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IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

PORTLAND DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff,	No. 3:16-cv-00438-PK NOTICE OF FILING RECEIVER'S REPORT DATED NOVEMBER 10, 2016

v.

AEQUITAS MANAGEMENT, LLC; AEQUITAS HOLDINGS, LLC; AEQUITAS COMMERCIAL FINANCE, LLC; AEQUITAS CAPITAL MANAGEMENT, INC.; AEQUITAS INVESTMENT MANAGEMENT, LLC; ROBERT J. JESENIK, BRIAN A. OLIVER; and N. SCOTT GILLIS,

Defendants.

Ronald F. Greenspan, the duly appointed Receiver of the entity defendants and 43 related entities, hereby files the attached Report of Ronald F. Greenspan, Receiver, dated November 10, 2016.

Dated this 10th day of November, 2016.

Respectfully submitted,

SCHWABE, WILLIAMSON & WYATT, P.C.

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RONALD GREENSPAN

COURT-APPOINTED RECEIVER OVER

AEQUITAS MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS CAPITAL MANAGEMENT, INC., AEQUITAS INVESTMENT MANAGEMENT, LLC AND CERTAIN RELATED ENTITIES

(the "Receivership Entity")

In re AEQUITAS MANAGEMENT, LLC, et al.

Case No. 3:16-cv-00438-PK

United States District Court

District of Oregon

Portland Division

Report

of

Ronald F. Greenspan, Receiver

October 31, 2016

Contents

I. Introduction

During the course of an investigation into the business practices of Aequitas Management, LLC ("AM"); Aequitas Holdings, LLC ("AH"); Aequitas Commercial Finance, LLC ("ACF"); Aequitas Capital Management, Inc. ("ACM"); and Aequitas Investment Management, LLC ("AIM") (collectively "Entity Defendants"), as well as 43 subsidiaries and/or majority-owned affiliates (collectively "Receivership" or "Receivership Entity"), the Securities and Exchange Commission ("Commission" or "SEC") concluded that the appointment of a receiver was necessary and appropriate for the purposes of marshaling and preserving all assets of the Receivership Entity (the "Receivership Property"). Accordingly, on March 10, 2016, the Commission and the Entity Defendants filed a Proposed Stipulated Order Appointing Receiver (the "Proposed Receivership Order") [Dkt. 2-2].[1]

On March 16, 2016, pursuant to the Stipulated Interim Order Appointing Receiver (the "Interim Receivership Order"), Ronald Greenspan was appointed as Receiver for the Entity Defendants and 43 related entities on an interim basis. On April 14, 2016, pursuant to the Order Appointing Receiver, Mr. Greenspan was appointed as Receiver for the Receivership Entity on a final basis (the "Final Receivership Order") [Dkt. 156].

In accordance with the Final Receivership Order, the Receiver is required to file a report with the Court within thirty (30) days after the end of the first full calendar quarter occurring after entry of the Final Receivership Order (which entry date was April 16,

[1] All Dkt (or Docket) references are available at the Receiver's website - http://www.kccllc.net/aequitasreceivership

2016, making the required reporting date October 31, 2016). Due to the complexity of this receivership and the Receiver's wish to keep the various constituencies apprised of progress being made, the Receiver filed a voluntary report and recommendations to the Court (the "Initial Report") for the first "stub quarter" ending June 30, 2016 on September 14, 2016 [Dkt. 246]. This report (the "Report") represents the report and recommendations to the Court for the quarter ending September 30, 2016.

As was the case for the Initial Report, the findings and recommendations of the Receiver contained in this Report should be considered preliminary and subject to change due to the volume of material and information acquired, the shortness of time, the complexity of matters analyzed and the need for additional information, verification and analyses. The Receiver may need to materially modify the findings and recommendations contained within this Report after further consideration.

II. Limitations of Report

The information contained herein has been prepared based upon financial and other data obtained from the Receivership Entity's books and records and provided to the Receiver and FTI Consulting, Inc. from the staff employed by the Receivership Entity as well as its contract staff and advisers, or from public sources.

The Receiver has not subjected the information contained herein to an audit in accordance with generally accepted auditing or attestation standards or the Statement on Standards for Prospective Financial Information issued by the American Institute of Certified Public Accountants (the "AICPA"). Further, the work involved so far did not include a detailed review of any transactions, and cannot be expected to identify errors, irregularities or illegal acts, including fraud or defalcations that may exist. Also, most of the Receivership Entity's assets discussed herein are not readily tradable, have no

public value indication, are illiquid, are often minority and/or other partial interests, and might be detrimentally affected by affiliation with Aequitas and uncertain consequences of past and future events involving Aequitas. Accordingly, the Receiver cannot express an opinion or any other form of assurance on, and assumes no responsibility for, the accuracy or correctness of the historical information or the completeness and achievability of the projected financial data, valuations, information and assessments upon which the following Report is rendered.

III. Case Background

A. Introduction

As the Initial Report set forth a summary of the complaint (the "SEC Complaint") against the Entity Defendants, as well as Robert J. Jesenik, Brian A. Oliver and N. Scott Gillis (collectively the "Individual Defendants"), the focus of this Report is to provide an update on various aspects of the Receivership. Additionally, the Final Receivership Order requires that certain items be addressed with the filing of this report. Pursuant to Section IV Stay of Litigation, paragraph 24 states the following:

> *The Receiver shall investigate the impact, if any, on the Receivership Estates of Ancillary Proceedings brought against registered investment advisers in which the Receivership Entity has an ownership interest. The Receiver shall include in the report and petition it must file with the Court pursuant to Paragraph 39 below, a recommendation to the Court as to whether Ancillary Proceedings brought against registered investment advisers in which the Receivership Entity has an ownership interest should remain subject to the stay of litigation. The Receiver shall also investigate the probable impact of discovery directed to the Receiver and the Receivership Entity in Ancillary Proceedings and*

those actions authorized in Paragraph 23. The Receiver shall include in the report and petition it must file pursuant to Paragraph 39 below, a recommendation to the Court as to a plan to govern all discovery directed to the Receiver and the Receivership Entity in Ancillary Proceedings and those actions authorized in Paragraph 23.

Each of the required topics will be addressed individually in the report.

B. Focus of the Activities to Date

The Receiver's primary focus remains on the stabilization of the Receivership Entity to preserve value and facilitate asset monetization. From the beginning of the Receivership through the quarter ended September 30, 2016, the Receiver has sold assets and collected receivables totaling approximately $120 million. Operationally, employee headcount remained constant from the beginning of the quarter to the end at 17 (from pre-receivership levels of 129 in December 2015).

C. Recommendation regarding Continuance of the Receivership

It remains the Receiver's recommendation that the Receivership be continued. The conditions under which the Receivership was imposed still exist. As of September 30, 2016, the Receivership was less than one hundred sixty-five days old. While much has been accomplished, there is still much more to do. Based on the lifecycle of a typical receivership, this Receivership is still in the first stage – the stabilization and monetization of assets. The Receiver must continue to focus efforts on monetizing the remaining assets in a manner and timeline consistent with reasonably maximizing the value to the investors. As more progress is made in the stabilization and monetization of the assets, the Receiver anticipates being able to commence soon the investigation stage to (i) develop a historical factual understanding which will assist the Receiver to

develop a proposed distribution plan and assist investors to evaluate such plan, and (ii) ferret out additional claims and causes of actions for the benefit of the investors. As the Receiver concludes the investigation stage, based on the investigation results, the Receiver may, with the approval of the Court, initiate the litigation stage, pursuing recovery from third parties for the benefit of the Receivership Entity. The final stage of the receivership is the development and execution of the distribution plan to be approved by the Court.

The various loan portfolios and numerous operating companies owned by the Receivership require daily management until they are monetized. The Receiver and his team fill the management gap left after the termination of the Individual Defendants and the departures of other management and staff. Absent that day-to-day, hands-on management, the Receivership Entity's, and, ultimately, the investors' value would languish.

Feedback from SEC staff and the Aequitas investors regarding our progress thus far has been overwhelmingly positive. The Receiver believes he has their support and encouragement to continue his efforts, and that they also support the continuation of the Receivership.

D. Impact on the Receivership Estates of Ancillary Proceedings Brought Against Registered Investment Advisers in which the Receivership Entity Has an Ownership Interest

Pursuant to the directive contained in paragraph 24 of the Order Appointing Receiver, the Receiver and certain of his professional team investigated the impact on the Receivership Estates if Ancillary Proceedings were to be brought against registered investment advisers in which the Receivership Entity has an ownership interest. In furtherance of the overarching goal of maximizing the recovery to investors and other

creditors in general, as opposed to maximizing the recovery to a particular subset of investors, the Receiver recommends that the stay of litigation remain in place for a minimum of ninety additional days for the reasons explained below.

1. Private Advisory Group Membership

Private Advisory Group, LLC ("PAG") is one of two registered investment advisers ("RIA") in which the Receivership Entity holds an ownership interest.[2] Aspen Grove Equity Solutions, LLC ("Aspen Grove") is a member of PAG, holding 68.23% of the membership units. Aspen Grove is part of the Receivership Entity (No. 35 on Exhibit A of the Order Appointing Receiver). The other members of PAG are Bean Holdings, LLC, with 27.4% of the membership units, and Aaron Maurer, with 4.37% of the membership units. The members of Bean Holdings, LLC are Chris Bean, Doug Bean and Jon Bishopp.

2. Aspen Grove Membership

Aequitas Wealth Management, LLC, also part of the Receivership Entity, holds 60% of the membership units in Aspen Grove. The other members are Gary Price, Ron Robertson and Tim Feehan ("Aspen Grove Members").

3. Relevant Insurance Coverage

PAG has an "Investment Advisor Professional Liability Policy" with limits of liability of $5,000,000 issued by Liberty Surplus Lines Insurance ("Liberty"), in effect for the policy period running from November 25, 2015 to November 25, 2016 ("PAG IA Policy"). The PAG IA Policy provides Directors and Officers Coverage for Insured Persons, which includes PAG's directors, officers and independent contractors. It also provides Professional Liability Coverage, including for a "Securities Claim" against PAG itself.

These coverages are triggered by "Claims" first made during the policy period and asserting "Wrongful Acts" against Insured Persons and/or PAG. The Insureds

[2] AIM is also filed as a registered investment advisor. The Receiver is considering a withdrawal of that registration.

have sixty (60) days after the policy expires to provide Liberty with notice of "Claims" first made during the policy period. A "Claim" is defined in the PAG IA Policy to include not only a formal lawsuit but also a simple written demand to an Insured, which would include both Insured Persons and PAG, for monetary or non-monetary relief.

"Claims" — which includes written demands first made prior to November 25, 2016 that seek monetary relief and which also assert "Wrongful Acts" — subject to the policy's exclusions, limits of liability and Liberty's right to assert rescission and/or violation of the prior knowledge provisions, likely trigger coverage under the PAG IA Policy.

As compared to many other "claims made" policies, the PAG IA Policy contains language which potentially could significantly limit coverage for "Claims" made after the policy expires. Many, if not most, other "claims made" policies contain provisions that "Claims" asserting the same, related or interrelated "Wrongful Acts" are deemed to be a single "Claim" made at the time the first of the "Claims" is made. The practical impact of such provisions, when the first "Claim" is made during the policy period, is to provide coverage for those "Claims" filed after a policy expires as long as the post-expiration "Claims" assert the same, related or interrelated "Wrongful Acts". Accordingly, with such policies, post-expiration "Claims" as long as they assert the same, related or interrelated "Wrongful Acts" as those alleged in "Claims" made prior to a policy's expiration, relate back and are deemed filed during the policy period.

The PAG IA Policy issued by Liberty however contains language which can be interpreted as not allowing any post-expiration "Claims" to relate back and be deemed filed during the policy period. Specifically, the language contained in Section 8.4 of the PAG IA Policy can be interpreted in such a manner that "Claims" made after the policy period expires do not relate back and are not deemed timely made, even if

those "Claims" allege the same, related or interrelated "Wrongful Acts" as those contained in a timely filed "Claim".

Similarly, the PAG IA Policy's "Notice of Circumstances" provision is also narrowly crafted. Many "Notice of Circumstances" provisions provide that if notice of facts, circumstances, "Wrongful Acts" or "Interrelated Wrongful Acts" is given prior to the expiration of the policy period, then "Claims" based upon, arising out of or involving such facts, circumstances, Wrongful Acts or Interrelated Wrongful Actions that are made after the policy expires are deemed made during the policy period, specifically at the time the "Notice of Circumstances" was given. Accordingly, under the PAG IA Policy, a "Claim" made after the policy expires, even if it arises out of "Interrelated Wrongful Acts" which is defined to mean "Wrongful Acts having as a common nexus any fact, circumstance, situation, event, transaction [or] cause . . . .", does not relate back to a timely "Notice of Circumstances" if such "Claim" did not assert the same Wrongful Act or circumstance referenced in a timely "Notice of Circumstance."

Under the terms of the PAG IA Policy the most straight forward way to determine which "Claims" ultimately trigger coverage is to look to those "Claims" asserting Wrongful Acts against PAG and/or its directors, officers and independent contractors, that are first made prior to the policy's expiration on November 25, 2016. As reflected by the discussion in the preceding paragraphs there could be significant disputes involving which, if any, "Claims" filed after the policy expires are deemed to have been made timely.

Finally, the PAG IA Policy contains Priority of Payment provisions that give priority to payments made to Insured Persons, if the Parent Organization, i.e. PAG, is not indemnifying or, as the case may be, advancing "Defense Costs" on their behalf. The PAG IA Policy is a wasting policy, which means that the $5 million limit of liability is

eroded by the cost of defending claims against Insureds including attorney fees. As addressed below, actions filed in King County, Washington and the U.S. District Court for the Western District of Washington are already depleting the insurance coverage potentially available to mitigate the losses sustained by Aequitas investors.

At this time, the Receiver cannot comment upon whether Bean Holdings LLC, Chris Bean, Doug Bean, Aaron Maurer, or others associated with PAG ("PAG Related Parties") have additional insurance coverage potentially available to indemnify for losses sustained by Aequitas investors. As addressed throughout this report, the primary focus of the Receiver and the professional team during this initial phase of the Receivership has been the necessary stabilization and monetization of assets (including the filing of insurance claims and notices sufficient to protect the interests of the Receivership Entity in those policies). The full scale investigation phase of the receivership will likely be initiated during the first quarter of 2017.

Counsel for Chris Bean, Doug Bean, Bean Holdings, LLC and Jon Bishopp recently provided to the Receiver a reservation of rights letter issued by Liberty. The same counsel has submitted various notices of "claims" to Liberty. The Receiver has determined that it is in the best interests of the Receivership Entity to have its insurance counsel, Stan Shure, assume direction of the efforts to maximize insurance proceeds available to mitigate losses to those who invested in Aequitas through PAG.

4. Indemnification Claims

PAG's Operating Agreement provides:

> The Company shall, to the fullest extent permitted by applicable law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), indemnify, hold harmless and release each Covered Person from and against all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or

> unliquidated, that may accrue to or be incurred by any Covered Person as a result of the Covered Person's activities associated with the Company ...

The term "Covered Person" is defined under the Operating Agreement to include members, officers and directors. The other members of PAG as well as the individual members of Bean Holdings LLC — Chris Bean, Doug Bean, Jon Bishopp and Aaron Maurer — have claimed entitlement to indemnification pursuant to the terms of the Operating Agreement. There is a $100,000 self-insured retention under the subject PAG IA Policy. If Liberty has not yet paid costs incurred in defending the pending actions, the other members of PAG have likely paid defense costs from the assets of PAG.

The Aspen Grove Operating Agreement contains an identical indemnification provision. The members of Aspen Grove, other than Aequitas Wealth Management, LLC, namely Gary Price, Ron Robertson and Tim Feehan, will undoubtedly claim entitlement to indemnification pursuant to the terms of the Aspen Grove Operating Agreement.

Additionally, Aequitas Capital Management, Inc. entered into an Investor Referral Agreement with RP Capital, LLC ("RPC") that includes an indemnification provision pursuant to which RPC and its directors, officers, employees, members and agents - namely Gary Price, Ron Robertson, Tim Feehan, Antonio Ramirez, Aaron Maurer, Joel Price and Bradley Larson ("RPC Related Parties") - claim entitlement to indemnification.

If the stay is lifted to allow claims against PAG, PAG Related Parties, RPC, RPC Related Parties as well as against the Aspen Grove Members, it is anticipated that those parties will immediately move to further lift the stay, to allow their indemnification claims and possibly other cross-claims against the Receivership Entity. Obviously, in the event PAG Related Parties and/or Aspen Grove Members are allowed to pursue indemnification or other cross-claims against the Receivership Entity, those claims will necessarily be defended by counsel to the Receiver and the Receivership Entity, thereby,

unnecessarily depleting assets of the Receivership Entity which would otherwise later be available for distribution.

As addressed above, the PAG IA Policy contains Priority of Payment provisions that give priority to payment of defense costs in the event PAG is not indemnifying. Consequently, every dollar of defense costs, whether paid from the PAG IA Policy limits or by PAG directly pursuant to indemnification obligations, is one less dollar available to mitigate losses sustained by Aequitas investors.

5. Pending Lawsuits and Claims

On or about August 15, 2016, a number of former clients of PAG and RPC filed a complaint in the Superior Court of King County, Washington, against RPC, Gary Price, Ron Robertson, Doug Bean, Chris Bean, Bean Holdings LLC, Jon Bishopp, Aaron Maurer, Tim Feehan, Antonio Ramirez and others ("Brown Suit"). As noted above, all are insureds under the PAG IA Policy and/or indemnification claimants. The Receiver understands that the Brown Suit was tendered to Liberty, which subsequently issued a reservation of rights. The Receiver encouraged the parties to the Brown Suit to file a stipulated notice of stay. Unfortunately, the parties were unable to reach such a stipulation. The defendants have filed motions to dismiss or stay the proceedings, which have not yet been ruled upon by the Court.

On or about October 6, 2016, a class action complaint was filed against PAG in the U. S. District Court for the Western District of Washington, ("Farr Suit"). The Receiver understands that Liberty has notice of the Farr Suit and has similarly reserved its rights relating to that action. The Receiver requested that the plaintiff either dismiss the Farr Suit without prejudice or file a notice of stay. Counsel for the plaintiff has agreed to file the requested notice of stay.

In May, 2016, Enviso Group, LLC filed a complaint in the Superior Court of San Diego County, California, against Aequitas Holdings, LLC, Aequitas Wealth Management, LLC, Robert Jesenik, Brian Oliver, Brian Rice, Andrew MacRitchie, PAG, Chris Bean, Aaron Maurer, Aspen Grove, Doug Bean, Gary Price, and Jon Bishopp ("Enviso Suit"). Again, the Receiver understands that Liberty has notice of the Enviso Suit and has reserved its rights relating to that action. In response to the Receiver's request, on or about June 16, 2016, Enviso filed a notice of stay of proceedings.

The following are summaries of additional claims presented to Liberty:

- February 25, 2016 demand letter asserting causes of action on behalf of Kirk Clothier against PAG, Jon Bishopp and Chris Bean, arising from investments in Aequitas ("Clothier Matter").
- March 23, 2016 demand letter, asserting causes of action on behalf of Elizabeth Secan and other PAG clients, against PAG and certain directors and officers of PAG, arising from investments in Aequitas ("Secan Matter").
- A draft complaint prepared on behalf of a number of clients of PAG ("Rahnama Matter").
- April 4, 2016 demand letter, asserting causes of action on behalf of May Lui, Wah Lui, Boewa Management Company and the Emily J. Lui Trust against PAG, Chris Bean and Jon Bishopp, again arising from investments in Aequitas ("Lui Matter").

Presently, a number of Insureds under the PAG IA Policy are actively defending filed lawsuits, including the Brown Suit. As a result, the $5 million policy limit potentially available to mitigate losses sustained by Aequitas investors is depleting. The deadline for presenting claims under the PAG IA Policy is rapidly approaching. While Liberty has received notice of a number of claims, the Receiver understands there are additional potential claimants for whom claims may be presented.

6. Legal Authority Governing the Scope and Duration of the Stay

Equity receiverships exist "to promote the orderly and efficient administration of the estate by the district court for the benefit of creditors[,]" including investors. *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir. 1986). A receivership is appropriate where, for example, there is a need to "marshal and preserve assets from further misappropriation and dissipation" and "clarify the financial affairs of an entity for the benefit of investors." *SEC v. Schooler*, No. 12-2164, 2012 U.S. Dist. LEXIS 188994, *11 (S.D. Cal. Nov. 30, 2012).

Under Ninth Circuit precedent, courts exercise substantial discretion to stay litigation after considering three factors:

> "(1) whether refusing to lift the stay genuinely preserves the status quo or whether the moving party will suffer substantial injury if not permitted to proceed; (2) the time in the course of the receivership at which the motion for relief from the stay is made; and (3) the merit of the moving party's underlying claim."

Id. at 1038 (quoting *SEC v. Wencke ("Wencke II")*, 742 F.2d 1230, 1231 (9th Cir. 1984)). The "interests of the receiver are very broad," reaching to the receivership property as well as "protection of defrauded investors and considerations of judicial economy." *Id.* at 1037.

The Ninth Circuit has recognized the potential for collateral litigation to create "havoc" for a receiver — even four years into a receivership — and on that basis upheld the district court's continued imposition of a "blanket receivership stay." *Id.* at 1039 (district court properly stayed senior lienholders from foreclosing on properties where investors had junior interest in relation to notes received by receiver entity in its own name or names of investors). A continued "blanket receivership stay" was proper because lifting the stay "would result in a multiplicity of actions in different forums, and would increase litigation costs for all parties while diminishing the size of the receivership estate." *Universal Fin.,* 760 F.2d at 1038.

7. The Receiver Recommends Continuing the Stay of Litigation Against PAG, PAG Related Parties and Aspen Grove Members for at Least Another Ninety Days

The Receiver's next Quarterly Status Report is due on or before January 30, 2017. The Receiver recommends that Ancillary Proceedings against Private Advisory Group ("PAG"), PAG Related Parties and Aspen Grove Members remain subject to the stay of litigation for another ninety days, with the Receiver making further recommendations in the next Quarterly Status Report.

As addressed further in this report, with the assistance of insurance counsel, the Receiver is undertaking to identify all insurance policies which may indemnify for claims against PAG and PAG Related Parties. Additionally, the Receiver is undertaking to manage the process of presenting necessary claims by Aequitas investors to Liberty, the carrier who provided the PAG IA Policy. The policy period ends on November 25, 2016. To encourage the orderly and timely presentation of claims to the carrier, the Receiver is posting the subject policy and related information on the Receivership's website. Additionally, the Receiver is mailing the same information to investors known to have made investments through PAG.

As discussed in the following section, the Receiver is developing a plan for the consolidation of all existing eDiscovery databases into a single accessible database which will be complete within the next sixty to ninety days. Thereafter, investors, PAG Related Parties and Aspen Grove Members will be able to readily access documents to support their claims and defenses. Continuation of the stay of litigation against PAG, PAG Related Parties and Aspen Grove Members for a minimum additional ninety days aligns with the first reasonable date that parties would be able efficiently to access

documents of the Receivership Entity pursuant to the process recommended by the Receiver.

One option to address claims against PAG, PAG Related Parties and Aspen Grove Members is to lift the stay to the extent of the available insurance proceeds. Another would be to lift the stay to not only the extent of the insurance proceeds but to allow for recovery from Bean Holdings LLC, Chris Bean, Doug Bean, Jon Bishopp, Aaron Maurer, other PAG employees and independent contractors, Gary Price, Ron Robertson and Tim Feehan. In either circumstance, indemnification and other cross-claims against the Receivership Entity could be dealt with through the Receivership claims process. However, neither approach serves the best interests of all similarly-situated investors. One subset of investors with claims against PAG should not recover disproportionately to similarly-situated investors who did not immediately retain counsel and file suit. As noted, the purpose of a Receivership is to benefit creditors generally, not those specific investors who first retain counsel and rush to file suit. *Hardy 803 F.2d at 1038*.

In the event that the stay of Ancillary Proceedings against PAG, PAG Related Parties and Aspen Grove Members remains in place for another ninety days, during that time the Receiver will invite all stakeholders including investors, PAG Related Parties, Aspen Grove Members and the insurance carrier(s) to participate in developing an orderly claims process to address claims against PAG, PAG Related Parties and Aspen Grove Members that is designed to maximize recovery to investors and other creditors on an expedited basis. It is anticipated that the Receiver and stakeholders will address a claims deadline, streamlined discovery process, early mediation, expedited trial or other dispute resolution process before this Court, as well as the possibility of preserving recovered funds in a segregated account pending execution of a Court-approved distribution plan.

E. Probable Impact of Discovery Directed to the Receiver and the Receivership Entity

The Receiver is in the process of developing a plan to govern all discovery directed to the Receiver and the Receivership Entity in Ancillary Proceedings and those actions authorized in Paragraph 23. While there are multiple ways to deal with discovery requests, the Receiver seeks an approach that would (1) aid in the Receiver's investigation and (2) minimize cost for the Receivership and third-party litigants consistent with providing them full information.

The Receiver inherited multiple data repositories[3] in various locations containing a mixed bag of data (i.e. different custodians, different date ranges and different file formats) with some sets containing duplicative data. The Receivership pays the current cost (estimated at $45,000 a month) to maintain those repositories on a go-forward basis. Additionally, the Receiver has learned that prior practices related to e-discovery lacked any retention of produced documents such that the Receivership would incur tens of thousands of dollars to replicate just one production.

It is against this backdrop of inherited redundant data sets, inefficient production practices and lack of control over the process that the Receiver is developing a plan to consolidate all discovery into a single, comprehensive e-discovery solution to replace the various, disparate systems. It is anticipated that this will allow the Receiver to (1) provide a single e-discovery database, (2) provide a comprehensive system that is similar in cost to current set-up, (3) ensure proper migration of previously reviewed data, (4) allow for cost-effective processing of data ensuring that data is comprehensive,

[3] Three of the data repositories are held at DTI Global, one repository at Pepper Hamilton LLP and others at various professionals. While there has been some discussion regarding the work product associated with these repositories, it is inefficient and a waste of Receivership assets to abandon these repositories without leveraging the prior review work or waive privilege without knowing what has been produced.

inclusive and available for the entire relevant time period with mapping to source documents, (5) make responding to document requests an efficient, repeatable process and, finally, (6) provide litigants with a secure, online portal to their document productions.

The plan, as being developed, anticipates a fixed cost of not more than $45,000/month over an initial six month period.[4] During the first 90 days of the period, the Receiver will transition all data repositories (internal and external) to a central hosted environment. During the second 90 days, the Receiver will work with (1) litigation counsel to develop a plan to commence the Receiver's internal investigation and (2) SEC and other regulatory counsel to ensure that existing production for ongoing investigations is continuing. Following the initial six month period, the Receiver will make the consolidated document portal available to third-party litigants and counsel (subject to a licensing fee to reimburse the Receivership for out-of-pocket data hosting and management costs). Further, the Receiver anticipates, subject to privilege and litigation strategy exceptions, to make available to interested parties the fruits and conclusions of its own investigation, thereby hopefully saving parties from duplicative investigations, which are time-consuming and costly both to the litigating party and to the Receivership which must respond to discovery requests.

The universe of litigants and other interested parties need one-stop shopping. The Receiver believes that a consolidation of discovery is the only efficient means of proceeding. Further, the Receiver must be able to represent that everything is in one expansive data room and require the requesting party sign a special protective order and

[4] Once the database is live, the Receiver expects to pay for all the base hosting and third parties pay for all services. While the exact split between material data and all data is not known, a conservative estimate assumes 500 GB (about 3 million documents) is material and the remaining data is searchable by the Receiver - but not live. Based on those assumptions, the projected ongoing cost to the Receivership could be estimated at $27,500 per month (500 GB x $20 plus 3,500 GB * $5).

pay a proportionate share of the costs of data maintenance and retrieval. Only then should parties have access to the archived data.

IV. Overview of the Receiver's Activities

A. Summary of Operations of the Receiver

1. Day-to-Day Management

With the termination of Aequitas management, the Receiver has needed to supervise the day-to-day operations of the various Receivership Entities. In addition to the daily management duties, the Receiver has focused on several key areas of his mandate, including the marshaling and preserving all assets for the benefit of the investors.

2. Bank Accounts

As the result of negotiations regarding the release of the $2.48 million ASFG deposit,[5] the Receiver has agreed to segregate this deposit. Similarly, the senior lender to SCA requested, as provided by the Receivership Order, that proceeds from the sale of CCM's interest in SCA be segregated and remain subject to the lien of senior lender. Separate cash accounts were set-up to accommodate the segregation requests.

As discussed in the Initial Report, the Receiver has instituted an integrated on-line platform that facilitates banking, future claims processing and cash reporting for receivership cases. Cash basis reports including information for the current reporting period and case to date are attached as Exhibit B.

3. Staffing

a. Headcount Reduction

[5] With the assistance of counsel, the Receiver enforced the stay of litigation against American Student Financial Group, Inc. ("ASFG"), which was prosecuting a suit in California against ACM. Additionally, the Receiver secured an order requiring the clerk of the California Court to disburse $2.48 million from the registry to the Receiver, which funds are held in a segregated account pending resolution of the matter.

The Receiver continues with planned, targeted staffing reductions based on the needs of the enterprise. As of September 30, 2016, the Receivership Entity had 16 full-time employees and 1 part-time employee. The Receiver instituted an employee retention program, which provides for at least six-week notice to employees whose services are anticipated to no longer be required by the Receivership.

b. Contractors

In response to some staff attrition in addition to the planned reductions, the Receiver necessarily backfilled key accounting and technology positions with local independent contractors (not affiliated with FTI). As of September 30, 2016, the Receivership employed four full-time equivalent accounting contractors and three part-time IT contractors.

4. Audit and Tax Preparation

In the ordinary course of business, the Receivership has many reporting and tax preparation responsibilities to investors and taxing authorities. With the resignation of Deloitte LLP as Aequitas' auditor and tax preparer, the Receiver was required to seek out and engage new professionals to fulfill those requirements.

a. Audit

The Receiver had engaged Burr Pilger Mayer ("BPM") to audit the 2015 financial statements for several Receivership entities where the Receiver believes an audit is likely to be helpful in connection with a sale or refinancing process. Audits for COF/CCM and for CP LLC are ongoing.

b. Tax Preparer

The Receiver retained a tax specialist to assist legacy Aequitas staff in the preparation of tax and information returns, and to provide tax consulting services on an as-needed basis at the request of the Receiver. As of September 30, 2016, the Receiver

filed 20 Federal plus 113 state tax returns. An additional 18 State tax returns were filed in October with 1 Federal plus 20 state tax returns yet to be completed.

B. Development of Claims Process

The Receivership has been working on the development of the claims process. So far, the Receivership has focused on two key areas: determining the Receivership Entities' data validation capabilities and working with existing external vendors to better understand their process and functionality as it relates to the solicitation of creditor/investor information, data management, and processing of future claims distributions.

The Receiver and his staff are currently determining the details of the claims validation capabilities of the Receivership Entities. The quality and content of data available in the general ledger of the Receivership Entities varies by entity and investment vehicle. Typically, each investment was recorded as a separate general ledger account number. The Receiver hopes to leverage these general ledger entries to validate investor claims.

The Receivership Entities' ability to validate claims may be complicated by the role of aggregators of registered investment advisers. Several RIA aggregators entered into agreements with certain Receivership Entities in which the aggregators would request an investment tranche on a periodic basis (normally weekly). Each individual tranche represents investments from many investors; however, the Receivership Entities only recorded information at a tranche level, not an investor level. The Receiver and his counsel are determining how to handle claims associated with such investments.

The Receiver and his staff are working with the Receivership's two existing external vendors to determine how to best disseminate and solicit claims information and process the data. In the absence of an already agreed distribution plan, the

Receiver must anticipate a variety of potential information that may need to be collected to validate creditor and investor claims and implement whatever distribution plan is ultimately approved. The Receiver and his staff are currently analyzing available information and working with the vendors to create a robust claims form and distribution system that will be capable of satisfying a potentially wide array of plans. The Receiver anticipates that the claims process will be rolled out in the coming months.

V. Assets/Interests Sold

A. EdPlus Holdings, LLC/Unigo Group sale

On June 21, 2016, the Receiver filed the Receiver's Motions for an Order (1) Authorizing Receivership Entities to Execute Instruments to Sell Extended Entity Assets, and (2) Approving Compromise of Creditor Claim Against ACF [Dkt. 199]. As reflected in the motion and the Declaration of Ronald Greenspan filed in support of the motion [Dkt. 200], the consideration for the sale is $500,000 to be paid to EdPlus at closing (the "Initial Cash Proceeds"), $100,000 to be paid sixty days after the closing (based upon working capital true-up calculations), and an "earn out" based on the performance of EdPlus during the 12 months following the sale (the "Earnout") which may or may not result in additional payments of up to $12.9 million.

On June 28, 2016, the Court approved the motion, and entered the Order (1) Authorizing Receivership Entities to Execute Instruments to Sell Extended Entity Assets, and (2) Approving Compromise of Creditor Claim Against ACF [Dkt. 207] and the transaction closed on the same day. The Initial Cash Proceeds were used to repay debt owed by EdPlus including a portion of the $400,000 lent by certain Aequitas executives/investors and $100,000 lent to EdPlus by the Receivership Entity to cover EdPlus payroll during the sale process. An additional $100,000 was placed in escrow to

fund a working capital adjustment reserve. Based on an initial review of the adjustment calculation, $69 thousand should be disbursed from the reserve to the Receivership Entity. Finally, the first reporting period for the quarterly statement of the Earnout closed September 30, 2016 and the initial statement for the quarter is due November 15, 2016 (forty-five days following the end of each calendar quarter). If any funds are received on the Earnout, it is expected that they will be distributed (after costs) substantially to the Receivership Entity on account of its pre-Receivership loans to EdPlus.

B. Strategic Capital Alternatives/SCA Holdings

As discussed in the Initial Report, Strategic Capital Alternatives LLC, a Washington limited liability company ("SCA") and SCA Holdings LLC, a Washington limited liability company ("SCAH") are each entities operating in the investment advisory industry. Although SCA and SCAH are not part of the Receivership Entity or Extended Entities, they have financial relationships with the Receivership Entity.

The Receiver concluded negotiations with SCA and SCAH regarding a global resolution of the interests of ACM and ACF in and related to SCA and SCAH. Following a 7 day conferral period, the Receiver filed the Receiver's Motions to (1) Accept Discounted Loan Payment, and (2) Sell Membership Interest in SCA Holdings LLC Free and Clear of Liens, Claims, Interests and Encumbrances [Dkt. 254]. Under the associated Loan Payoff and Redemption Agreement: (i) SCA would redeem the membership interests of SCA held by ACM, and (ii) SCAH would retire its indebtedness to ACF under the SCAH Loan. This agreement would allow SCA and SCAH to continue business activities without the involvement of the Receivership Entity, and would allow the Receivership Entity to realize significant value in the proceeds of the SCAH Loan, and nominal value in the underlying equity investment.

The combined consideration payable to the Receivership Entity in connection with the Loan Payoff Transaction and the Redemption Transaction is anticipated to be $815,000, payable as follows: (i) $300,000 payable upon the closing of the Loan Payoff Transaction and Redemption Transaction, (ii) $257,500 payable on or before September 30, 2016, and (iii) $257,500 payable on or before April 1, 2017 (the "Final Payment"). Receivership Entity will retain the right to reacquire the membership interests in SCA at any time prior to the receipt of the Final Payment, and the lender will not release its security interest in the assets of the borrower or permit the termination of the Financing Statement until the Final Payment is received.

The Order Granting Receiver's Motion to (1) Accept Discounted Loan Payment, and (2) Sell Membership Interest in SCA Holdings LLC [Dkt 258] was entered by the Court on September 30, 2016. On October 31, 2016, the transaction was closed and the Receivership received all three progress payments in full satisfaction of the agreement.

C. Prior Sales Efforts

In addition to the most recent asset sales discussed above (and as reviewed in detail in the Initial Report), since the appointment of the Receiver, the Receivership has conducted a competitive sale process and sold two large Consumer Loan Portfolios realizing approximately $64.2 million in gross proceeds or $10.1 million in proceeds, net of the payment to the Comvest Lenders in satisfaction of the Comvest Loans; plus additional $9.2 million of collections that had been previously retained by Comvest Lenders were released to the Receivership. The Receivership Entity has also sold, through competitive bidding, certain office equipment and furniture (the "OEF") located at the Entity Defendants' business premises at 5300 SW Meadows Road, Suite 400, Lake Oswego, Oregon, realizing over $50,000 in net proceeds.

D. Ongoing Sales Efforts

The Receiver continues to prepare assets for sale and actively market other assets. Significant resources have been expended to support the ongoing sale process and due diligence of potential buyers of CCM's assets, including the Receivership Entity's interest therein.

1. CCM (fka Aequitas Capital Opportunities Fund)

CCM is a $102 million fund formed to make control and minority investments in small to middle-market financial services companies. Affiliates of Aequitas Capital Opportunities GP, LLC (the General Partner and together with its affiliates, "Aequitas") committed $69.6 million to COF via the contribution of equity in five companies operating in the healthcare, education, and financial services/technology industries. Aequitas contributed equity in a sixth company to CCM after its formation and CCM has made direct investments in two additional companies.

The Receiver continued the pre-Receivership marketing process for certain CCM assets and this resulted in an offer by Origami Capital Partners[6] ("OCP") in April 2016 to purchase the Aequitas interests in CCM. At the conclusion of its preliminary review, OCP submitted a non-binding letter of intent (LOI) on or about June 13, 2016 (subsequently revised on or about June 21, 2016) to acquire the Aequitas interests in CCM for $77-$83 million. Following successful negotiation and signing of the LOI, OCP continued to expend significant resources performing due diligence on the various portfolio companies – including efforts to secure post-closing financing for the continued acquisition of medical receivables by CCM portfolio company CarePayment Technologies, Inc. ("CPYT").

[6] http://origamicapital.com/

On or about August 11, 2016, OCP notified the Receiver it had decided not to pursue acquiring the CCM portfolio if it contained CPYT – but would consider the balance of CCM absent CPYT and certain other interests previously sold (the acquired assets were termed the "Stub Portfolio"). On August 19, 2016, the Receiver conducted a call with the CCM Limited Partner Advisory Committee (the "LPAC") and discussed the OCP offer for the Stub Portfolio at the August 24, 2016 IAC meeting. Based on the Receiver's business judgment and the unanimous support of the investors, the Receiver pursued an agreement with OCP to acquire the Stub Portfolio under a stalking horse auction structure – the terms of which were memorialized in an LOI dated September 7, 2016.

Following a seven day conferral period, on September 20, 2016, the Receiver filed Motions for Orders: (1) Scheduling Hearing to Approve Purchase and Sale Agreement; (2) Approving Stalking Horse Bidder; (3) Approving Break-Up Fee; (4) Approving Bidding Procedures; and (5) Approving the Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Interests (the "CCM Sale Motion") [Dkt. 247].

Pursuant to the LOI, the material terms of the Purchase and Sale Agreement included the following:

(a) Property to be Sold: The CCM Interests.

(b) Owners of the CCM Interests:

Receivership Entity	Percentage Ownership in CCM
Aequitas Commercial Finance, LLC	51.90%
Aequitas Private Client, LLC	12.50%
Aequitas Holdings, LLC	3.64%
Aequitas Capital Opportunities GP, LLC	1.00%
Total:	**69.04%**

(c) Purchase Price: $12,175,000

(d) Principal Conditions to Origami's Obligation to Close:

(i) The negotiation and execution of mutually satisfactory definitive documentation, including the Purchase and Sale Agreement ("PSA") and assignment agreement;

(ii) Receipt of all requisite consents necessary to consummate the transaction;

(iii) compliance with applicable law or regulation, including but not limited to the Investment Company Act of 1940;

(iv) review and approval of the PSA by the Federal District Court of Oregon, Portland Division;

(v) Receipt of second quarter financials for the acquired companies;

(vi) That CCM own the following fully interests: ETC Global Group, LLC (1,478,502 Common shares); MotoLease, LLC (100 Common Units and an exercised option agreement for an additional 13% ownership interest); QuarterSpot,Inc. (739,092 Common shares and 122,466 Common Warrants); Independence Bancshares, Inc. (8,425 preferred shares); and Mogl Loyalty Services, Inc. (7,805,226 Series B-2 Preferred);

(vii) Completion of a 2015 audit of CCM;

(viii) Preservation of CCM's ownership interest in Mogl-Empyr by timely payment of the $180,000 capital call to secure that its position is not diluted.

(e) Purchaser: Origami Capital Partners, LLC, or an affiliate of Origami Capital Partners

(f) Origami's Relation to Receivership Entity or Receiver: None

(g) Higher and Better Offers. The PSA is subject to the submission by third parties of higher or better offers as set forth in the Procedures Order. In order for other bidders to be a Qualifying Bidder under the PSA, they must submit

a bid worth not less than $1,000,000 more than the Stalking Horse Bidder's offer. As discussed below, the $1,000,000 minimum overbid included payment of $669,625 to Origami as expense reimbursement and a break-up fee, but would still yield approximately $330,000 in additional net sale proceeds for the Receivership Entity.

(h) Break-Up Fee/Overbid Protections. The PSA shall provide that if it is terminated for any reason other the Stalking Horse Bidder's breach or because the Court approves the proposed Sale of the CCM Interests to a successful bidder other than the Stalking Horse Bidder, the Receivership Entity shall pay to Origami (i) expense reimbursement of 3.0% of the Purchase Price ($365,250), plus (ii) a break-up fee of 2.50% of the Purchase Price ($304,375), for an aggregate fee of $669,625 (together, the "Break-Up Fee").

(i) Closing Date: Within three (3) business days following the date of entry of the Final Sale Order (defined below).

(j) The PSA will provide for standard representations warranties, with standard covenants, indemnities and closing conditions for the purchase and assumption of CCM's equity interests. An illustrative list of seller representations and warranties was attached as an exhibit to the Letter of Intent.

The Order Granting Receiver's Motion (1) for Approval of Letter of Intent, (2) for Approval of Bid Procedures, Break-up Fee, and Stalking Horse Bidder and (3) to Schedule Final Sale Hearing was entered on September 21, 2014 (the "CCM Sale Order") [Dkt. 250]. On or about September 27, 2016, a consent notice was mailed to the COF limited partners regarding the proposed transaction. The consent notice requested an affirmative response (yes or no) to SPV Interest/POA; Transaction Consent; Sale Option; Authorizations and Amendments; Distribution Calculation. Ultimately, ninety-five percent of the limited partners (by dollar amount) returned their consent notices and the transaction was approved by 100% of the respondents.

On October 5, 2016, the Receiver filed the Declaration in Support of Receiver's Motions Approving the Sale of Assets Free and Clear of all Liens, Claims, Encumbrances and Interests

(CCM Capital Opportunities Fund, LP) [Dkt. 259] which declaration attached the negotiated form of the PSA. Also on October 5, 2016, the Receiver received a non-binding letter of interest from Cedar Springs Capital which purported to offer a higher bid for the entirety of the COF portfolio (the stub portfolio and CPYT). Due to the construct of the bidding procedures and certain contractual obligations, the Receiver and OCP mutually agreed to extend the alternative bid deadline to October 11, 2016.

On October 11, 2016, Marc Fagel of Gibson, Dunn and Crutcher LLC (counsel for defendant Jesenik) filed a Motion to Continue the Hearing on Sale of CCM Interests [Dkt. 264]. In his Declaration in Support of Jesenik's Motion to Continue Hearing on Sale of CCM Interests [Dkt. 265], Mr. Fagel put forth a letter from Cedar Springs Capital LLC ("CSC") which was purported to be an offer "materially superior to that proposed by the Stalking Horse Bidder" (the "CSC Offer").[7] The CSC Offer had been presented previously to the Receiver on October 5, 2016. The Receiver evaluated the CSC Offer at that time and determined that it was not a qualifying overbid in accordance with the Bid Procedures approved by the Court and, therefore, did not meet the criteria for Alternative Qualifying Bid. Also, the Receivership estate was bound by the terms of a signed exclusivity agreement (the "Exclusivity Agreement") with FTV Capital regarding the sale of CPYT (which the CSC Offer included as an asset to be purchased in addition to the Stub Portfolio). Pursuant to that contract, the Receiver agreed not to solicit, negotiate or otherwise discuss the terms of a sale or change in control of any equity in CarePayment Technologies or CarePayment Holdings during the exclusivity period, which provision would be breached if the Receiver were to negotiate the terms of the CSC Offer as presented.

On the same day as Jesenik's motion was filed, the Court entered an Order Continuing Hearing on Sale of CCM Interests [Dkt. 266] to October 26. 2016. On or about October 22, 2016, the Exclusivity Period regarding the sale of CPYT to FTV Capital expired without the parties having reached agreement on the terms of the acquisition and the Receiver elected not

[7] The Receiver was first aware of CSC's interest in the CCM portfolio in April 2016. CSC's level of expressed interest and deal structure as memorialized in their Offer to Purchase Portfolio Assets dated June 17, 2016 was less desirable than that of OCP and, accordingly, the Receiver entered into negotiations with OCP in July 2016.

to extend exclusivity further.

On October 27, 2016, CSC filed pleadings with the Court submitting its bid for the Stub Portfolio. At the hearing that subsequently took place the same day, the Court determined that CSC had submitted an Alternative Qualifying Bid. At an ensuing live auction, CSC submitted a winning bid for the Stub Portfolio for total of $14,675,000 and received the right to exclusively negotiate a stalking horse offer for the balance of the CCM portfolio.

2. Dispute as to Receiver's Ability to Sell Stub Portfolio

On or about September 27, 2016, the Receiver, OCP and counsel for the Receiver received a letter (the "ML Letter") from Ronald N. Jacobi of Bryan Cave LLC –purportedly on behalf of MotoLease LLP and two of its principals (Maurice Salter and Emre Ucer) [Dkt 259-3]. The ML Letter claimed that the sale of the CCM interests in the Stub Portfolio violated certain provisions of the Limited Liability Company Agreement of MotoLease LLC dated June 26, 2012 (the "LLC Agreement"). The ML Letter further identified sections 10.5 (the Right of First Offer) and 10.3 (the Tag-Along Rights) each of which allegedly afforded Messrs. Salter and Ucer certain contractual rights regarding the sale by CCM of its interests in MotoLease LLC. The ML Letter also contained certain inaccurate statements regarding the history of Aequitas' holdings and the actions of the Receiver. Delivery of the ML Letter to OCP was construed as wrongful interference in a commercial transaction – one that was conducted pursuant to the CCM Sale Order – causing delays and additional costs to the Receivership.

On or about September 30, 2016, the Receiver (through counsel) replied to the ML Letter setting forth (among other things) (1) the proposed Stub Portfolio sale did not violate the LLC Agreement; (2) disputing the valuation of MotoLease, LLC; (3) correcting the material misstatements contained in the ML Letter; (4) seeking clarity as to Mr. Jacobi's client and source of payment; and (5) reserving certain claims the Receivership is exploring against MotoLease LLC. While Mr. Jacobi contends that the ML Letter constituted an objection to the CCM Sale Motion – no filing of a formal objection was made. The Receiver reserves all of its rights and remedies against MotoLease, Mr. Salter, Mr. Ucer, and their affiliates, agents and

representatives.

3. CPYT

As evidenced by the execution of the Exclusivity Agreement previously discussed, the Receiver has been actively marketing the Receivership's interests in CPYT. The potential purchaser for CPYT - FTV Capital[8] ("FTV") – was first approached as a possible minority investor in May 2015 and, beginning in November 2015, was actively involved in the capital raise process led by Aequitas' then-investment banker, TripleTree. Post-Receivership, FTV's interest grew to include the acquisition of CPYT as a stand-alone entity and was memorialized in an "investment proposal" dated March 30, 2016 with a post-money equity valuation of $75.0 million. FTV later increased the investment proposal to a post-money equity valuation of $80.0 million on April 18, 2016 and again on May 17, 2016 to a post-money equity valuation of $85.5 million. On or about June 9, 2016, the terms of the investment proposal were finalized and executed by the parties.

As previously discussed, OCP submitted a non-binding letter of intent (LOI) on or about June 13, 2016 (subsequently revised on or about June 21, 2016) to acquire the Aequitas interests in COF (which included CPYT) for $77-$83 million. After consulting with the LPAC and counsels for both, the Receivership and CPYT, the Receiver proposed a structure that allowed OCP to pursue its purchase of the COF interests. On July 13, 2016, FTV, CPYT and the Receiver executed an exclusivity waiver to allow OCP to proceed with due diligence on the COF acquisition in return for a $250,000 expense reimbursement to FTV should OCP close on the COF transaction, including CPYT. On or about August 11, 2016, OCP notified the Receiver it had decided not to pursue acquiring

[8] http://www.ftvcapital.com/

the COF portfolio if it contained CPYT – which reinstated FTV as the lead purchaser of CPYT.

The parties executed the Exclusivity Agreement on September 7, 2016 which provided for a $3.5 million break-up fee to be paid to FTV Capital (subject to certain limitations) should CPYT, COF or the Receiver solicit, negotiate or otherwise discuss the terms regarding the sale or change in control of any equity or a substantial portion of the CPYT's or CarePayment Holdings LLC's ("CP Holdings") assets to any party other than FTV Capital.[9] The parties were unsuccessful in negotiating transaction documents and, subsequent to September 30, the exclusivity agreement (and obligation to pay the breakup fee) expired. FTV Capital remains interested in acquiring CPYT and the Receivership continues to be interested in selling its interest in it if 'satisfactory terms can be concluded, subject to the existing agreement with CSC.

4. WindowRock Feeder Fund ("WRFF 1")

WRFF 1, through its affiliates, holds a management contract entitling the Receivership Entity to a management fee of 75 basis points annually on invested capital (approximately $21.8 million) by its investors in the Window Rock Residential Recovery Fund.[10] The Receiver has negotiated a restructuring of the Receivership Entity's interest in WRFF 1 which will generate payment of $164 thousand plus any accrued, but unpaid fees as compensation for the Receivership interest.[11] The parties are negotiating the transaction documents.

VI. Communications to Interested Parties

[9] CPYT, COF, and the Receiver could still allow unsolicited parties who expressed interest in CPYT to conduct their due diligence during the FTV exclusivity period.
[10] http://windowrock.com/
[11] As of September 31, 2016, the purchase price would be $164,000 + (one year of fees or $21,839,176 * .75%) = 327,793.82.

A. Ongoing Communication with Investors/Counsel

To facilitate regular communication regarding significant opportunities, challenges and actions, the Receiver formed the Investor Advisory Committee (the "IAC") which consists of 49 investors and advisers. Participation was solicited based on size of the investor or investment advisor and also with an eye toward ensuring that all of the significant constituencies would be represented. The latest meeting of the IAC was held on November 2, 2016. In addition, there is a pre-Receivership Limited Partner Advisory Committee with respect to CCM (fka Aequitas Opportunity Fund), also a Receivership Entity. The Receiver holds in-person and/or telephonic meetings with that Committee prior to making significant decisions regarding the assets of CCM. Further, following each IAC meeting, the Receiver conducts a meeting with counsel for IAC members and other lawyers who have expressed an interest in the Receivership. At these meetings the Receiver reviews with counsel in attendance what information was communicated to the IAC and also responds to questions from counsel. The purpose of these meetings is to keep an open line of communication with counsel for the investors and facilitate the development of an effective investigation and litigation strategy and, ultimately, a distribution plan.

B. Special communications

During the quarter, the Receiver sent out emails to the IAC and LPAC soliciting feedback regarding sale transactions and the funding needs of portfolio companies. On July 20, 2016, the Receiver requested feedback on the funding needs of one of the portfolio companies (MSP/Ivey) and the possible sale of an Exclusive Resorts membership. On July 27, 2016, the Receiver again requested feedback on the funding needs of an additional portfolio company (CPYT) as a bridge to a transaction. The July 27 request was accompanied by a conference call on July 29 to answer any questions

regarding the CPYT bridge financing. Finally, on August 15, 2016, the Receiver held a conference call with the LPAC to provide an update on the pending offers for the CCM portfolio.

C. SEC and Other Governmental Agencies

1. SEC

As previously discussed, on March 10, 2016, the SEC filed a complaint in this Court alleging that certain Aequitas executives and five entities had violated various federal securities laws. On June 6, 2016, the SEC and the Receiver, acting on behalf of the Aequitas Entity Defendants, filed a consent judgment with the Court, which resolved the claims set forth in the SEC Complaint against the Entity Defendants only, without admitting or denying the numerous allegations. We continue to interact and cooperate with the SEC, as required by the consent judgement, but there is nothing new to report as of now.

2. CSF and CFPB

The Receiver continues to spend a substantial amount of time and energy responding to requests for information from the various government agencies and also continuing his discussions with them on the best way to provide student borrowers with meaningful debt relief, while simultaneously preserving value for the benefit of Receivership Entity investors.

More specifically, the Receiver continues to discuss with the CFPB the appropriate documentation to effectuate the relief the two parties have agreed to in concept. The Receiver has also taken an active role in bringing state attorneys general into direct contact with the CFPB in an effort to ensure the final resolution satisfies a broad group of constituents and limits future claims against the Receivership Entity.

3. Other Governmental Inquiries

The Receiver continues to maintain a positive working relationship with enforcement agencies as they look into the pre-receivership activities of the Aequitas group of companies and to minimize, to the extent possible, the cost to the Receivership Entity of such inquiries and investigations.

VII. Lender Relationships

A. The Direct Lending Income Fund, LP ("DLIF") Financing

CPLLC continues to receive financing from the Direct Lending Income Fund, LP (DLIF), the entity which purchased Bank of America's previous credit facility on March 16th, 2016. CPLLC continues to be the main financing facility for health care receivables serviced by the CarePayment platform, with all new account originations flowing through this facility. Therefore, the continued operation of CPLLC's borrowing facility is essential for the continued operation of CPYT's origination and servicing platform.

The combined efforts of CPYT, DLIF and the Receivership allowed CPLLC to successfully increase the cap on the facility from $35 million to $45 million as of early October 2016, giving CPLLC the necessary financing to continue operations and portfolio growth, thereby maintaining CPYT's going-concern value. The Receivership was also able to maintain an 85% advance rate on the cost basis of the portfolio as well as maintain pre-default interest rates on the portfolio (on which DLIF has currently opted to defer payment). As of September 30th the total loan in the DLI facility had been expanded from its pre-Receivership size of $18.1 million to $38.5 million (and receivables securing the facility increased from $38.3 million to $59.8 million). Based on current funding projections, the $45 million facility is expected to allow funding and originations to continue through the beginning of 2017.

B. The Wells Fargo Financing

The Receivership has continued to work with Wells Fargo, a secured lender to the Exhibit B entity CP Funding 1 Trust (CPFIT). As of September 30th, 2016, the CPFIT portfolio has been reduced by 35.7% of its pre-Receivership size, and the loan from Wells Fargo has been paid down by $11,186,978, through the weekly waterfall payment structure. Under the amended Receivables Loan Agreement, on August 24th, 2016, the Wells Fargo credit facility was to go into Turbo Amortization, to liquidate the remaining receivables and pay off the loan.

Through discussions with Wells Fargo management, the Receivership was able to propose further amendments to the Receivables Loan Agreement that provide greater flexibility to better allow the portfolio to continue to liquidate stably. These changes include, but are not limited to, the ability to continue originating a small number of "subsequent sale" accounts, a stable Maximum Effective Advance Rate, and extended timelines to cure deficiencies (if any were to occur) in the portfolio.

These changes were mutually agreed upon with the understanding that CPFIT would operate under these revised provisions until October 31st, at which time the amendment would be revisited. Should these allowances not be extended past October 31st, the portfolio will continue to liquidate under the original Turbo Amortization provisions.

C. Scottrade

On or about June 28, 2013, Aequitas entered into a $25.4 million transaction to acquire a portfolio of student loan receivables related to Corinthian Colleges and financed in part by Scottrade. The principal amount of the financing as of September 15, 2016 was approximately $941,000 and was secured by $8.7 million of student loans. The Receiver was successful in negotiating a discounted payoff of the debt for

$810,000 which was paid on September 30, 2016. The discount and related interest savings represent a 17% discount from the face amount of the debt.

VIII. Assets in the Possession, Custody and Control of the Receivership Estate

A. Cash and Cash Equivalents

The Receiver has possession of cash balances of approximately $38.9 million as of September 30, 2016. Over the period from March 16, 2016 to September 30, 2016, the overall cash balance of the Receivership Entity increased by approximately $23 million and has remained virtually flat since June 30, 2016.

Attached as Exhibit B to this Report is the Report of Cash Receipts and Disbursements in the form of the Standardized Fund Accounting Reports as prescribed by the SEC. The reports, together with the accompanying footnotes and detailed schedules, provide an accounting of the Receivership Entity's cash activities through September 30, 2016.

B. Notes Receivable

For notes receivable from non-Receivership entities, the Receiver and staff continue to pursue collection and will continue to provide progress updates. As of September 30 there were approximately $7.3 million of third party notes receivable principal amount outstanding and delinquent. The Receiver has circulated a motion for conferral requesting permission, as required by the Receiver Order, to commence litigation if necessary to collect on certain of these notes receivable.[12]

[12] The Receiver has also identified approximately $2.2 million in medical receivables that are subject to recourse and may need to be pursued through litigation.

IX. Asset Recovery – Anticipated Assets not yet in the Possession of the Receivership Entity

The Receiver is actively working and negotiating with Next Motorcycle, LLC in order to secure approximately 89 motorcycle assets (or obtain the funds due from the sale of said assets) which are currently not in the possession of the Receivership Entity. The sale of these assets may yield approximately $230,000 in gross proceeds.

As previously discussed, subsequent to June 30th, the Receiver successfully litigated and negotiated for a $2.4 million deposit held by a Southern California court to be released to the Receivership and held as restricted funds. Those funds were received by the Receivership subsequent to September 30th.

X. Accrued Professional Fees

As previously discussed, the Receiver has retained several key professionals to assist him in managing the various Aequitas entities, dealing with inquiries/ investigations from governmental agencies and prosecuting his mandate as the Receiver.

A summary of fees and expenses incurred by the Receivership is summarized in the table below. The amounts are preliminary and subject to adjustment based on the interim and final fee applications. Detailed time records and supporting documents are being supplied to the Commission and fee applications will be filed with the Court for Court approval prior to the payment. All professionals, including the Receiver, are working at a discount to their standard rates.

Aequitas Receivership

Professional Fees & Expenses by Entity (from July 1 through September 30, 2016)

Entity	Fees ($)	Percentage	Expenses ($)	Percentage	Total ($)	Percentage
Receiver	252,079	11.4%	1,312	1.1%	253,391	10.8%
FTI Consulting	991,735	44.7%	78,209	63.8%	1,069,944	45.7%
Pepper Hamilton	321,211	14.5%	38,795	31.7%	360,006	15.4%
Schwabe, Williamson & Wyatt	525,086	23.7%	3,502	2.9%	528,587	22.6%
Morrison Foerster	77,142	3.5%	141	0.1%	77,284	3.3%
Law Office of Stanley H. Shure	39,257	1.8%	406	0.3%	39,663	1.7%
Akin Gump	11,000	0.5%	133	0.1%	11,133	0.5%
Ater Wynne [1]	-	0.0%	-	0.0%	-	0.0%
Total:	**2,217,510**	**100%**	**122,498**	**100%**	**2,340,008**	**100%**

[1] Ater Wynne did not incur fees or expenses during the billing period.

XI. Receivership Claimants

In the Initial Report, the Receiver provided a compiled list of claimants. The summary table reflected the Aequitas entities where claimants invested/loaned funds. It does not reflect any subsequent investment/loan by that Aequitas entity. There have been no changes in the claimants since the last report. In the next several months a claim form will be mailed to all investors (and creditors) and posted on the Receivership website. The claim form, when published and after approval by the SEC and the Court, will be detailed and contain instructions. Assuming the records permit an efficient method for the Receiver to populate claim forms for known claimants, it is the Receiver's intention to provide such forms to the investor claimants to simplify the claim process, where feasible and practical. Moreover, if the claimant agrees with such amounts, the form will be deemed automatically submitted and the claimant will need to take no further action with respect to submitting a claim.

XII. Receiver's Plan

At this time, the Receiver is in the process of actively recovering, stabilizing and monetizing assets; it is impossible to provide a definitive timeline for the completion of

the other phases of the Receivership – culminating in a court-approved distribution to investors. This Receivership is complex and it may take considerable time until distributions to investors can be made.