

November 17, 2015

**OVERNIGHT MAIL, REGULAR U.S. MAIL,
AND EMAIL**

Darwin National Assurance Company
Attn: Claims Department
1690 New Britain Ave., Suite 101
Farmington, CT 06032
Email: noticeofloss@darwinpro.com

Re: Insured: Xi3, Inc.
Policy Number: 0309-3034
Notice of Claim and Demand for Payment

Dear Claims Department:

This firm represents D. Ray Strong as the court appointed receiver (“Receiver”) for Xi3, Inc. (“Company”). In accordance with the notice requirements set forth in Section V of the Management Liability Package Policy issued by Darwin National Assurance Company, Policy No. 0309-3034 (“Policy”), you are hereby advised of the following circumstances and claims being made pursuant to the terms of the Policy.

On April 8, 2015, the Receiver was appointed by the Third Judicial District Court as the Receiver for the Company. A copy of the Order appointing the Receiver is enclosed. The Receiver has succeeded to all rights, titles, powers, and privileges of the Company, including the right to pursue claims against the Company’s former directors and officers. The purpose of this letter is to provide formal written notice of claims against certain individuals who are former directors and officers of the Company.

Based on investigation to date, the Receiver has determined that there appear to be sufficient grounds for claims against Mr. Jason Sullivan and Mr. Aaron Rowsell in their capacities as former directors and/or officers of the Company (the “Officers”). Please note that the Receiver’s investigation is ongoing and as such, there may be additional individuals and/or claims which may be asserted at a later date.

The Receiver’s claims are based upon the acts, errors, omissions, gross negligence, breaches of duty, breaches of trust, misstatements, and/ or misleading statements (“Claims”) made by certain officers and directors. More specifically, based on the information available to date, the following factors constitute the basis of the Claims:

- The Company is a Nevada corporation with its principal place of business in Salt Lake County, Utah. Mr. Sullivan is the founder of the Company and was the President and CEO of the Company. Mr. Rowsell was the COO of the Company.

- The Officers and possibly others failed to maintain adequate books and records regarding the Company, failed to appoint independent directors, and failed to hire competent employees with requisite background to perform their job assignments (e.g., controller, accounting, and finance).
- The Officers and possibly others misrepresented the financial condition of the Company to creditors, shareholders, and potential investors. For example:
 - The Officers provided Troy Holland, Gary Rasmussen, and Robert Evans with grossly inaccurate projections for the Company and misrepresented that Ernie Moody would be soon investing \$80,000,000 into the Company.
 - The Officers misrepresented the Company's financial condition to Axiom and misrepresented to Axiom that Axiom would be in a first priority secured position with respect to the Company's assets when the Officers solicited and obtained a \$7,500,000 loan from Axiom.
 - The Officers misrepresented the Company's financial condition to IHC when the Officers solicited and obtained a \$11,000,000 loan from IHC.
- The Officers used Company funds to pay for their personal living expenses and extravagant life styles to the detriment of the Company, its shareholders, and creditors. For example the Officers caused the Company to lease a 2014 Mercedes S550 Sedan for Mr. Sullivan's personal use at a cost of \$2,200 per month. In addition to paying for the Insured's personal expenses, in 2014 and 2015, the Company remitted payments to Mr. Sullivan in the amount of at least \$415,000.
- The Officers caused the Company to purchase front row tickets and a suite at the Utah Jazz at a cost of \$300,000 at a time when the Company was not able to meet its rent or payroll obligations.
- The Officers caused the Company to compensate Mr. Sullivan's girlfriend and mother as "employees" of the Company although neither of these individuals provided any services to the Company. The Officers also caused the Company to pay for vehicles expenses for Mr. Sullivan's girlfriend and mother and health benefits for Mr. Sullivan's mother.
- The Officers caused the Company to incur expenses far in excess of the Company's assets and realistic revenue projections. For example, at the direction and control of the Officers, the Company leased office space in Salt Lake City for a monthly lease rate of \$66,000 and maintained a payroll in the monthly amount of \$160,000 per month while only generating gross revenue in the amount of less than \$200,000 per month in 2015.
- The Officers caused the Company to enter into a contract with IHC to lease a lab that the Company rarely, if ever, used at a cost of up to \$2,000,000 per year.

- The Officers caused the Company to purchase wireless tangible and intangible assets from CM Wireless, LLC, MWave Wireless, LLC, Wireless Automation Group, LLC, and Wideband Antennas, LLC (collectively, the “CM Companies”) in exchange for \$18,000,000 worth of preferred stock in Xi3. The \$18,000,000 price was in excess of the actual value of the assets purchased from the CM Companies. The inflated valuation of the assets and preferred status of the stock issued diluted and damaged the existing common shareholders.

The Receiver hereby asserts the Claims and demands payment to the Receiver of at least \$40,000,000, the current estimated minimum amount of damages suffered as a direct and proximate result of the actions and/or inactions of the Officers.

In addition to the demands set forth herein, please be advised that this letter constitutes notice of facts and circumstances which may give rise to additional claims against certain other officers and directors for other losses incurred by the Company caused by other negligent acts, errors, omissions, and breaches of duty by the Company’s former directors, officers, and employees and this notice of claims is made without waiving or limiting any of the Receiver’s rights in that regard. Accordingly, the Receiver specifically reserves all of his rights to seek further damages sustained by the Company on account of other breaches of duty, negligent acts, errors or omissions of other directors, officers, and/or employees of the Company.

Copies of this letter are being sent to Mr. Sullivan and Mr. Roswell.

To the individual recipients of this letter: it is strongly recommended that in addition to the notice provided by this letter, you or your counsel should immediately report this claim and the related facts and circumstances to the carriers listed above as well as to all other applicable or potentially applicable insurance carriers who issued policies of insurance to you or the Company and which may provide coverage for these claims.

To the D&O insurance carrier recipients of this letter: within five business days of your receipt of this letter, kindly provide the undersigned with your written acknowledgment of receipt of this notice of claims.

The Receiver welcomes the opportunity to communicate with all parties involved, and their counsel, to discuss the specifics of the claims asserted and to explore any settlement opportunities that may exist at this time. If you are interested in pursuing such a dialogue, kindly contact me at your earliest convenience.

Very truly yours,



Sherilyn A. Olsen
of Holland & Hart LLP

SAO
Enclosures

cc: VIA REGULAR MAIL AND EMAIL AS INDICATED:

Mike Tingey
Insurance Network, LC
5005 S 900 E, Ste 200
P.O. Box 17376
Salt Lake City, UT 84117
miket@insurancenetworklc.com

Aaron Roswell,
1146 Eaglewood Loop
N. Salt Lake City, UT 84054
aaron.rowsell@hotmail.com

Jason Sullivan, c/o Jason Hull
Newhouse Building
Ten Exchange Place, Suite 350
Salt Lake City, Utah 84111
jhull@mohtrial.com

Jason Sullivan
241 Mansell Dr.
Youngstown, OH 44505

4111 Logangate
Youngstown, OH 44505

The Order of Court is stated below:

Dated: April 08, 2015
05:06:13 PM

/s/ Laura Scott
District Court Judge



Troy J. Aramburu (10444)
Brock N. Worthen (12721)
SNELL & WILMER L.L.P.
15 West South Temple, Suite 1200
Salt Lake City, UT 84101
Telephone: (801) 257-1900
Facsimile: (801) 257-1800
Email: taramburu@swlaw.com
bworthen@swlaw.com
Attorneys for Plaintiff ATD Ventures, LLC

**IN THE third JUDICIAL DISTRICT COURT IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH**

<p>ATD VENTURES, LLC, a Utah Limited Liability Company,</p> <p style="text-align: center;">Plaintiff,</p> <p>vs.</p> <p>ISYS TECHNOLOGY, INC., a Nevada corporation; CODED INSTRUCTION SECURITY CORPORATION, a Nevada corporation, Xi3, INC., a Nevada corporation; JASON A. SULLIVAN, an individual,</p> <p style="text-align: center;">Defendants.</p>	<p style="text-align: center;">ORDER APPROVING THE IMMEDIATE APPOINTMENT OF RECEIVER</p> <p style="text-align: center;">Case No. 150902319 Honorable Laura Scott</p>
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This matter is before the Court on Plaintiff ATD Ventures, LLC (“**Plaintiff**” or “**ATD**”) *Stipulated Motion for Immediate Appointment of Receiver* (the “**Stipulation**”). Based upon the *Stipulation*, the *Verified Complaint*, and good cause appearing therein, it is hereby

ORDERED, ADJUDGED, AND DECREED that ¹

A. APPOINTMENT OF RECEIVER: D. Ray Strong of S3 Advisory (“**Receiver**”) is hereby immediately appointed as general receiver over the day-to-day business affairs of ISYS Technologies, Inc. (“**ISYS**”), Coded Instruction Security Corporation (“**CISC**”), and Xi3, Inc. (“**Xi3**” and, together with ISYS and CISC, the “**Companies**”) in this action, subject to the condition that Receiver take the oath pursuant to Rule 66(d) of the Utah Rules of Civil Procedure, and on the further terms and conditions of this Order.

B. POSSESSION OF RECEIVER: Receiver, as an officer of this Court, shall immediately have and take possession, custody, and control of all of the assets of the Companies (including, without limitation, all real property, improvements, leases, equipment, fixtures, personal property, rents, accounts, and other personal property) (the “**Assets**”). Pursuant to Rule 66(g) of the Utah Rules of Civil Procedure, Receiver shall record a certified copy of this Order in the county recorder’s office of all counties in which the Companies owns real property.

C. POWERS AND DUTIES OF RECEIVER: Receiver shall have all powers, duties, and authorities as are provided by law and as executive, president, and/or manager under the Companies’ articles of incorporation, bylaws, or similar governing documents, to take possession of, use, operate, manage, sell, and control the Assets, to collect and receive any and all rents, profits, and other income, to protect, preserve, maintain, and improve the Assets, and to incur expenses that are necessary and appropriate toward those ends.

Without limiting the foregoing, the Receiver’s powers and duties shall specifically include the right and obligation, as the case may be:

1. To enter and gain access to the Assets and to take possession and control of the same;
2. To operate, manage, and control the Companies’ business operations, including without limitation the power to enter into contracts that Receiver in his business judgment reasonably believes necessary for the operation of the Companies’ business; provided however that any

contract exceeding one year or obligating the Companies to pay more than \$10,000 will only be entered into by Receiver with the prior approval of the Court;

3. To care for, preserve, protect, and maintain the Assets, the Companies' business operations, and the proceeds therefrom;

4. To demand, collect, and receive any rents, income, profits, or proceeds of the Assets;

5. To present for payment any checks, money orders, or other forms of payment made payable to the Companies that constitute rents, income, profits, or proceeds of the Assets, endorse the same and collect the proceeds thereof, such proceeds to be held, used and maintained as provided in this Order;

6. To seize any and all funds or other assets which constitute rents, income, profits, or proceeds of the Assets, including seizing any bank accounts, other cash accounts or cash equivalents, and lock box funds;

7. To do any and all things necessary and appropriate to ensure timely compliance with ownership and development obligations of the Companies, including without limitation any and all environmental, regulatory, easement, lease, and entitlement obligations, and to ensure that all taxes, assessments, utilities, and insurance obligations are current, all to avoid defaults or penalties and to generally protect the Assets from defaults or penalties;

8. To establish bank accounts and to enter into credit card agreements for the acceptance and deposit of monies and funds collected and received in connection with Receiver's administration of the Companies' business, at any institution Receiver deems appropriate, provided that any funds on deposit at said financial institution are fully insured by an agency of the United States government;

9. To operate, manage, control, and conduct the Companies' business and the Assets and incur the reasonable expenses necessary in such operation, management, control, and conduct in the ordinary and usual course of business, and do all other things ordinarily done, and, on behalf of the Companies, incur the risks and obligations ordinarily incurred by, owners, managers, and operators

of similar entities;

10. To hold the monies coming into possession of Receiver pursuant to his possession, operation, management, and control of the Assets, and not expended for any of the purposes authorized in this Order, subject to such orders as this Court may hereinafter issue;

11. To take possession of and/or obtain copies of all books and records, ledgers, financial statements, financial reports, and all other business records (including, but not limited to, information contained on computers and any and all software relating thereto, as well as all bank records, statements, budgets, rent rolls, sales records, personnel records, real estate tax records, construction and other bonds, governmental agency permits, and approvals, and building permits), pertaining to the Companies' business or the Assets, and any income derived therefrom, wherever located, as Receiver deems necessary for the proper administration, management, and/or control of the receivership estate;

12. Receiver shall cause all existing insurance policies to be amended by adding Receiver and the receivership estate (as applicable) as additional insureds on those insurance policies for the period that Receiver shall be in possession of the Assets. Receiver shall have thirty days to procure replacement insurance, including appropriate liability and other insurance coverage on the Assets, in Receiver's name, if needed, on behalf of the Companies, named as an additional insured and loss payee under all policies, provided that the Receiver has the funds available to do so. If Receiver does not have sufficient funds to do so, Receiver shall seek instructions from the Court with regard to whether insurance shall be obtained and how it is to be paid for;

13. To execute and prepare any and all documents and to perform any and all acts that are necessary to fulfilling Receiver's duties, including preserving, protecting, maintaining, operating, managing, and controlling the Assets;

14. To bring and prosecute all proper actions against persons for the (a) collection of rents, income, profits, or proceeds of the Assets, (b) protection of the Assets; (c) damage caused to the

Assets; and (d) recovery of possession of the Assets;

15. To negotiate all claims and resolve lawsuits against or relating to the Assets, including, but not limited to, construction contracts, development agreements, lease agreements, construction and other bonds, mechanic's liens, insurance policies, and property tax assessments;

16. To issue subpoenas for documents and testimony consistent with the Utah Rules of Civil Procedure;

17. To research and prepare an accounting of all of the income, revenue, expenses, costs, distributions, and capital infusions made, incurred, or expended by the Companies from 2009 to present;

18. To employ agents, servants, employees, security guards, clerks, accountants, investigators, on-site managers, engineers, site inspectors, property managers, consultants, architects, technical experts, contractors, and other advisors, consultants and persons deemed by Receiver to be necessary or advisable in Receiver's discretion and judgment to assist Receiver in performing Receiver's duties hereunder and to administer the receivership estate, all as the Receiver shall deem necessary or appropriate, and to pay the reasonable value of said services from the funds of the receivership estate. Receiver shall inform all parties hereto of the identity of any accountants, employees or consultants employed by Receiver as necessary or appropriate to enable the parties to perform and observe their obligations to cooperate with the Receiver;

19. To use the Companies' tax identification number and any other similar numbers used by the Companies with the state, local, and federal taxing authorities for the preservation, protection, maintenance, operation, management, and control of the Assets;

20. To open the mail of the Companies, its agents, servants, employees and representatives, and all persons and entities having acted under or in concert with the Companies, and to direct the U.S. Postal Service to forward all mail addressed to the Companies to Receiver's office. Receiver is authorized to make copies of, and to then forward this mail to the addressed person at the address

provided by the addressed person or the Companies for service;

21. To engage a locksmith for the purposes of gaining entry to any property that is the subject of this receivership, and to gain access to any security system, in order to obtain any property or documents to which Receiver is entitled pursuant to this Order, and to give any notices that may be necessary in performing Receiver's duties; and to have locks or security codes changed, or have keys created that will work for the existing locks;

22. Any utility company providing services to the receivership estate, including gas, electricity, water, sewer, trash collection, telephone, communications or similar services, shall be prohibited from discontinuing service to the receivership estate for any non-payment by the Companies prior to the Receiver's appointment by this Court based upon unpaid bills incurred by the Companies. Further, such utilities shall transfer any deposits held by the utility to the exclusive control of such Receiver and be prohibited from demanding that the Receiver deposit additional funds in advance to maintain or secure such services. To the extent he deems it prudent in his business discretion, the Receiver may, but shall not be required to, open up new utility accounts in the name of the Receivership. Utility companies are prohibited from discontinuing service while the new Receivership accounts are in process of being established

23. Periodically, the Receiver shall file an application with this Court seeking payment pursuant to the terms set forth in the *Proposed Receiver's Declaration of Disinterestedness* on file in this case, *provided, however*, the payment thereof shall be subject to subsequent review and approval of the Court after notice to the parties in this action;

24. Receiver shall file and serve upon the parties to this action an initial written report of all property constituting the Assets within thirty days of entry of this Order;

25. Receiver shall serve on the parties to this action quarterly reports of operations reflecting income and expense, and including a summary of fees and administrative costs and expenses of Receiver and the other professionals employed by Receiver, including attorneys, incurred during the

period of Receiver's operation and administration of the receivership estate. Upon service of each such report, Receiver may disburse from estate funds, if any, amounts necessary to satisfy obligations incurred;

26. Notwithstanding periodic payment of fees and expenses, all fees and expenses shall be submitted to the Court for approval and confirmation, in the form of either a properly noticed interim request for fees and costs, stipulation of all parties, or in Receiver's final account and report. The monthly statements are *not* to be filed with the Court. Only Receiver's interim and final accounts and reports are to be filed with the Court. Service of such monthly reports may be by electronic mail;

27. All costs and fees owed to or incurred by the Receiver shall have priority over other debts owed by the Companies and/or claims against the Companies' assets.

28. Receiver shall retain originals and/or legible copies of all writings and other documents which were used or referred to in order to prepare the statements under the foregoing paragraphs of this Order, including, but not limited to, checks, contracts, agreements, and invoices; and

29. Receiver and the parties to this action may, at any time, apply to this Court for other or further instructions or orders and for further powers necessary to enable Receiver to perform Receiver's duties properly.

D. NON-INTERFERENCE WITH RECEIVER: Defendant Jason A. Sullivan ("Sullivan") and the Companies and their agents, representatives, and employees, and any other parties with actual or constructive notice of this Order who are subject to the jurisdiction of this Court, including, without limitation, the Companies' managers, officers, directors, employees, agents, creditors, shareholders, representatives, attorneys and consultants, and all persons or entities for or acting in concert with them, are enjoined and restrained from:

1. Directly or indirectly interfering with Receiver's management and operation of the Companies' business and the Assets;

2. Directly or indirectly interfering with Receiver's collection of rents, income, profits, or proceeds of the Assets;

3. Collecting or attempting to collect the rents, income, profits, or proceeds of the Assets;

4. Extending, dispersing, transferring, assigning, selling, conveying, devising, pledging, mortgaging, creating a security interest in or disposing of the whole or any part of the Assets (including the rents thereof) without the prior written consent of Receiver; and

5. Doing any act which will, or which will tend to, impair, defeat, divert, prevent or prejudice the preservation of the Assets or the interest of the Companies' business.

E. TURNOVER: Sullivan and the Companies and their managers, employees, representatives, and agents, shall turn over to Receiver all of the following that are in their possession, custody or control:

1. Possession of the Assets, including all keys to all locks and the records, books of account, bank accounts, ledgers, certificates, pledges, shares, membership interests, and all business records for the Companies (including, without limitation, accounting records, contracts, bank statements, signature cards, and all documents related to the Assets), wherever located in and whatever mode maintained (including, without limitation, information contained on computers and any and all software relating thereto as well as all banking records, statements, and canceled checks);

2. All documents which constitute or pertain to all patents, intellectual property, licenses, permits or governmental approvals relating to the Assets;

3. All documents which constitute or pertain to insurance policies, whether currently in effect or lapsed which relate to the Assets;

4. All contracts, leases, and subleases, royalty agreements, licenses, assignments or other agreements of any kind whatsoever, whether currently in effect or lapsed, which relate to any interest in the Assets or the Companies' business; and

5. All rents, income, profits, or proceeds of the Assets (including, without limitation, all

security deposits, advances, prepaid rents, storage fees, and parking fees) wherever and whatsoever mode maintained.

F. LITIGATION STAY

1. If necessary to protect the Assets during the period that the receiver is marshalling assets and liabilities, Receiver may seek a stay of litigation against the receivership estate and may establish a claims procedure to assist Receiver in marshalling all assets and liabilities in order to examine the same in a timely and efficient manner.

G. RECEIVERSHIP ADVANCES:

1. To the extent the cash assets of the receivership estate are inadequate to pay for the operating expenses of the receivership, including payment of Receiver's reasonable fees and expenses, Plaintiff may advance such additional and further cash to the receivership estate as may be necessary to cover any such shortfall, and, all such advances by Plaintiff to Receiver shall be deemed to have priority over all other obligations of the receivership estate and shall be evidenced by one or more Receiver Certificates acknowledging receipt by Receiver of such funds.

Notwithstanding the foregoing, Plaintiff shall not be obligated to make any such advances, and the decision to make such advances rests solely with Plaintiff. At Plaintiff's sole discretion, any advance(s) made by Plaintiff to Receiver, may be considered costs and fees necessary to enforce Plaintiff's rights pursuant to the Judgment and added to the amounts due under the same;

2. In the event the Receiver requests an advance from Plaintiff, and Plaintiff declines to make such advance, the Receiver may seek advances from other parties or lenders, so long as the Receiver provides written notice of such request to the parties and that parties do not object within three business days of actual receipt of such notice. If such objection is made, the Receiver shall not obtain such advance without approval from the Court;

3. To avoid accruing interest expense, Receiver, in its business judgment, may repay any advances made to the receivership, by Plaintiff or some other party or lender, from the assets of the

receivership estate as and when funds are available to do so;

4. The repayment of any receivership advances shall be made on a “first-in, first-out” basis, meaning that the earliest advance will be repaid first, with subsequent advances to be repaid in order thereafter; and

5. Receiver may, but shall not be obligated, to make any advances of funds. The decision to make such advances rests solely with Receiver.

**H. COMPENSATION OF RECEIVER; PAYMENT OF COSTS AND FEES;
REPORTING:**

1. The Receiver shall be compensated out of the proceeds of the Collateral, subject to the terms of this Order. The Receiver shall be compensated hourly up to the following rates: Principals—\$295 per hour; Senior Consultants—\$200-265 per hour; Consultants—\$150-200 per hour; Paraprofessionals—\$75-125 per hour. The maximum daily fee for professional services per individual shall be limited to 10 hours per calendar day. Assignments requiring an overnight stay shall be billed a \$200 per diem per individual. Mileage shall be billed in accordance with current IRS published rates and airline costs to be billed at actual cost for economy or coach flights. All copies and other reproduction services provided by vendors to the Receiver shall be billed as a reimbursable expense. All copies and other reproduction services performed by the Receiver in-house shall be billed at \$0.10 per page;

2. Receiver may pay vendors, service providers, and other third-parties who have provided goods or services for the benefit of the receivership estate as those amounts come due, subject final approval of such payments as discussed below. Receiver shall be paid on a monthly basis, provided however that all payments shall be subject to subsequent review and approval of the Court after notice to the parties in the case. Receiver shall provide a monthly statement reflecting the Receiver’s costs and fees to the parties. If the Receiver does not receive a written objection to Receiver’s monthly statement of costs and fees from any party within fourteen (14) days, Receiver’s costs and

fees shall be deemed approved by the parties, and the Receiver shall pay such amounts.

Notwithstanding monthly payment of Receiver's fees and expenses, all fees and expenses shall be submitted to the Court for final approval and confirmation, in the form of either a properly noticed quarterly request for approval of fees, stipulation of all parties, or in Receiver's final account and report. The monthly statements are *not* to be filed with the Court. Only Receiver's interim and final accounts and reports are to be filed with the Court. Service of such monthly reports to the parties may be by electronic mail. ;

3. All costs and fees owed to or incurred by the Receiver shall have priority over other debts owed by the Sullivan Entities and/or claims against the Assets;

4. Receiver shall file and serve upon the parties to this action an initial written report of all property constituting the Assets, based on the Receiver's initial investigation, within thirty days of entry of this Order;

5. Receiver shall file and serve upon the parties to this action monthly written reports reflecting the identity of the Assets, an accounting of all payments, proceeds, or other income and expenses, and including a summary of fees and administrative costs and expenses of Receiver and the other servicers, sub-servicers, property managers and other professionals employed by Receiver incurred during the reporting period. Upon service of each such report, Receiver may disburse from estate funds, if any, amounts necessary to satisfy obligations incurred; and

6. Receiver shall retain originals and/or legible copies of all writings and other documents which were used or referred to in order to prepare the statements under the foregoing paragraphs of this Order, including, but not limited to, checks, contracts, agreements, and invoices.

I. RECEIVER MAY LIQUIDATE: Receiver is hereby granted authority from the Court to market and sell assets of the Company, in whole or in part, but subject to (a) the prior, written consent of Plaintiff, (b) at least fourteen calendar days prior notice to Defendants and any know creditors or other lienholders claiming an interest in the Collateral to be sold, and their respective

counsel, and the opportunity for the same to object to any such proposed sale, (c) a further hearing on any objections that are filed, and (d) a further order from the Court approving Receiver's decision to sell the Collateral or any part thereof. Notwithstanding the foregoing, Receiver is not required to liquidate or windup the Collateral without further order from this Court unless absolutely necessary to preserve the value of the Collateral or any portion thereof.

J. LIABILITY

1. To the fullest extent allowed by law, the Receiver and his officers, agents, attorneys, consultants and employees (the "**Receiver Parties**"), shall be immune from and shall be held harmless from and against any and all suits, liabilities, claims, losses, lawsuits, judgments, and/or expenses, including but not limited to attorney fees', costs and monetary damages, arising out of or related to, either directly or indirectly, his, her or their performance of duties or obligations pursuant to the terms of this Order (collectively, "**Claims**"), unless such Claims arise out of or are related to the recklessness, willful misconduct or gross negligence of the Receiver Parties;

2. No person or entity shall file suit against the Receiver or his agents or professionals, or take any other action against the Receiver or his agents or professionals, without an order of this Court permitting the suit or action after appropriate notice to parties in interest, *provided, however*, that no prior court order is required to file a motion in this action to enforce the provisions of this Order or any other order of this Court in this action;

3. The receivership estate and its employees, agents, attorneys and all professionals and management companies retained by the Receiver shall have no liability for any obligations, or debts incurred the Companies or the receivership estate. The Receiver and his employees, agents and attorneys shall have no personal liability, and they shall have no claim asserted against them relating to the Receiver's duties under this Order.

K. DISCHARGE:

1. Receiver shall relinquish possession and control of the Companies and the Assets upon

receiving an Order from this Court discharging Receiver from his duties, pending approval of Receiver's final account and report to the Court. If the Companies' shareholders or members appoint or elect a new president, executives or manager of the Companies, and such appointment and/or election is approved by this Court, the Receiver shall be discharged from his duties, pending approval of Receiver's final account and report to the Court. Upon relinquishing possession and control of the Companies and the Assets, Receiver shall be discharged from all further duties, liabilities, and responsibilities relating to the Companies and the Assets or such portion thereof; pending approval of the Receiver's final account and report to the Court relating thereto;

2. Not later than sixty days after the receivership terminates, Receiver shall file, serve, and set for hearing his final report and account. Notice must be given to all persons of whom Receiver is aware who have potential claims against the receivership estate.

L. SUCCESSORS AND ASSIGNS: This Order shall be binding on any successors and assigns of (or successors-in-interest to), the Companies and Sullivan.

M. EFFECTIVE DATE OF ORDER: This order shall be effective when signed.

¹ All capitalized terms not defined herein shall have the same meanings as ascribed to the terms in the *Verified Complaint*.

END OF DOCUMENT

The Order of Court is stated below:

Dated: May 11, 2015
12:30:13 PM

/s/ Laura Scott
District Court Judge



Graden P. Jackson, #8607
William B. Ingram, #10803
Ryan C. Bullock, #12044
STRONG & HANNI, PC
102 South 200 East, Suite 800
Salt Lake City, Utah 84111
Telephone: (801) 532-7080
Facsimile: (801) 596-1508
*Attorneys for D. Ray Strong, as Receiver for ISYS Technology, Inc;
Coded Instruction Security Corporation, and Xi3, Inc.*

IN THE THIRD JUDICIAL DISTRICT COURT

IN AND FOR SALT LAKE COUNTY, STATE OF UTAH

ATD VENTURES, LLC, a Utah limited
liability company,

Plaintiff,

v.

ISYS TECHNOLOGY, INC., a Nevada
corporation; CODED INSTRUCTION
SECURITY CORPORATION, a Nevada
corporation; Xi3, INC., a Nevada corporation;
and JASON A. SULLIVAN, an individual,

Defendants.

**ORDER ON STIPULATED MOTION TO
CLARIFY AND AMEND ORDER
APPROVING APPOINTMENT OF
RECEIVER**

Case No. 150902319

Judge Laura Scott

This matter came before the Court on the *Stipulated Motion to Clarify and Amend Order Approving Appointment of Receiver* (the "Motion") filed by D. Ray Strong (the "Receiver"), as duly appointed Receiver for ISYS Technology, Inc., Coded Instruction Corporation, Xi3, Inc. and each of their respective subsidiaries and related entities (collectively "Companies"), and Plaintiff ATD Ventures, LLC, and pursuant to the *Order Approving the Immediate Appointment of Receiver*, effective April, 8, 2015 (the "Receiver Order"). Through the Motion, Receiver

requests entry of an order amending and clarifying the Receiver Order as follows: 1) that the timing of Receiver's initial report be changed from thirty (30) days to sixty (60) days; 2) that Receiver may contract and bind the Companies without Court approval for sums up to \$50,000 rather than the current \$10,000; and 3) that Receiver may sell or liquidate Assets having a value of \$50,000 or less without Court approval. Receiver also requests clarification of the Receiver Order regarding whether he can pay professionals employed by him on a monthly basis. After reviewing the Motion and such other matters in the file as the Court deemed appropriate, and after considering such other and further matters the Court deemed appropriate, the Court hereby

FINDS AND CONCLUDES¹ as follows:

- A. On April 8, 2015, the Receiver was appointed as receiver in this case through the Receiver Order.
- B. Generally, pursuant to the Receiver Order "the Receiver shall have all powers, duties, and authorities, . . . to take possession of, use, operate, manage, sell and control the Assets² . . . to protect, preserve, maintain, and improve the Assets, and to incur expenses that are necessary and appropriate towards those ends."
Receiver Order § C.
- C. The Receiver Order also provides that "Receiver and the parties may, at any time, apply to this Court for other or further instructions and for further powers necessary to enable Receiver to perform Receiver's duties properly. *Id.* at § C.29.
- D. The legal and factual bases set forth in the Motion establish just cause for the relief granted herein.

¹ Findings of Fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate.

² Unless otherwise noted, capitalized terms shall have the same meaning as in the Receiver Order.

WHEREFORE, based upon the Motion and the foregoing findings and conclusions it is hereby ORDERED and APPROVED that:

1. Section C.24 is amended as follows:

“Receiver shall file and serve upon the parties to this action an initial written report of all property constituting the Assets within sixty days of entry of this Order.”

2. Section C.2 is amended as follows:

“To operate, manage, and control the Companies’ business operations, including without limitation the power to enter into contracts that Receiver in his business judgment reasonably believes necessary for the operation of the Companies’ business; provided however that any contract exceeding one year or obligating the Companies to pay more than \$50,000 will only be entered into by Receiver with the prior approval of the Court.”

3. Section I is amended as follows:

“Unless otherwise ordered by the Court, Receiver is hereby granted authority from the Court to market and sell Assets of the Companies, in whole or in part, but subject to (a) the prior written consent of the Plaintiff and (b) at least fourteen calendar days prior notice (from the date of mailing of the notice or the emailing of the notice) to the Receiver’s Master Service List. If the Plaintiff does not consent to the sale or if any party in interest objects to the sale, then the Receiver shall promptly schedule with the Court a hearing on any such objection to the sale and the Receiver may not sell the Asset without an order of the Court approving the sale. Provided however, Receiver shall have the power and authority to sell or otherwise liquidate any Asset, in whole or in part, that in his estimation has a value of less than \$50,000 without seeking Court approval so long as consent to such sale is given by the Plaintiff. Notwithstanding the foregoing, Receiver is not required to liquidate or windup any Asset without further order from this Court unless absolutely necessary to preserve the value of the Asset or any portion thereof.”

4. Section H.2 is clarified to provide that

“Receiver and professionals employed by him shall be paid on a monthly basis”

**EXECUTED AND ENTERED BY THE COURT AS INDICATED
BY THE DATE AND SEAL AT THE TOP OF THE FIRST PAGE**

Approved as to Form:

SNELL & WILMER

*/s/ Troy J. Aramburu**

Troy J. Aramburu
Attorneys for Plaintiff ATD Ventures

*Signed with permission

Caryn Kelly

From: SLC Reception
Sent: Tuesday, November 17, 2015 3:47 PM
To: Caryn Kelly
Subject: UPS shipment to Darwin National Assurance Company



Shipment Receipt

Transaction Date: 17 Nov 2015

Tracking Number:

1Z59E98W0196092835

1

Address Information

Ship To:
Darwin National Assurance Company
Claims Department
1690 New Britain Ave
Suite 101
FARMINGTON CT 060323361

Ship From:
Holland & Hart LLP
SLC
222 S. Main St. Suite 2200
Salt Lake City UT 84101
Telephone:801-799-5800

Return Address:
Holland & Hart LLP
Sherilyn A. Olsen
222 S. Main St. Suite 2200
Salt Lake City UT 84101
Telephone:801-799-5800

2

Package Information

Weight	Dimensions / Packaging	Declared Value	Reference Numbers
1. Letter (Letter billable)	UPS Letter		Client.Matter - 83423.0003 Payroll ID # - 5169 SA Olsen

3

UPS Shipping Service and Shipping Options

Service:
UPS Next Day Air
Guaranteed By:
10:30 AM Wednesday, Nov 18, 2015
Shipping Fees Subtotal:
38.98 USD
Transportation
37.30 USD
Fuel Surcharge

1.68 USD

4

Payment Information

Bill Shipping Charges to:

Shipper's Account 59E98W

Charges:

38.98 USD

A discount has been applied to the Standard List rates for this shipment

Negotiated Charges:

15.91 USD

Total Charges:

15.91 USD

Note: Your invoice may vary from the displayed reference rates.

* For delivery and guarantee information, see the [UPS Service Guide](#). To speak to a customer service representative, call 1-800-PICK-UPS for domestic services and 1-800-782-7892 for international services.