage Costs - USPS and Other Delivery Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6551 Rent	8,833.63	8,833.63	8,833.63	8,707.02	8,833.63	8,833.63	8,850.35	8,850.35	8,850.35	8,850.35	8,809.26	0.00	97,085.86
6571 Telephone	123.89	24.03	0.00	24.03	890.96	24.03	0.00	0.00	0.00	0.00	0.00	0.00	1,046.96
6571 Telephone (Allocation Only)	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	0.00	10,000.00
6642 Automobile Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6701 Office Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6701 Office Supplies (Allocation Only)	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	0.00	10,000.00
6751 Office Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6751 Office Expense (Allocation Only)	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	0.00	10,000.00
6801 Misc Other Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6850 Federal and State Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6851 Tax-Related Interest and Penalties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6871 Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6430 Rental Income - Computer Equipment	9,419.78	9,419.78	9,419.78	9,419.78	9,419.78	9,419.78	9,364.15	9,364.15	9,364.15	9,364.15	9,364.15	9,364.15	65,882.83
6930 Rental Income - Computer Software	10,102.98	10,102.98	11,254.98	20,754.15	12,187.36	12,187.36	12,187.36	12,187.36	12,187.36	12,187.36	12,187.36	12,187.36	88,777.17
6925 Rental Expense - Computer Equipment	(84.50)	(84.50)	(263.95)	(263.95)	(263.95)	(263.95)	(263.95)	(263.95)	(263.95)	(263.95)	(263.95)	(263.95)	(1,488.75)
6925 Rental Expense - Computer Software	(2,610.48)	(2,610.48)	(3,006.28)	(3,006.28)	(7,029.96)	(7,029.96)	(5,224.11)	(5,224.11)	(5,224.11)	(5,224.11)	(5,224.11)	(5,224.11)	(30,517.35)
4000 4 S Pizza Boy (AADS) Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4035 4 S File Transfer Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4050 4 S IT Development and Support Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5501 4 S IT Expense Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6975 ZGA Management Services Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4S balance sheet items paid by ZGA	59,776.75	28,221.28	22,431.66	11,732.26	4,823.14	(5,892.87)	(1,585.20)	0.00	3,963.65	0.00	0.00	0.00	123,470.67
Exchanges (primarily or charges) BT	6,708.12	9,752.15	5,022.10	12,237.96	3,992.11	3,400.20	2,751.79	2,353.33	1,262.01	1,060.18	3,151.34	(2,701.34)	48,989.95
Prepaid Business Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Computer Equipment Capitalized	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Computer Software Capitalized	(33,459.06)	0.00	33,459.06	(0.00)	140,160.28	0.00	0.00	0.00	0.00	0.00	0.00	(2,199.50)	137,951.28
Capitalized Software Dev Costs - Contr & Vendors	4,692.00	7,344.00	10,200.00	0.00	0.00	0.00	(4,080.00)	0.00	0.00	0.00	0.00	0.00	18,156.00
Trademarks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ZGA 4 S balance sheet items being paid by ZGA / 4 S	2,400.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,400.00
Due from Employees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued payroll	32,984.43	33,599.98	33,494.86	33,208.69	47,285.26	32,044.20	34,144.51	39,855.70	37,176.04	36,577.96	17,107.51	10,739.55	388,218.69
Various payroll-related W/H accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Various items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rounding difference	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total 4S expenses paid by ZGA	157,773.06	161,283.37	170,289.38	130,616.65	227,789.15	108,220.18	(60,200.28)	88,822.83	105,712.89	70,446.53	88,193.24	(453,429.89)	795,517.14

(Due to 4 S)

Due to 4 S

Acct #	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Totals
1501CR	(2,578.40)	(3,195.00)	(6,035.40)	(7.20)	0.00	(10.80)	0.00	0.00	0.00	0.00	0.00	0.00	(12,226.80)
1501CA	(250,000.00)	(150,000.00)	(100,000.00)	0.00	(139,557.42)	(161,605.94)	0.00	0.00	(37,738.85)	(17,700.70)	(59,449.30)	(29,345.20)	(945,297.41)
1501							129,114.78						129,114.78
1501													0.00
Ending balance - Due to ZGA (w/o interest)	(3,070,697.97)	(3,062,579.59)	(2,998,325.61)	(2,967,716.15)	(2,779,484.42)	(2,832,780.57)	(2,763,866.47)	(2,675,043.64)	(2,607,069.60)	(2,554,323.77)	(2,525,579.83)	(3,008,354.92)	(3,008,354.92)
Net change	(95,205.34)	8,068.37	64,253.98	130,609.45	68,231.73	(53,295.56)	68,914.50	88,822.83	67,974.04	52,745.83	28,743.94	(482,775.09)	(32,892.29)
Simple Average Balance For Month	(3,023,965.30)	(3,066,623.78)	(3,030,452.60)	(2,993,020.88)	(2,823,600.29)	(2,806,132.10)	(2,796,323.72)	(2,719,453.06)	(2,641,066.62)	(2,580,696.69)	(2,539,951.80)	(2,766,367.38)	
Simple Average Prime Rate During Month	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.371%	
Monthly Prime Factor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Interest Due to (from) ZGA	(8,187.47)	(8,305.44)	(8,207.48)	(7,943.60)	(7,647.25)	(7,599.94)	(7,578.79)	(7,365.19)	(7,152.86)	(6,969.39)	(6,879.04)	(7,772.80)	(91,623.24)
Tie-in to General Ledger acct 1511.00.00													
Beginning balance per G/L including cum int rec of \$91,371.87	(3,096,834.50)	(3,170,227.30)	(3,170,444.37)	(3,114,397.86)	(2,991,732.01)	(2,911,147.52)	(2,972,044.02)	(2,924,876.51)	(2,843,418.87)	(2,782,494.76)	(2,736,738.32)	(2,714,873.42)	(3,066,894.50)
Add: 4 S expenses booked by ZGA	157,773.06	161,283.37	170,289.38	130,616.65	227,789.15	108,220.18	(60,200.28)	88,822.83	105,712.89	70,446.53	88,193.24	(453,429.89)	795,517.14
Add: 2015 4 S intercompany interest charged (by) to 4 S	(8,187.47)	(8,305.44)	(8,207.48)	(7,943.60)	(7,647.25)	(7,599.94)	(7,578.79)	(7,365.19)	(7,152.86)	(6,969.39)	(6,879.04)	(7,772.80)	(91,623.24)
Less: 2015 4 S A/R cash received by ZGA	(2,978.40)	(3,195.00)	(6,035.40)	(7.20)	0.00	(10.80)	0.00	0.00	0.00	0.00	0.00	0.00	(12,226.80)
Less: 2015 4 S advances to ZGA	(250,000.00)	(150,000.00)	(100,000.00)	0.00	(139,557.42)	(161,605.94)	0.00	0.00	(37,738.85)	(17,700.70)	(59,449.30)	(29,345.20)	(945,297.41)
Add: 2015 ZGA advances to 4 S	0.00	0.00	0.00	0.00	0.00	0.00	129,114.78	0.00	0.00	0.00	0.00	0.00	129,114.78
Less: 4 S credit cards prnts made on behalf of ZGA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Unlocated difference							(14,168.20)						(14,065.27)
Ending balance per G/L with interest	(3,170,227.30)	(3,170,444.37)	(3,114,397.86)	(2,991,732.01)	(2,911,147.52)	(2,972,044.02)	(2,924,876.51)	(2,843,418.87)	(2,782,494.76)	(2,736,738.32)	(2,714,873.42)	(3,205,421.31)	(3,205,421.31)

EXHIBIT D

**AGGREGATE CASH PAYMENTS TO INSIDERS AND RELATED THIRD PARTIES
BY ZGA FROM ITS OPERATING ACCOUNT FROM 8/3/14 THROUGH 7/31/15**

Joel Ackerman	8
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Pref. Period	1101	Cash - Operating Account	8/5/2014	(510)
			10/10/2014	(1,000)
			10/17/2014	(1,000)
			10/30/2014	(1,000)
			11/14/2014	(1,000)
			11/26/2014	(1,000)
			12/11/2014	(1,000)
			12/26/2014	(1,000)
			12/29/2014	-
Pref. Period Total				(7,510)

Leonard Zucker	8
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Pref. Period	1101	Cash - Operating Account	8/8/2014	(4,700)
			8/22/2014	(9,400)
			8/29/2014	4,700
			9/5/2014	(4,700)
			9/19/2014	(4,700)
			10/3/2014	(4,700)
			10/17/2014	(4,700)
			10/31/2014	(4,700)
			11/14/2014	(4,700)
			11/26/2014	(4,700)
			12/12/2014	(4,700)
			12/26/2014	(4,700)
Pref. Period Total				(51,700)

Pref. Period	1101	Cash - Operating Account	8/8/2014	(17,000)
			10/2/2014	(41,796)
			12/5/2014	(2,000)
Pref. Period Total				(60,796)

Scott Dietterick	8
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Pref. Period	1101	Cash - Operating Account	08/08/14	(14,000)
			08/15/14	(14,000)
			09/12/14	(14,000)
			09/26/14	(14,000)
			10/03/14	(14,000)
			10/10/14	(14,000)
			11/14/14	(14,000)
			11/21/14	(14,000)
			11/26/14	(14,000)
			12/04/14	(14,000)
			12/11/14	(14,000)
			12/17/14	(14,000)
			12/26/14	(14,000)
Pref. Period Total				(182,000)

Row Labels	GL Acct Description	Tran Date	Sum of DSI Amt
1101	Cash - Operating Account	1/23/2015	(1,000.00)
		2/6/2015	(1,000.00)
		2/20/2015	(1,000.00)
		3/3/2015	(860.58)
		3/6/2015	(1,000.00)
		3/20/2015	(1,000.00)
		3/25/2015	(678.00)
		4/3/2015	(1,000.00)
		4/17/2015	(1,000.00)
		5/1/2015	(1,000.00)
		5/15/2015	(1,000.00)
		5/29/2015	(1,000.00)
		6/12/2015	(1,000.00)
		6/26/2015	(1,188.00)
		7/9/2015	(2,000.00)
		7/31/2015	-
Grand Total			(15,726.58)

Row Labels	GL Acct Description	Tran Date	Sum of DSI Amt
1101	Cash - Operating Account	1/23/2015	(4,700)
		2/6/2015	(9,400)
		2/20/2015	(4,700)
		3/6/2015	(4,700)
		3/20/2015	(4,700)
		4/3/2015	(4,700)
		4/17/2015	(4,700)
		5/1/2015	(4,700)
		5/15/2015	(4,700)
Grand Total			(47,000)

Row Labels	GL Acct Description	Tran Date	Sum of DSI Amt
1101	Cash - Operating Account	01/02/15	(14,000)
		01/09/15	(14,000)
		01/16/15	(14,000)
		01/23/15	(14,000)
		01/30/15	(14,000)
		02/06/15	(14,000)
		02/13/15	(14,000)
		02/20/15	(14,000)
		02/27/15	(14,000)
		03/06/15	(14,000)
		03/13/15	(14,000)
		03/20/15	(14,000)
		03/27/15	(14,000)
		04/03/15	(14,000)
		04/10/15	(14,000)
		04/17/15	(14,000)
		04/24/15	(14,000)
		05/01/15	(14,000)
		05/08/15	(10,000)
		05/22/15	(10,000)
		05/29/15	(10,000)
		06/03/15	42,000
		06/05/15	(10,000)
		06/12/15	(10,000)
		06/19/15	(10,000)
		06/26/15	(10,000)
Grand Total			(280,000)

ZGA

Payments to 4S

	GL Acct Description	Tran Date	Amount
1101	Cash - Operating Account	7/7/2015	77,000.00
		7/29/2015	<u>52,114.78</u>
			129,114.78

William Taylor III 8

Row Labels	GL Acct Description	Tran Date	Sum of DSI Amt
1101	Cash - Operating Account	02/10/15	(5,854)
Grand Total			(5,854)